

The University of the State of New York

REGENTS HIGH SCHOOL EXAMINATION

BOOKKEEPING II

Wednesday, January 21, 1959 — 9:15 a.m. to 12:15 p.m., only

Name of pupil.....Name of school.....

The entire question paper should be handed in at the close of the examination.

Part I

Answer both questions in this part.

1 Answer *a*, *b* and *c*:

a Use the following FIVE journals with special columns as indicated:

[*Note*: In the general journal FOUR columns are required; in the cash receipts journal FOUR columns are required; in the cash payments journal FIVE columns are required.]

General Journal: *Debit side* — Accounts Payable, General Ledger
Credit side — General Ledger, Accounts Receivable

Cash Receipts Journal: General Ledger, Accounts Receivable, Sales Discount, Net Cash

Cash Payments Journal: General Ledger, Accounts Payable, General Expense, Purchase Discount, Net Cash

Sales Journal

Purchase Journal

Larry Stone and William Nelson are partners in a knitwear business. On December 1, 1958, the firm had a bank balance of \$6,450. Make, with sufficient explanations, entries for the following selected transactions, checking all items that should not be posted separately:

- December 3 Sent a check for \$35 to the Lincoln Cleaning Service for the monthly office cleaning bill.
- December 5 Sold to the Excelsior Store, Rochester, N. Y., merchandise invoiced at \$485, terms $\frac{2}{10}, N/30$. Prepaid the freight of \$15 on this shipment and charged it to the Excelsior Store's account.
- December 6 According to our monthly bank statement, \$5.60 was deducted from our account as a bank service charge.
- December 11 Bought from Bingham Woolen Co., Buffalo, N. Y., knitwear invoiced at \$2,400, terms $\frac{3}{10}, N/60$.

BOOKKEEPING II — *continued*

- December 12 Drew a check for \$514 to cover the following payroll taxes for the month of November:
- | | |
|--|-------|
| Withholding taxes | \$360 |
| F.I.C.A. taxes deducted from employees' salaries.. | 77 |
| Employer's contribution toward F.I.C.A. tax..... | 77 |
- We received a federal depository receipt for \$514.
- December 13 Received a credit memorandum from the Bingham Woolen Co. for \$50 as an allowance on the shipment of the 11th. We had reported defective goods in one of the packages.
- December 15 Received a check from the Excelsior Store for \$490.30 in payment of the invoice of the 5th, less the 2% cash discount and plus the freight charge.
- December 16 Bought from the Reynolds Co., Yonkers, N. Y., merchandise for \$1,340, terms a 30-day draft. The draft dated December 15 was attached to the invoice.
- December 17 Accepted and returned to the Reynolds Co. the time draft for the purchase of the 16th.
- December 19 Bought a typewriter for the office from the Squire Office Supply Co. for \$140 and sent a check in full payment.
- December 20 Sent a check for \$2,279.50 to the Bingham Woolen Co. in payment of the invoice of the 11th less the return of the 13th and less the 3% cash discount.
- December 24 Discounted at the First National Bank our 30-day note for \$2,000 dated today, and received credit for the net proceeds, \$1,990.
- December 26 Sold to Henry Miller for cash, merchandise amounting to \$240.
- December 27 Sold to the Emporium Store, Syracuse, N. Y., merchandise invoiced at \$280, terms $\frac{2}{10}$, E.O.M.
- December 30 The Emporium Store returned \$55 worth of goods sold them on the 27th because the goods were not as ordered. We gave them credit.

Close and summarize *all* journals. Use the method that you have been taught. [50]

- b* Post to the accounts in the general and subsidiary ledgers from the Sales Journal and the Cash Receipts Journal. Show all dates and folio numbers. [Include the entries that would normally be posted during the month as well as the totals at the end of the month.] [8]
- c* What is the bank balance on December 31, 1958? [Indicate this balance in the Cash Receipts Journal, using the method you have been taught.] [2]

BOOKKEEPING II — *continued*

2 Answer the following questions relating to this balance sheet:

YORK BOOK CORPORATION
Balance Sheet
December 31, 1958

<i>ASSETS</i>		
<i>CURRENT ASSETS:</i>		
Cash in bank.....		\$ 5,500.00
Cash on hand.....		50.00
Notes Receivable		3,000.00
Accrued Interest Receivable		20.00
Accounts Receivable	\$37,500.00	
Less Reserve for Bad Debts.....	450.00	37,050.00
Merchandise Inventory		74,380.00
TOTAL CURRENT ASSETS.....		\$120,000.00
<i>FIXED ASSETS:</i>		
Land and Buildings.....	35,000.00	
Less Reserve for Depreciation.....	3,850.00	31,150.00
Furniture and Fixtures.....	6,000.00	
Less Reserve for Depreciation.....	1,500.00	4,500.00
TOTAL FIXED ASSETS.....		35,650.00
<i>DEFERRED EXPENSES:</i>		
Unexpired Insurance		220.00
Stationery and Supplies on hand.....		130.00
TOTAL DEFERRED EXPENSES.....		350.00
TOTAL ASSETS		<u>\$156,000.00</u>
<i>LIABILITIES</i>		
<i>CURRENT LIABILITIES:</i>		
Notes Payable	\$18,500.00	
Accrued Interest Payable	145.00	
Accounts Payable	12,985.00	
Dividends Payable	7,000.00	
Withholding Taxes Payable.....	1,250.00	
F.I.C.A. Taxes Payable.....	120.00	
TOTAL CURRENT LIABILITIES.....		\$40,000.00
<i>FIXED LIABILITIES:</i>		
Mortgage Payable		12,000.00
TOTAL LIABILITIES		\$ 52,000.00
<i>CAPITAL</i>		
Capital Stock		90,000.00
Surplus		14,000.00
TOTAL CAPITAL		104,000.00
TOTAL LIABILITIES AND CAPITAL.....		<u>\$156,000.00</u>

