

The University of the State of New York

318TH HIGH SCHOOL EXAMINATION

**BOOKKEEPING II**

Wednesday, June 17, 1953 — 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, cash receipts journal, cash payments journal, sales journal and purchases journal. Columns required in these journals are:

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

Credit side — General Ledger, Accounts Receivable

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

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

[Note: Read the above instructions carefully. In the general journal only four columns are required; in the cash receipts journal five columns are required; and in the cash payments journal five columns are required.]

On May 1, 1953, Richard Carter, who is in the wholesale plumbing supply business, had a bank balance of \$2350.

Show the amount of the bank balance in the firm's cashbook. Make, with sufficient explanations, the necessary entries to record the following selected transactions, checking all entries that are not to be posted separately:

May 1 Issued a check for \$35 to the Regent Garage in payment of garage rent for our delivery truck for the month of May.

May 4 Sold to Evans and Brill, Syracuse, N. Y., merchandise invoiced at \$346.50, terms  $\frac{2}{10}$ ,  $\frac{N}{30}$ . We prepaid \$26.40 freight on this shipment and charged their account with this amount.

May 6 Sold merchandise for cash, \$75.

May 7 Sent a check for \$20 to the Ajax Window Cleaning Co. for their services for the month of April.

May 11 Purchased from the Triboro Nut & Bolt Corp., Oswego, N. Y., merchandise invoiced at \$1485, terms  $\frac{1}{10}$ ,  $\frac{N}{80}$ .

May 12 Received from Richard Stern a 60-day, non-interest-bearing note, dated today, for \$800 to apply on account.

May 14 Received a check from Evans and Brill in full settlement of our invoice of May 4 less a 2% discount plus the freight that we prepaid. [See transaction of May 4.]

May 15 Received a credit memorandum for \$85 from the Triboro Nut & Bolt Corp. for damaged merchandise returned to them. [See transaction of May 11.]

May 18 Discounted the \$800 note received from Richard Stern on May 12 and received credit for the proceeds amounting to \$792.80.

May 21 Issued a check to the Union Pipe Company, Elmira, N. Y., in settlement of invoice of April 22 for \$175.80 less a discount of 1%.

May 25 We discovered an error made last month in posting from the sales journal to the customers' ledger. We had charged the account of Robert Browning, a customer, for \$96 for a sale made to Albert Brown. Make the necessary correction.

May 27 Received a check for \$80 from the receiver of John Drummond, a bankrupt, in settlement of account of \$560. The Reserve for Bad Debts account has a balance of \$920.

May 29 Bought of the Riverhead Metal Works, Riverhead, N. Y., terms  $\frac{2}{10}$ ,  $\frac{N}{60}$ , merchandise for \$280.

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

[1]

[OVER]

STANTON & WESTON  
Balance Sheet, December 31, 1952

		<i>Assets</i>	
Current Assets:			
Cash .....			4,500
Petty Cash .....			50
Notes Receivable .....	2,450		
Less: Notes Receivable Discounted.....	450		2,000
Accrued Interest Receivable .....			10
Accounts Receivable .....	18,000		
Less: Reserve for Bad Debts.....	360		17,640
Merchandise Inventory .....			65,500
Total Current Assets .....			89,700
Deferred Expense:			
Insurance (prepaid) .....			150
Office Supplies (inventory) .....			120
Total Deferred Expense.....			270
Fixed Assets:			
Machinery .....	20,000		
Less: Res. for Dep. of Mach. ....	6,000		14,000
Furniture & Fixtures .....	7,300		
Less: Res. for Dep. of Furn. & Fixtures.....	1,450		5,850
Total Fixed Assets .....			19,850
Total Assets .....			109,820
		<i>Liabilities</i>	
Current Liabilities:			
Notes Payable .....		14,500	
Accrued Interest Payable .....		30	
Accounts Payable .....		20,500	
Social Security Taxes Payable .....		320	
Withholding Taxes Payable .....		1,450	
Salesmen's Commissions Payable.....		3,200	
Total Current Liabilities .....			40,000
Deferred Income:			
Rent Income Received in Advance.....			200
Fixed Liabilities:			
Mortgage Payable .....			25,000
Total Liabilities .....			65,200
		<i>Capital</i>	
Robert Stanton, Capital, 1/1/52.....		20,000	
Net Profit .....	16,000		
Less: Withdrawals .....	5,220		
Net Increase to Capital.....			10,780
Present Capital, 12/31/52 .....			30,780
George Weston, Capital, 1/1/52 .....		10,000	
Net Profit .....	8,000		
Less: Withdrawals .....	4,160		
Net Increase to Capital.....			3,840
Present Capital, 12/31/52 .....			13,840
Total Capital .....			44,620
Total Liabilities and Capital .....			109,820

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- 2 Answer the following questions relating to the balance sheet on page 2.
- a How much is the business net profit for the year ending December 31, 1952? [2]
  - b What was the amount of the total investment in the business on Jan. 1, 1952? [2]
  - c In an actual business situation, how would one go about determining the amount of the Merchandise Inventory? [2]
  - d In an actual business situation, how would the amount of the prepaid insurance be determined? [2]
  - e What is deferred income? [2]
  - f Why is Reserve for Bad Debts deducted from Accounts Receivable? [3]
  - g Why does the account Salesmen's Commissions Payable appear under Current Liabilities? [3]
  - h Why is Mortgage Payable classified under Fixed Liabilities? [3]
  - i What is the agreement between the partners with reference to the division of profits? [3]
  - j Stanton & Weston apply to their bank for a loan of \$5000. On the basis of this balance sheet, do you believe that the loan should be granted? Justify your answer. [3]

