Mastering the UIL Accounting Regional Test

KAY WHITTON
STATE CONTEST DIRECTOR

BEFORE WE GET STARTED

Register your attendance.

Complete this form for EACH session you attend today.

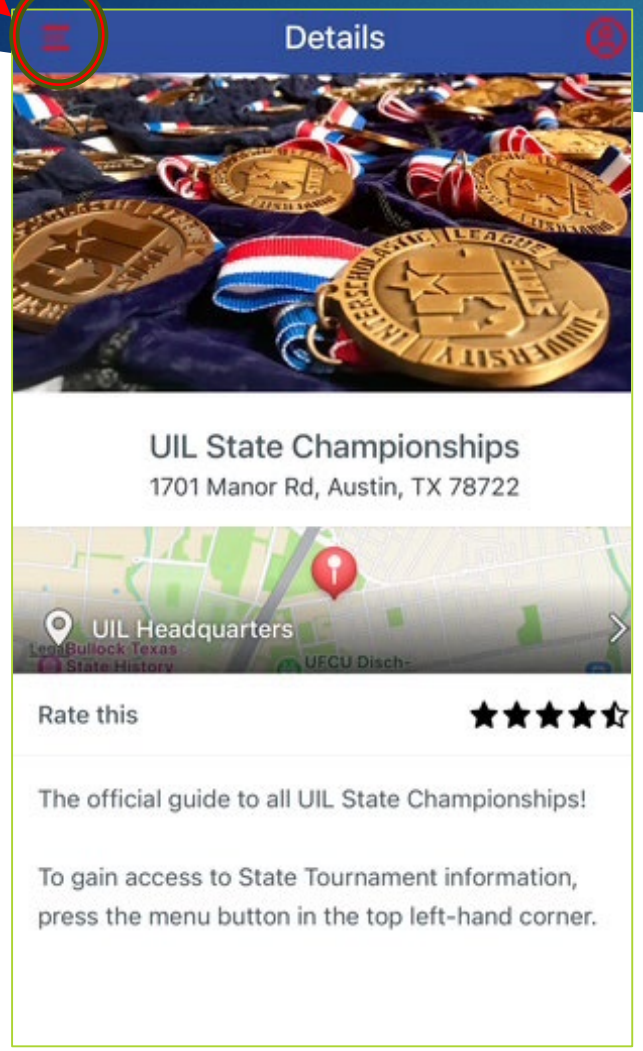
Session numbers are listed in schedule before titles.

