

The University of the State of New York

312TH HIGH SCHOOL EXAMINATION

BOOKKEEPING II

Wednesday, June 20, 1951 — 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.

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 Use general journal, cashbook and petty cashbook. Money columns required in the general journal are: Debit side — Notes Receivable, Accounts Payable, General Ledger; Credit side — General Ledger, Accounts Receivable, Notes Payable. Money 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, Purchase Discount, Net Cash. Columns required in the petty cashbook are: Date, Explanation, Receipts, Payments, Office Supplies, Freight in, General Expense and, under Sundry Items, columns for Account Debited and Amount.

On May 1, 1951, the firm of Black and Stone had a bank balance of \$3175 and \$40 in currency in the petty cash box.

Record the bank balance in the firm's cashbook and the petty cash balance in the petty cashbook. Make, with sufficient explanations, the necessary entries to record the following selected transactions, checking all items that are not to be posted separately.

May 2 Mailed a check for \$195 to the Harlan Realty Co. for May rent.

May 3 Paid the American Railway Express Co. \$4.75 in currency for express charges on merchandise purchased from the Textile Knitting Mills.

May 5 Issued a check to Frank Roberts in settlement of invoice dated April 9 for \$260, terms $\frac{2}{10}, \frac{1}{30}, N/60$.

May 7 Paid \$6.50 in currency for window cleaning.

May 9 William Wright, a customer, accepted and returned to us a 60-day trade acceptance which we had drawn on him for invoice of May 4, amounting to \$243.35.

May 11 Paid \$2.50 in currency for typewriter ribbons for the office.

May 12 Received a credit memorandum from Thompson & Co. for an overcharge of \$10.50 on the purchase invoice of May 10.

May 14 Sent a check for \$87.50 to the Central Insurance Co. in payment of the disability insurance premium.

May 15 Gave the office boy \$1.25 in currency to buy desk blotters for the office.

May 17 One of the partners, Arthur Black, took merchandise valued at \$17.50 for use in his home.

May 18 The firm borrowed cash from the Valley Bank by giving its 90-day note payable to them for \$8000. After deducting bank discount at the rate of $4\frac{1}{2}\%$, the bank added the proceeds, \$7910, to our account.

May 22 Received from the Betty Lou Dress Shop a check for \$205.80 in full settlement of invoice of May 12 for \$210 less 2%.

May 23 Paid \$14.50 in currency for a small filing cabinet for the office.

May 25 We returned an adding machine previously purchased by us for office use and found to be unsatisfactory. We received a check for \$140.

May 28 Issued to Stanley Greene our 60-day, 6% interest-bearing note for \$673.20 in full settlement of our account with him.

May 31 Drew check No. 322 to restore the petty cash fund to the original balance of \$40.

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

2 From the following trial balance, taken from the ledger of Richards & West, and from the additional information, answer both *a* and *b*.

- a* The trading section of a classified profit and loss statement for Richards & West shows a gross profit on sales of \$29,609. Beginning with that item, complete the profit and loss statement. Divide the profit or loss equally. [Show the complete heading for the profit and loss statement.] [19]
- b* Prepare in journal form the adjusting entries to record the accrued interest receivable, the bad debts allowance, and the depreciation of delivery equipment. [No explanations required. One point for each correct debit and one point for each correct credit.] [6]

RICHARDS & WEST

Trial Balance, December 31, 1950

Cash in Bank	\$ 9,152	.....
Petty Cash	50	.....
Notes Receivable	10,000	.....
Notes Receivable Discounted.....		\$ 2,000
Accounts Receivable	21,450	.....
Land	5,400	.....
Building	20,000	.....
Delivery Equipment	4,500	.....
Reserve for Depreciation of Delivery Equipment....		1,800
Furniture and Fixtures.....	1,600	.....
Notes Payable		3,200
Mortgage Payable		8,000
Accounts Payable		7,260
Social Security Taxes Payable.....		90
Withholding Taxes Payable		120
Charles Richards, Capital		35,000
Charles Richards, Personal	5,000	.....
Arthur West, Capital		25,000
Arthur West, Personal	3,000	.....
Merchandise Inventory, January 1, 1950.....	17,480	.....
Sales		61,584
Purchases	35,372	.....
Sales Returns & Allowances.....	843	.....
Purchase Returns & Allowances.....		790
Freight Inward	320	.....
Insurance	600	.....
Shipping Supplies	820	.....
Office Supplies	345	.....
Taxes	540	.....
Freight Outward	285	.....
Salesmen's Salaries	4,500	.....
General Expense	900	.....
Interest Earned		30
Rent	2,400	.....
Interest Cost	240	.....
Sales Discount	572	.....
Purchase Discount		495
	<u>\$145,369</u>	<u>\$145,369</u>

Additional Information, December 31, 1950:

Merchandise Inventory, December 31, 1950.....	\$21,250
Shipping Supplies Inventory.....	120
Accrued Interest on Notes Receivable.....	10
Accrued Interest on Notes Payable.....	120
Insurance Unexpired	100
Allowance for Bad Debts.....	400
Depreciation of Delivery Equipment, 20% of cost	
Depreciation of Furniture and Fixtures, 10% of cost	
Depreciation of Buildings, 2% of cost	

Part II

Answer either question 3 or question 4.