**Part II**

**Answer either question 3 or question 4.**

3 a From the following accounts appearing in George Wright's general ledger, prepare a trial balance as of April 30, 1953. [One-half credit is to be deducted for each error.] [10]

GENERAL LEDGER

(1) Cash	
1953	1953
Apr. 1 J 1 9,000	Apr. 30 C 12 4,885
C 11 4,074	

(9) Accounts Payable	
1953	1953
Apr. 30 C 12 2,350	Apr. 30 P 6 6,400
30 J 2 50	

(2) Petty Cash	
1953	
Apr. 2 C 4 50	

(10) Social Security Taxes Payable	
	1953
	Apr. 30 C 12 30

(3) Notes Receivable	
1953	
Apr. 6 J 1 600	

(11) Withholding Taxes Payable	
	1953
	Apr. 30 C 12 270

(4) Notes Receivable Discounted	
	1953
	Apr. 16 C 3 600

(12) George Wright, Capital	
	1953
	Apr. 1 J 1 25,000

(5) Accounts Receivable	
1953	1953
Apr. 30 S 16 18,450	Apr. 30 J 2 750
	30 C 11 3,475

(13) George Wright, Personal	
1953	
Apr. 10 C 6 100	
17 C 8 100	

(6) Merchandise Inventory	
1953	
Apr. 1 J 1 12,000	

(14) Merchandise Purchases	
1953	
Apr. 30 P 6 6,400	

(7) Equipment	
1953	
Apr. 1 J 1 4,000	
22 C 8 150	

(15) Returned Purchases & Allowances	
	1953
	Apr. 15 J 2 50

(8) Office Supplies	
1953	
Apr. 3 C 2 75	
24 C 10 60	

(16) Freight In	
1953	
Apr. 29 C 12 35	

[3]

[SEE NEXT PAGE]

[3-CONTINUED]

(17)	Sales Income	(20)	Interest Cost
1953		1953	
Apr. 30	S 16 18,450	Apr. 30	C 11 16

(18)	Returned Sales & Allowances
1953	
Apr. 27	J 2 150

(19)	Salaries	(21)	Insurance
1953		1953	
Apr. 30	L 12 2,000	Apr. 7	C 4 250

- b (1) What is a schedule of accounts receivable? [2]  
 (2) When is it prepared? [1]  
 (3) How can we check on the accuracy of the schedule of accounts receivable? [2]

4 a On June 9, 1953, Robert Nathan, your employer, asks you to prepare the checks in full payment of the following accounts. Determine the *amount* of each check. [The dates for the items on the credit side of the accounts are the invoice dates.] [10]

(1)	Carroll & Co.					
1953			1953			
Jan. 20	C. P. 4	300	Jan. 10	2/10, n/30	P 1 300	
			June 1	2/10, n/30	P 35 200	

(2)	George Barton			
		1953		
		May 11	2/10 E.O.M.	P 29 400

(3)	The Mayfair Shop			
		1953		
		May 21	2/10, 1/20, n/60	P 32 500

(4)	Alfred Stevens & Co.				
1953			1953		
June 3	J 15	45	June 1	3/10, n/60	P 35 455.25

(5)	The Corner Store				
1953			1953		
May 15	J 14	50	May 12	2/10, n/30	P 30 600

- b What is the difference between an invoice and a statement of account? [2]  
 c On the following form, write the check your employer will send to Carroll & Co. in payment of their account as shown above. [3]

SECOND NATIONAL BANK	
110 North Street	
Jackson, N. Y.	
New York _____ 19 ____	
Pay to the	_____ \$ _____
order of _____	_____ DOLLARS
No. 156	_____

[4]

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Wednesday, June 17, 1953

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 The chief purpose of the *Federal Insurance Contributions Act (Federal Old-Age Benefits)* is to provide for some degree of financial security for the worker in his old age. a.....
- b The *bank reconciliation statement* shows the financial condition of a business as of a given date. b.....
- c Entries in the purchases journal are made from the *purchase requisition*. c.....
- d In a shipment of goods F.O.B. Buffalo to a customer in St. Louis, the freight charges must be borne by the *customer*. d.....
- e A payment from the petty cash fund should be evidenced by a *check*. e.....
- f An allowance for the early payment of an invoice is a *trade* discount. f.....
- g On a bank reconciliation statement, an outstanding certified check *should not* be deducted from the bank statement balance. g.....
- h Credits in the accounts receivable controlling account originate in the cash *payments* journal. h.....
- i The rate of merchandise turnover may be found by dividing the cost of sales by the *final* inventory. i.....
- j Any deductions from the employees' salaries made by the employer for withholding taxes must be paid to the *United States Director of Internal Revenue*. j.....

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]

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

- a Wilton and Sloan are partners with investments of \$20,000 and \$10,000 respectively. The net profit for the period is \$15,000. No agreement has been made as to the method of dividing the profits. The amount of Wilton's share is .... a.....
- b "Pay to the First National Bank for deposit only" is a (an) ... indorsement. b.....
- c Freight paid by the buyer on goods purchased is classified in the ... section of his profit and loss statement. c.....
- d Under the New York State Unemployment Insurance Law, the ... pays the tax. d.....
- e At the present time, ...% of the employee's wages is deducted for the Federal Old-Age Benefits Tax. e.....
- f A check drawn by a bank on itself is known as a (an) ... check. f.....
- g An indorsement reading "Larry Harman" is described as a ... indorsement. g.....
- h Salesmen's Commissions should appear in the ... of a classified profit and loss statement. h.....
- i A bank service charge that appears on the bank statement should be recorded in the ... journal. i.....
- j The principal source from which entries are made in the cash payments journal is .... j.....