

The University of the State of New York

327TH HIGH SCHOOL EXAMINATION

BOOKKEEPING II

Wednesday, June 20, 1956 — 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 time requirement is four or five recitations a week for two school years.

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

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

Answer four questions, including both of the questions in part I, one question from part II and one question from part III.

Part I

Answer both questions in this part.

1 Answer a, b and c:

a Use the following journals with special columns as indicated: [Note: In the general journal only FOUR columns are required; in the cash receipts journal FOUR columns are required; and in the cash payments journal EIGHT 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, Salaries, Withholding Taxes Payable, F. I. C. A. Taxes Payable, Disability Benefits Taxes Payable, Purchase Discount, Net Cash

Alan Steele and Walter Mason are partners in a textbook publishing business. On May 1, 1956, the business had a bank balance of \$7,377. 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 New York Telephone Co. for \$85 in payment of the firm's telephone bill.
- May 3 Received a credit memorandum for \$360 from the Northern Paper Mills for damaged merchandise that they had shipped to us on April 30.
- May 4 Received a check for \$839.37 from the Georgetown School Board in payment of invoice of April 26 for \$856.50 less 2%.
- May 7 Sent a check for \$250 to the Modern Television Co. in payment of a television set which Mr. Steele had ordered for his home.
- May 8 Sent a check to the Northern Paper Mills in payment of invoice of April 30 for \$960 less the return of May 3 and less a 3% discount.
- May 9 Drew a check for \$3,143 to meet the weekly payroll. The gross salaries earned by employees amounted to \$3,600. The following deductions were made from employees' salaries: Federal income tax withheld, \$380; F. I. C. A. tax deduction, \$63; N. Y. S. Disability Insurance, \$14.
- May 14 Drew a check for \$2,024 to cover the following payroll taxes for the month of April:
- | | |
|---|---------|
| Withholding taxes | \$1,520 |
| F. I. C. A. taxes deducted from employees' salaries | 252 |
| Employer's contributions toward the Social Security tax | 252 |
- Received a federal depository receipt for the above payment.
- May 17 Walter Mason drew \$5,000 from his personal savings account and made an additional investment in the business.
- May 18 Borrowed \$10,000 from our bank and gave the bank our 90-day non-interest-bearing note for that amount. The bank credited our account for the net proceeds amounting to \$9,850.

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- May 22 Henry Larkins, a customer owing us \$600, has been declared a bankrupt. We received a check for \$100 as the final payment. The balance is uncollectible. There is a balance of \$2,200 in the Reserve for Bad Debts account.
- May 25 Received a 60-day, 6% interest-bearing note for \$800 from the Royal Book Stores in payment of their account.
- May 29 Received a check for \$50 from the Westbrook Supply Co. because we had overpaid our account.
- May 31 Sent a check for \$320 to the Eastern Mutual Insurance Co. in payment of our fire insurance premium.

Close and summarize *all* journals. Use the method that you have been taught. [50]
b Post the summary entry or the totals of the columns appearing in the *cash payments journal* to the general ledger. [Post only the totals at the end of the month.] [8]
c What is the bank balance on May 31, 1956? [2]

2 From the trial balance and additional information given on the next page, prepare a classified balance sheet. The balance sheet as of the last day of the preceding period is given below. You may use this as a guide in preparing the current balance sheet. [15]

RICHARDS & WINSTON
 Balance Sheet
 December 31, 1954

<i>Assets</i>		
<u>Current Assets:</u>		
Cash		\$ 2,750
Notes Receivable	\$ 2,500	
Less: Notes Receivable Discounted.....	500	2,000
Accounts Receivable	7,500	
Less: Reserve for Bad Debts.....	150	7,350
Merchandise Inventory		42,340
Total Current Assets.....		\$54,440
<u>Fixed Assets:</u>		
Furniture & Fixtures.....	5,260	
Less: Reserve for Depreciation.....	1,160	4,100
Total Fixed Assets		4,100
<u>Deferred Expense:</u>		
Insurance		100
Shipping Supplies		660
Total Deferred Expense.....		760
Total Assets		59,300
<i>Liabilities</i>		
<u>Current Liabilities:</u>		
Notes Payable		5,000
Accounts Payable		10,760
Withholding Taxes Payable.....		360
F. I. C. A. Taxes Payable.....		30
State Unemployment Insurance Taxes Payable.....		110
Federal Unemployment Taxes Payable.....		40
Total Current Liabilities.....		16,300
<i>Capital</i>		
Net Worth, 12/31/54		\$43,000

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RICHARDS & WINSTON
 Trial Balance
 December 31, 1955

Cash	\$ 3,860
Notes Receivable	3,700
Notes Receivable Discounted		\$ 700
Accounts Receivable	9,500	.....
Reserve for Bad Debts		80
Merchandise Inventory Jan. 1, 1955	42,340	.....
Furniture & Fixtures	5,800	.....
Reserve for Dep. of Furn. & Fix.		1,160
Notes Payable		3,000
Accounts Payable		3,200
Withholding Taxes Payable		320
F. I. C. A. Taxes Payable		20
Arthur Richards, Capital		19,300
Arthur Richards, Personal	7,500	.....
George Winston, Capital		23,700
George Winston, Personal	9,600	.....
Sales		163,240
Sales Returns	3,350	.....
Purchases	94,730	.....
Freight In	3,670	.....
Purchase Returns		1,170
Salaries	19,200	.....
Advertising	1,200	.....
Traveling Expense	2,160	.....
Freight Outward	1,840	.....
Shipping Supplies	2,480	.....
Stationery & Printing	760	.....
Telephone	490	.....
F. I. C. A. Taxes	270	.....
State Unemployment Insurance Taxes	360	.....
Miscellaneous Taxes	1,050	.....
Insurance	830	.....
Sales Discount	2,840	.....
Interest Cost	120	.....
Purchase Discount		1,760
	<u>\$217,650</u>	<u>\$217,650</u>

