

## BOOKKEEPING II

Wednesday, June 22, 1960 — 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 *three* journals with special columns as indicated:[*Note*: In the cash payments journal NINE 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, Federal Withholding Taxes Payable, State Withholding Taxes Payable, FICA Taxes Payable, Disability Benefits Payable, Purchase Discount, Net Cash.

On April 1, 1960, Pharmacy Suppliers, Inc., wholesale druggists, had a bank balance of \$2,840. Record the bank balance and make, with sufficient explanations, entries for the following selected transactions, checking all items that should not be posted separately:

- April 1 Mailed a credit memorandum for \$26 to Holley Drug Store for merchandise returned to us.
- April 4 Borrowed \$5,000 from our bank, giving them our 60-day noninterest-bearing note. The bank deducted the bank discount and added the proceeds of \$4,950 to our account.
- April 5 Received a check from Holley Drug Store for \$146.02 in full settlement of the invoice of March 26 for \$175, less the return of April 1 and less a cash discount of 2%.
- April 7 Drew a check to meet the weekly payroll. The following information was obtained from the payroll record:

Total earnings of employees .....	\$605.00
Federal Withholding Taxes .....	69.60
State Withholding Taxes .....	6.50
FICA Taxes .....	18.15
New York State Disability Benefits .....	1.80
Net Payment .....	508.95

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- April 11 Issued a check to Davis Drug Co. in settlement of the invoice of March 21, \$695, less 2% cash discount.
- April 14 The board of directors declared the quarterly cash dividend of 10 cents per share on the 10,000 shares of stock outstanding, to be paid to stockholders on May 31. You are instructed to record this liability.
- April 18 Received a credit memo from Davis Drug Co. for \$6.95 for an overpayment made in our remittance of April 11. We should have deducted 3% cash discount on the invoice.
- April 22 Received a check for \$60 from the receiver of Marks Drug Store, a bankrupt, in settlement of the account of \$275. The Reserve for Bad Debts account has a balance of \$500.
- April 25 Received a check for \$89 from Boyle Drug Store together with an order for drugs. We shipped the goods as ordered.
- April 26 Gave a 30-day note for \$750, with interest at 6%, to Surrey Drug Co. to apply on account.
- April 30 Filed the quarterly return of federal payroll taxes withheld and enclosed a check to cover the following taxes for the month of March:

Withholding Taxes .....	\$278.40
FICA Taxes deducted from employees.....	60.50
Employer's contribution toward FICA Tax....	60.50

- April 30 Drew a check in favor of State Tax Commission to cover the New York State withholding taxes deducted in the previous quarter, \$78.
- April 30 Drew a check for \$196 in favor of the Warsaw Box Company for packing cartons to be used in the shipping room.

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

*b* What is the bank balance on April 30, 1960? [Indicate this balance in the Cash Receipts Journal, using the method that you have been taught.] [2]

*c* (1) Set up the Accounts Receivable and Accounts Payable controlling accounts for the general ledger of Pharmacy Suppliers, Inc. Record the following information in these two accounts ONLY: [4]

Accounts Receivable balance on April 1, 1960.....	\$36,510
Accounts Payable balance on April 1, 1960.....	18,260
Sales Journal total for the month of April 1960.....	29,420
Purchase Journal total for the month of April 1960.....	22,100

(2) Post to these controlling accounts from the journals you prepared for 1*a*. Show all dates and folio numbers. [4]

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2 Answer the following questions relating to the profit and loss statement of Mann Building Materials, Inc., which is given below :

MANN BUILDING MATERIALS, INC.  
Statement of Profit and Loss  
January 1, 1959 — December 31, 1959

Income from Sales		
Sales Income .....	\$346,960	
Less Sales Returns and Allowances.....	3,720	
	_____	
Net Sales .....		\$343,240
Cost of Goods Sold		
Merchandise Inventory January 1, 1959.....		67,900
Merchandise Purchases .....	\$219,125	
Add Freight Inward .....	3,225	
	_____	
Total Purchases .....	222,350	
Less Purchase Returns and Allowances.....	3,480	
	_____	
Net Purchases .....		218,870
Total Cost of Goods for Sale.....	286,770	
Less Merchandise Inventory December 31, 1959.....	52,100	
	_____	
Cost of Goods Sold.....		234,670
Gross Profit on Sales.....		108,570
Operating Expenses		
Freight Outward .....	4,280	
Insurance .....	830	
Advertising .....	1,295	
Wages and Salaries.....	20,294	
Interest Cost .....	230	
New York State Disability Benefits.....	90	
FICA Taxes .....	509	
State Unemployment Insurance Taxes.....	485	
Federal Unemployment Insurance Taxes.....	65	
Office Supplies .....	325	
Sales Discount .....	3,562	
Bad Debts .....	492	
Depreciation of Delivery Equipment.....	2,490	
Depreciation of Building .....	1,100	
	_____	
Total Operating Expenses .....		36,047
Other Income		
Purchase Discount .....		1,477
		_____
Net Operating Expenses .....		34,570
Net Profit .....		\$ 74,000