3 The following reconciliation statement was prepared by the bookkeeper of Arthur Stevens & Company.

ARTHUR STEVENS & COMPANY
Bank Reconciliation Statement
May 31, 1951

Checkbook balance 5/31/51.....	\$3,750.27	Bank balance 5/31/51 as per statement.....	\$3,995.87
Deduct collection fee charged by bank.....	2.00	Deduct outstanding checks:	
		#422 \$175.10	
		#431 65.00	
		#436 7.50	247.60
		#425 certified 950.00	
Correct checkbook balance	<u>\$3,748.27</u>	Available bank balance	<u>\$3,748.27</u>

- a What is the purpose of preparing a bank reconciliation statement? [2]
- b How did the bookkeeper determine which checks were outstanding? [3]
- c Why is check #425 listed as outstanding but not deducted from the bank balance as reported on the bank statement? [3]
- d Why is it desirable that canceled checks returned by the bank be saved for several years? [3]
- c What journal should be used, what account debited and what account credited to record the \$2.00 collection fee? [4]
- 4 Answer all parts of this question:
- a For each of the following, indicate a *business paper* from which the bookkeeper obtains the information to make: [4]
- (1) entries in the Cash Receipts Journal
 - (2) entries in the Cash Payments Journal
 - (3) entries in the Petty Cash Book
 - (4) an entry in the General Journal to record a return of merchandise by a customer
- b Explain how the use of special columns in a book of original entry saves time. [2]
- c In which section of a *classified* balance sheet should the following be shown:
- (1) Unexpired Insurance
 - (2) Withholding Taxes Payable
 - (3) Rent Income Received in Advance [3]
- d State *two* advantages in using a system of controlling accounts rather than carrying all the accounts in one ledger. [4]
- c The bookkeeper failed to post an entry from the Sales Journal to a customer's account. After preparing the trial balance and schedules at the end of the month, how will the bookkeeper know that an error was made? [2]

BOOKKEEPING II — *concluded*

Wednesday, June 20, 1951

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

Detach this page and hand it in with your other answer paper.

Part III

Answer either question 5 or question 6.

5 On the line at the right of *each* statement, write the word *true* if the statement is true. If the statement is false, write the word or expression that should be substituted for the italicized word or expression to make the statement correct. [One credit for each correct answer; no partial credit] [10]

- a Credits to the *Accounts Receivable* account usually originate in the Purchases Journal. a.....
- b Failure to record depreciation will *overstate* profits. b.....
- c On the balance sheet, Interest Payable on Mortgage should be classified as *fixed* liability. c.....
- d The rate of merchandise turnover is found by dividing the cost of goods sold by the *final* inventory. d.....
- e A deferred charge to expense represents that part of the cost of a supply or service that is *consumed*. e.....
- f A *balance sheet* is a statement that lists the balances of the general ledger accounts before the ledger is closed. f.....
- g The discounting of a note receivable creates a *contingent* liability on the part of the one who discounts the note. g.....
- h One method of judging the ability of a business to pay its debts as they become due is to apply the *current* ratio. h.....
- i The entries in the purchases journal are made from the approved purchase *requisitions*. i.....
- j In the absence of any statement in the articles of copartnership as to the manner of sharing profits and losses, such profits and losses will be shared *in the capital ratio*. j.....

6 On the line at the right of *each* expression in column B, place the *number* of the word or expression in Column A that is most closely related to it. [One credit for each correct answer] [10]

- | <i>Column A</i> | <i>Column B</i> | |
|------------------------------|---|--------|
| (1) Accrual basis | a A check drawn by a bank on its deposits in another bank | a..... |
| (2) Bank discount | b A deduction from the list price | b..... |
| (3) Bank draft | c The one who writes a draft | c..... |
| (4) Bill of lading | d A deduction from wages to provide for old-age benefits | d..... |
| (5) Bill of sale | e The party who pays the New York State unemployment insurance | e..... |
| (6) Cash basis | f Freight charges paid to the transportation company by the buyer | f..... |
| (7) Cashier's check | g The receipt obtained from the railroad for a shipment of goods by freight | g..... |
| (8) Current ratio | h A method of keeping books which records all the income earned in a given period even though it is not collected | h..... |
| (9) Drawee | i The business paper from which entries in the sales journal are prepared | i..... |
| (10) Drawer | j The excess of current assets over current liabilities | j..... |
| (11) Employee | | |
| (12) Employer | | |
| (13) F. O. B. destination | | |
| (14) F. O. B. shipping point | | |
| (15) Sales invoice | | |
| (16) Sales orders | | |
| (17) Social Security Tax | | |
| (18) Trade discount | | |
| (19) Withholding Tax | | |
| (20) Working capital | | |