- a The current assets divided by the current liabilities will give what is known as the current ratio.
 - (1) Determine the current ratio for the York Book Corporation. [1]
 - (2) On the basis of this ratio, would you be willing to sell merchandise to this corporation on credit? Explain. [2]
- b What was the book value of Furniture and Fixtures on December 31, 1958? [1]
- c The York Book Corporation was formerly a partnership. Give *two* reasons why the firm may have decided to incorporate its business. [4]
- d What evidence does each stockholder have of his ownership in this corporation? [1]
- e Explain the term *Dividends Payable* that appears in the current liabilities section. [2]
- f Why does Mortgage Payable appear in the fixed liabilities section? [2]
- g Explain the term *Surplus* that appears in the capital section. [2]

Part II

Answer either question 3 or question 4.

3 Answer both *a* and *b* :

a Complete the following payroll in the spaces provided. The withholding tax can be obtained from the table given below. The F.I.C.A. tax rate is $2\frac{1}{2}\%$. [Note: The F.I.C.A. tax rate of $2\frac{1}{2}\%$ went into effect on January 1, 1959.] [10]

Payroll Record
Week ending January 9, 1959

Employee	No. of Exemptions	Total Earnings	Withholding Tax	F.I.C.A. Tax	Total Deductions	Net Pay
H. Marks	.....2.....	...\$76.00...	\$.....	\$.....	\$.....	\$.....
P. Smith	.....0.....	... 73.00...	.....	.....	.....	.....
H. Epstein	.....3.....	... <u>79.50</u>...	.....	.....	.....	.....
<i>TOTALS</i>	———	\$.....	\$.....	\$.....	\$.....	\$.....

INCOME TAX WITHHOLDING TABLE

And the wages are —		If the payroll period with respect to an employee is WEEKLY And the number of withholding exemptions claimed is —							
At least	But less than	0	1	2	3	4	5	6	7
		The amount of income tax to be withheld shall be —							
\$70	\$72	\$12.80	\$10.50	\$8.20	\$5.90	\$3.50	\$1.20	\$0	\$0
72	74	13.10	10.80	8.50	6.20	3.90	1.60	0	0
74	76	13.50	11.20	8.90	6.60	4.30	2.00	0	0
76	78	13.90	11.60	9.20	6.90	4.60	2.30	0	0
78	80	14.20	11.90	9.60	7.30	5.00	2.70	.40	0

b Using the figures in the payroll record above, prepare in two-column journal form the entry to be made for the weekly payroll. [No explanations are required.] [5]

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4 Answer all parts of this question :

- a During the year ending December 31, 1958, Harrington & Co. had sales on account of \$160,000. Indicate in two-column journal form the entry necessary to record a reserve for bad debts of $\frac{1}{2}$ of 1% of the sales. [No explanation is required.] [3]
- b The following information was taken from the books of Lasser & Osborn on December 31, 1958:

Net sales for the year.....	\$30,000.
Inventory January 1, 1958.....	6,000.
Net purchases for the year	18,000.
Inventory December 31, 1958.....	4,000.

- (1) The rate of merchandise turnover is found by dividing the cost of goods sold by the average inventory. Using the figures above, find the rate of merchandise turnover. [4]
- (2) Using the figures above, find the gross profit for the year. [2]
- c Abrams and Company has a Petty Cash Fund.
- (1) State *two* advantages of an Imprest Fund (Petty Cash System). [2]
- (2) Indicate in two-column journal form the entry made on December 1, 1958, to establish a petty cash fund of \$50. [No explanation is required.] [2]
- (3) How can the petty cashier prove that the amount of currency in the petty cash box is correct? [2]

Part III

Answer either question 5 or question 6.

5 The bookkeeper on the job occasionally refers to various business papers to check the accuracy of information found in his journals and ledgers. Write on the line at the right of *each* of the following the name of the business paper or other source to which the bookkeeper will refer in order to obtain that information: [One credit for each correct answer; no partial credit.] [10]

- a The items returned by a customer for credit a.....
- b The reason for the withdrawal of currency from the petty cash fund b.....
- c The opening bank balance, the deposits, the checks paid and the closing balance c.....
- d The unit price charged a customer in a sale of merchandise d.....
- e The method of dividing profits among partners e.....
- f The amount of the unexpired insurance f.....
- g The signature of the creditor to prove that he received payment for merchandise we had purchased g.....
- h The receipt of the railroad company for goods left with them for transportation h.....
- i The credit terms in a purchase of merchandise i.....
- j The purpose for which a business was incorporated j.....

6 On the line at the right of *each* of the following write the word or expression that best completes the statement or answers the question. [One credit for each correct answer; no partial credit.] [10]

- a Who pays the unemployment insurance tax in New York State? a.....
- b Each customer whose account is open at the end of the month will receive a (an) b.....
- c An employer's report of income tax withheld and F.I.C.A. taxes for the quarterly period ending March 31 must be filed on or before c.....
- d A truck purchased for \$6,000 with an estimated life of five years and a scrap value of \$500 will result in an annual depreciation charge of d.....
- e A (An) ... lists the balances of the general ledger accounts before the ledger is closed. e.....
- f Freight Inward should be shown in the ... section of the Profit and Loss Statement. f.....
- g In a shipment of goods F.O.B. Syracuse to a customer in Chicago, the freight charges will be paid by the g.....
- h The total of the balances of the accounts in the customers' ledger should equal the balance of the ... account in the general ledger. h.....
- i An endorsement reading "Pay to the order of Harry Hines, (Signed) A. Brooks" is a (an) ... endorsement. i.....
- j Income that has been earned but not yet received is called ... income. j.....