

The University of the State of New York

266TH HIGH SCHOOL EXAMINATION

BOOKKEEPING II

Wednesday, June 17, 1936—9.15 a. m. to 12.15 p. m., only

Write at top of first page of answer paper (a) name of school where you have studied, (b) number of weeks and recitations a week in each of the following separately: bookkeeping I, bookkeeping II. The minimum time requirement is five recitations a week for two school years.

Answer five questions, including both of the questions in group I, one question from group II and two questions from group III.

Group I

Answer questions 1 and 2.

1 Use general journal and cashbook. Columns required in the general journal are: Debit side—Notes Receivable, Accounts Payable, General Ledger; Credit side—General Ledger, Accounts Receivable, Notes Payable. Columns required in the cashbook are: on the receipts side—General Ledger, Accounts Receivable, Sales Discount, Net Cash; on the payments side—General Ledger, Accounts Payable, Purchases Discount, Net Cash.

Charles Draper, a jobber of woolen and cotton goods, decided on May 1, 1936, to take his son William into the business and place him in charge of the sales division. A copartnership agreement was drawn, whereby Charles Draper transferred to his son William, as a gift, a one-fourth interest in the business, the capital of which amounted to \$60,000. The new firm was to be known as Charles Draper & Son, and profits and losses were to be shared by the partners in proportion to their initial capital.

Acting as bookkeeper for the firm, make the appropriate journal records for the change in proprietorship, assuming that the old books, which were closed on April 30, are to be continued. Enter the bank balance of \$3250 in the cashbook and make, with sufficient explanations, entries for the following selected transactions, checking all items that should not be posted separately:

- May 1 Sent a check to the Whitman Textile Mills for \$850 in payment of invoice of April 21.
- May 1 Paid the Standard Trust Co. the semiannual interest, at 6% per annum, due on the mortgage of \$20,000 on our building.
- May 2 Gave our 60-day note, bearing interest at 4%, to Marshall & Hill in settlement of March account amounting to \$1280.
- May 4 Prepaid a freight bill of \$7.50 on a shipment of merchandise to H. Rothberg, Akron, Ohio, and charged this amount to his account.
- May 5 The Whitman Textile Mills informed us that in our remittance of May 1 we failed to deduct a purchase discount of 2% to which we were entitled. They advised us that this discount has now been applied to our account.
- May 6 Received notice from the firm's bank that it collected our sight draft for \$325 drawn on P. J. Lord April 30 for a bill of goods sold to him April 18. The bank charged our account with 50 cents for the collection.
- May 7 Received Borden & King's acceptance of a 60-day draft drawn on them April 30 for a sale amounting to \$410.75.
- May 9 Received a check from F. J. Bushnell in payment of invoice of April 29 for \$296, less 2%.
- May 12 Paid the New England Trucking Co. \$18.40 for cartage on a shipment of goods purchased from the Northampton Woolen Co.

BOOKKEEPING II — *continued*

- May 14 George Freeman paid us his note for \$520, with interest for 2 months at 6%.
- May 15 Mailed a credit memorandum for \$32.60 to P. Hauser for the return of defective cloth sold to him on account May 8.
- May 18 Mailed a check to Carter Bros. in payment of invoice of April 22, amounting to \$1240, terms E.O.M.  $\frac{2}{20} \frac{n}{60}$ .
- May 19 Discounted at the bank, at the rate of 4%, Arthur Tanner's two-months non-interest-bearing note dated April 18 and amounting to \$660.
- May 21 A purchase of goods from J. T. Webb & Co., amounting to \$935, was entered in the purchases journal on May 16 and posted by mistake to the account of Webber Bros. The error was discovered today. [Make the correction entry.]
- May 25 Rented a loft in our building to Wm. Frank & Son on a one-year lease, occupancy to begin June 1. The tenant paid in advance one month's rent, \$75.
- May 27 Received a check from P. Hauser in payment of invoice of May 8, amounting to \$240, terms  $\frac{2}{20} \frac{n}{60}$ , less the credit bill for the goods returned May 15.

Close the cashbook and bring down the balance. Foot and rule the general journal. Indicate clearly how totals are to be posted, but do not post. [50]

2 Answer *four* of the questions below relating to the following balance sheet: [Wherever figures are used, show calculations.]

GRANT & MURRAY

Balance Sheet

December 31, 1935

<i>Assets</i>		
<u>Current Assets</u>		
Cash .....		\$ 3,250
Notes Receivable .....	\$4,060	
Less Notes Receivable Discounted .....	1,290	
	2,770	
Accounts Receivable .....	9,735	
Less Reserve for Bad Debts .....	410	
	9,325	
Merchandise Inventory .....		16,137
Interest Receivable .....		18
		31,500
<u>Deferred Expense</u>		
Shipping Supplies (Inventory) .....		362
Advertising (Prepaid) .....		150
Office Supplies (Inventory) .....		134
		646
<u>Fixed Assets</u>		
Land and Building (Cost) .....		38,000
Office and Store Equipment (Cost) .....		1,690
Delivery Equipment .....	2,100	
Less Reserve for Depreciation .....	630	
	1,470	
		41,160
<b>TOTAL ASSETS</b> .....		<b>\$73,306</b>

BOOKKEEPING II — *continued*

GRANT & MURRAY

Balance Sheet

December 31, 1935 (*concluded*)

*Liabilities*

Current Liabilities

Notes Payable (Trade Acceptances).....	\$ 7,625	
Accounts Payable .....	16,805	
Salaries and Commissions Payable.....	470	
Interest Payable on Mortgage.....	300	
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Total Current Liabilities .....		\$25,200

Deferred Income

Rent Income (Received in Advance).....		150
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Fixed Liabilities

Mortgage Payable .....		20,000
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TOTAL LIABILITIES .....