- a* The cost of goods sold divided by the average inventory will give the merchandise turnover. What is the merchandise turnover for the year 1959? [Carry out your result one decimal place.] [2]
- b* If the merchandise turnover for 1958 was 2.5, is the merchandise turnover for 1959 more satisfactory or less satisfactory than that of the previous year? Why? [2]
- c* In taking inventory of the office supplies, you find \$65 worth of supplies on hand on December 31, 1959. Explain how the amount of *expense* for office supplies was obtained for the profit and loss statement. [2]
- d* The trial balance on December 31, 1959, showed Wages and Salaries of \$20,100. Give *one* reason that would account for the amount for Wages and Salaries shown on the profit and loss statement. [2]
- e* Give *one* benefit the employee may receive from the FICA tax. [2]
- f* Give *one* benefit the employee may receive from New York State Disability Benefits. [2]
- g* You are a stockholder in Mann Building Materials, Inc. How may you share in the net profit of the corporation? [1]
- h* The total invested capital of Mann Building Materials, Inc., was \$1,480,000. Find the rate of return on the invested capital. [2]

Turn the page and continue.

**Part II**

Answer either question 3 or question 4.

3 Complete the following payroll. Time and a half is allowed for all hours beyond 40 hours each week. The FICA tax rate is 3%. The New York State Disability Benefits rate is  $\frac{1}{2}$  of 1% of weekly wages, with a maximum deduction of 30 cents. [Deduct one point for each error. Maximum deduction 15 points.] [15]

Payroll Record  
Week ending May 14, 1960

Employee	Total Hours	Hourly Rate	Total Wages	FICA Tax	Federal Withholding	N.Y. State Withholding	N.Y.S. Disability Benefits	Total Deductions	Net Pay
R. Silver	42	\$1.20	\$	\$	\$4.70	\$ ..	\$	\$	\$
J. Devlin	44	1.50			7.80	.70			
L. Olsen	45	1.40			5.70	.40			
<b>TOTALS</b>			\$	\$	\$	\$	\$	\$	\$

4 Prepare a Statement of Partners' Capital as of December 31, 1959, using the information given below. Use the statement dated December 31, 1958, as a model. [15]

Paul Hoffman and Thomas Brady are partners in a plumbing supply business. The firm made a net profit of \$38,000 for the year ending December 31, 1959. During the year each partner withdrew for his personal use as follows: Paul Hoffman \$8,000; Thomas Brady \$10,000. The partnership agreement provides that Hoffman is to be allowed a salary of \$10,000 and Brady is to be allowed a salary of \$15,000. The remainder of the net profit is to be divided equally.

Hoffman and Brady  
Statement of Partners' Capital  
December 31, 1958

<i>Paul Hoffman</i>		
Capital, January 1, 1958.....		\$80,000
Salary .....	\$10,000	
One-half of Remainder of Net Profit.....	11,000	
Total Share of Net Profit.....	21,000	
Less: Withdrawals .....	5,000	
Net Increase in Capital.....		16,000
Capital, December 31, 1958.....		\$96,000
<i>Thomas Brady</i>		
Capital, January 1, 1958.....		\$80,000
Salary .....	\$15,000	
One-half of Remainder of Net Profit.....	11,000	
Total Share of Net Profit.....	26,000	
Less: Withdrawals .....	6,000	
Net Increase in Capital.....		20,000
Capital, December 31, 1958.....		100,000
Total Capital December 31, 1958.....		\$196,000

Part III

Answer either question 5 or question 6.

- 5 Write in two-column journal form the entries to record *each* of the following. Assume that controlling accounts are used. [Dates and explanations may be omitted.] [10]
- a The net profit for the year for Peter Mellen's business is \$24,000. Close the profit and loss account at the end of the year.
  - b T. Livingston, whose account for \$300 had been written off last year as a bad debt, sent a check for this amount.
  - c A customer, R. Hamilton, sent a check for \$500 in payment of his note. The bookkeeper incorrectly credited his account for this amount. Make the correcting entry.
  - d An error was made in pencil footing the Purchase Journal at the end of the month. The bookkeeper's total and the summary entry was for \$21,125. The correct total was \$20,125. Make the correcting entry.
  - e A truck purchased for \$10,000 is estimated to have a life of five years, at which time it is estimated to be worth \$1,000. Make the entry for the depreciation at the end of the first year.
- 6 On the line at the right of *each* statement, write the word or expression that best completes the statement. [One credit for each correct answer; no partial credit.] [10]
- a The creditor accounts in the Accounts Payable Ledger receive their debit postings from the ... Journal. a.....
  - b A check drawn by a bank on itself is called a (an) ... check. b.....
  - c The entries in the Purchase Journal are made from the .... c.....
  - d The maximum yearly earnings on which Social Security taxes are paid by an employee is \$.... d.....
  - e A payment from the petty cash fund should be evidenced by .... e.....
  - f The maximum yearly earnings of an employee on which unemployment insurance is paid by the employer is \$.... f.....
  - g A postal money order received is entered in the ... Journal. g.....
  - h Goods are purchased on May 1, terms  $\frac{2}{10}$  EOM. In order to obtain the cash discount, the invoice must be paid on or before .... h.....
  - i In New York State, ... or more persons are necessary to organize a corporation. i.....
  - j The written document which authorizes the formation of a corporation is the .... j.....