Additional Information, December 31, 1955

Merchandise Inventory	\$38,000
Insurance (prepaid)	160
Shipping Supplies (Inventory)	850
F. I. C. A. Taxes Payable (employer's obligation)	20
State Unemployment Insurance Taxes Payable	120
Federal Unemployment Taxes Payable	50
Depreciation of Furniture & Fixtures	10% of cost
Additional Allowance for Bad Debts to bring the reserve up to 2% of Accounts Receivable	

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Part II

Answer either question 3 or question 4.

3 Answer all parts of this question.

- a What is the purpose of a trial balance? [2]
- b Give examples of *two* types of errors that will not be disclosed by a trial balance. [4]
- c What is a statement of account? [2]
- d What is a bank statement? [2]
- e What is the purpose of preparing a bank reconciliation? [3]
- f What is a schedule of accounts receivable? [2]

4 As the payroll clerk for the Randall Co., you are confronted with the following questions which arise as you prepare the payroll for the week ending May 25. Write your answer to *each* of these questions in the spaces provided below: [Show any necessary calculations in the margin.]

- a What is the amount of the New York State Disability Insurance deduction for the following employees? [The rate is $\frac{1}{2}\%$ of weekly earnings up to \$60. Earnings above \$60 are not taxable.] [No partial credit.] [4]

<i>Employee</i>	<i>Salary</i>	<i>Deduction</i>
Alice Winters	\$ 46	\$.....
Frank Higgins	120	.....

- b (1) Show in column III the amount of the F. I. C. A. tax deduction for *each* of the following employees. Their total earnings from January 1, 1956, to May 18, 1956, are given in column I, and their earnings for the week ending May 25 are given in column II. [The employee's share of the F. I. C. A. tax is levied at the rate of 2% on his wages up to a maximum of \$4,200 per year.] [No partial credit.] [4]

<i>Employee</i>	<i>Column I Total earnings Jan. 1 to May 18</i>	<i>Column II Earnings for week ending May 25</i>	<i>Column III F. I. C. A. deduc- tion for week ending May 25</i>
Martha Hanson	\$ 800	\$ 45	\$.....
Charles Winters	4,000	225	.....

- (2) Martha Hanson earns \$1.00 per hour with time and a half for all time over 40 hours per week. One week in April she worked 44 hours. Find her take-home pay for that week after making deductions for New York State Disability Insurance, F. I. C. A. tax, and \$6.10 for withholding tax. [Refer to the rates given in a and in b (1) above.] [Deduct one half the number of credits for errors in calculation.] [5]

Take-home pay \$.....

- c What is the maximum number of exemptions that can be claimed by a married man who has two children attending school? [No partial credit.] [2]
- Number of exemptions.....

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Part III

Answer either question 5 or question 6.

5 Column I lists business papers and other sources of entry. Column II lists various types of transactions to be recorded by a bookkeeper of the Acme Company. On the line at the right of *each* expression in column II, write the *number* of the source in column I from which the entry would be made. [One credit for each correct answer.] [10]

<i>Column I</i>	<i>Column II</i>	
(1) Articles of copartnership	a We sell merchandise on credit	a.....
(2) Bank reconciliation statement	b We buy merchandise on credit	b.....
(3) Bank statement	c We receive a check from a customer	c.....
(4) Cancelled check	d We pay a creditor by check	d.....
(5) Charter	e We receive a note from a customer	e.....
(6) Checkbook stub	f A customer returns goods to us for credit	f.....
(7) Credit memorandum	g We draw currency from the petty cash fund	g.....
(8) Deposit slip	h We make the entry at the end of the business period to show the distribution of profits to partners	h.....
(9) Incoming checks	i We make the adjusting entry to record the insurance expense	i.....
(10) Insurance policy	j We are charged a service charge by our bank	j.....
(11) Money order		
(12) Notebook stub		
(13) Petty cash voucher		
(14) Promissory note		
(15) Purchase invoice		
(16) Purchase order		
(17) Receipts		
(18) Sales invoice		
(19) Sales order		
(20) Statement of account		

Turn to page 6 for question 6.

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6 On the line at the right of *each* statement, write the word or words that best complete the statement. [One credit for each correct answer; no partial credit.] [10]

[Example: The Notes Receivable account is a (an) ... account. asset]

- a A (an) ... check is one that provides space in which one may indicate an explanation for the payment. a.....
- b An endorsement reading "Pay to the order of Alan Sparks, (signed) Walter Brown" is a (an) ... endorsement. b.....
- c A depositor's check, the payment of which is guaranteed by the bank, is a (an) ... check. c.....
- d A receipt issued by the railroad to the shipper is known as a (an) d.....
- e The person who signs a promissory note is referred to as the e.....
- f The difference between current assets and current liabilities is known as f.....
- g The number of times that the average inventory is sold during the year is known as g.....
- h Ownership in a corporation is evidenced by a (an) ... certificate. h.....
- i A distribution of earnings to its stockholders by a corporation is known as i.....
- j A time draft arising out of the purchase or sale of merchandise is called a (an) j.....

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