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\$45,350

*Capital*

Harold Grant

Capital, January 1, 1935.....		12,000
Interest at 6% on Capital.....	\$ 720	
$\frac{1}{2}$ Remaining Net Profit.....	5,718	
	<hr/>	
Total Increase in Capital.....	6,438	
Less Drawing Account (Debit).....	2,600	
	<hr/>	
Net Increase in Capital.....		3,838
Present Worth .....		15,838

Clyde Murray

Capital, January 1, 1935.....		8,000
Interest at 6% on Capital.....	480	
$\frac{1}{2}$ Remaining Net Profit.....	5,718	
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Total Increase in Capital.....	6,198	
Less Drawing Account (Debit).....	2,080	
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Net Increase in Capital.....		4,118
Present Worth .....		12,118

TOTAL FIRM CAPITAL.....

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27,956

TOTAL LIABILITIES AND CAPITAL.....

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\$73,306

- a What was the net profit of the business for the year? [5]
- b (1) Find the ratio of the current assets to the current liabilities. [2]
- (2) Do you consider the current ratio satisfactory or unsatisfactory? Give a reason for your answer. [3]
- c (1) What is the value of the notes receivable on hand? [2]
- (2) Why is the additional information concerning notes receivable given? [3]
- d The item Interest Payable on Mortgage is classified as a current liability, and the item Mortgage Payable is classified as a fixed liability. Give the reason for this classification of each of these items. [5]
- e What weakness in the method of accounting is revealed in the Fixed Assets section? [5]

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

If this question is chosen, detach this page and hand it in with your other answer paper.

7 Fill the blank with the correct amount in each of *four* of the following statements: [For each incorrect answer  $2\frac{1}{2}$  credits should be deducted.] [10]

- a C. Norton began business with an investment of \$15,000. During the year he withdrew \$400. At the end of the year his assets amounted to \$28,000 and his liabilities to \$10,000. His profit for the year was \$.....
- b F. Riley's capital at the beginning of the year was \$10,000. During the year he withdrew \$300. His profits for the year amounted to \$3300. His assets at the end of the year totaled \$18,000. His liabilities at the end of the year amounted to \$.....
- c W. Farrel has assets amounting to \$22,000 and liabilities amounting to \$7000. To obtain additional working funds he admits L. Sherman as a partner in the business. Sherman makes a cash investment sufficient to give him a two-fifths interest in the business. Sherman's capital is \$.....
- d G. Warner buys for \$1500 a new printing press, which is expected to last ten years. It is estimated that at the end of this period it will be disposed of for \$200. The amount to be charged off at the end of each year for depreciation is \$.....
- e P. Bradley's net sales for the year 1935 amounted to \$90,000. The goods sold cost him \$70,000. His stock of goods on January 1, 1935, was inventoried at \$11,000. On December 31, 1935, it was inventoried at \$9000. His rate of merchandise turnover for the year was .....

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BOOKKEEPING II — *continued*

Group II

Answer either question 3 or question 4.

3 Answer both *a* and *b*:

- a* Explain the operation of the imprest or petty cash fund, covering the following points:  
 (1) method of starting the fund, (2) precautions to be observed by the petty cashier when making disbursements, (3) procedure in replenishing the fund. [6]
- b* Name *two* advantages of keeping a petty cash system. [4]

4 Answer both *a* and *b*:

- a* Explain how a controlling account is used as a check on a subsidiary ledger. [4]
- b* State what effect, if any, *each* of the following will have on the control account of the accounts receivable ledger and give a reason for your answer in each case: [6]
- (1) A sale to J. King, entered in the sales journal as \$150, is posted to his account as \$100.  
 (2) A sales invoice for Joseph Wright, amounting to \$75, is incorrectly entered in the sales journal as \$175.

Group III

Answer two questions from this group.

5 From the following facts prepare a reconciliation statement and indicate the full amount that Mr Lawson could have drawn from the bank on June 1: [The statement must conform to accepted business practice and must show the correct checkbook balance. A deduction of 5% should be made for each error in method or calculation.] [10]

On June 1, James Lawson received from his bank a statement of his May checking account and a package of canceled checks. In addition to the listing of Mr Lawson's deposits and his checks paid by the bank during the month, the statement showed the following items: (*a*) a credit of \$75 for the collection on May 31 of a sight draft on B. Stahl, (*b*) a service charge of \$2 for carrying the account, (*c*) a bank balance at the end of the month of \$2735.60. Mr Lawson's checkbook showed a balance of \$2195.35 but had no record of the collection of the sight draft or the service charge. The outstanding checks were: #148 for \$430, #152 for \$37.25, #153 (certified) for \$350.

6 Answer both *a* and *b* with reference to the Insurance account below, which appeared in the general ledger. The premium was paid on each policy the day the policy was issued. The policy of Company A was to run for one year and the policy of Company B for three years.

INSURANCE

1935										
Apr.	1	Co. A (1 year)	C	3	80					
July	1	Co. B (3 years)	C	11	120					

- a* Give the classifications under which the item of Insurance was entered on the balance sheet and on the statement of profit and loss drawn up on December 31, 1935. State the amount in each case. [Show all calculations.] [6]
- b* Copy the foregoing account and complete it to show how it appeared after the ledger had been closed on December 31, 1935. [4]

[4]

[OVER]

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