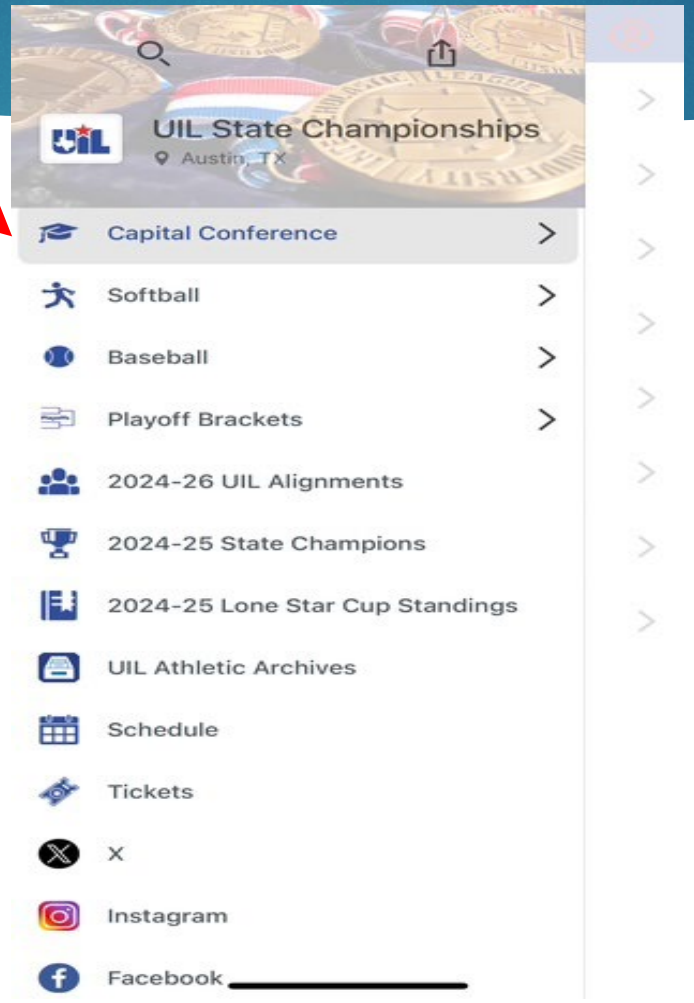
SCAN FOR ATTENDANCE CREDIT

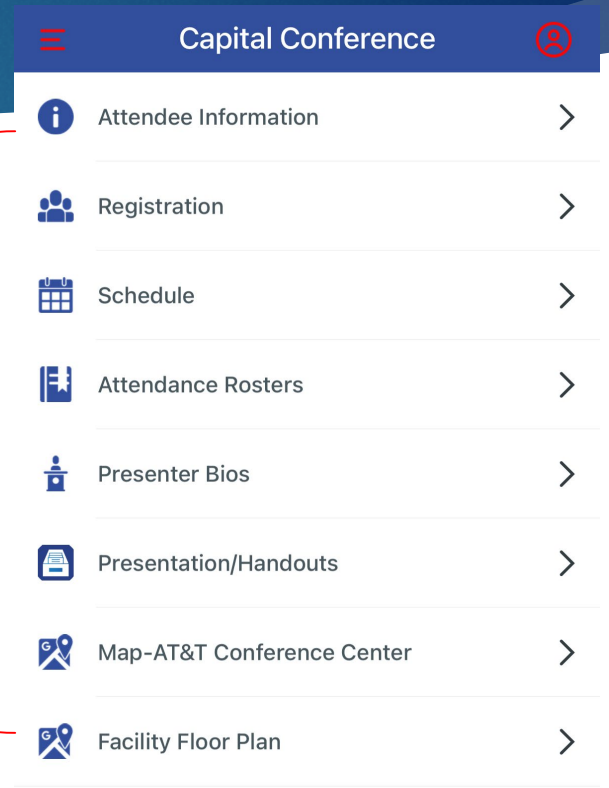
CAPITAL CONFERENCE 2025

UIL STATE APP For Capital Conference

UIL State 12+
Texas University Interscholastic League
Free







Regional UIL test

Four new Regional concepts

Added to district-level concepts.

- Bad Debts
- Inventory costing
- Depreciation
- Partnerships

Bad Debts

Recognizing that some people don't pay their debts!

Businesses run on credit, both for buying (A/P) & selling (A/R)

Before selling on credit, biz's should investigate customers' credit ratings

There will always be someone who doesn't pay their debts

Canceling the balance of a non-paying credit customer is called writing off an account

Failure to write off bad debts results in an OVERSTATEMENT of Assets & Net Income

Accounts Receivable

When businesses sell their services on credit:

DR Accounts Receivable

CR Sales, Fees, or other revenue account

The Realization of Revenue CPA states that revenue is earned when a sale is made, not when the receivable is collected.

Failing to collect the $ does not cancel the sale, or the revenue.

Two methods of accounting for bad debts

DIRECT WRITE-OFF

DR Bad Debt Expense (or Uncollectible Accounts Exp.)

CR Accounts Receivable

OR

ALLOWANCE METHOD

DR Bad Debt Expense

CR Allowance for Uncollectible Accounts (AUA)

Direct Write-Off Method

- Used by small businesses
- With fewer accounts receivable
- DR Bad Debt Expense to record the loss
- CR A/R directly to cancel the balance
- No year-end adjustment needed

Allowance Method

- Used by larger businesses
- Sets aside an estimated uncollectible amount in a contra-A/R account called…
- Allowance for Uncollectible Accounts (AUA)
  Allowance for Doubtful Accounts (ADA)
- AR -- DR balance; AUA -- CR balance
- Year-end adjustment replenishes AUA

Contra-Asset Accounts

reduce the value of a related account

Accts/Rec. – AUA = Book Value of A/R

ASSETS			
Current Assets			
Cash in Bank		12,750	
Accounts Receivable	180,250		
Less: Allow. for Uncollectible Accts	-1,400	178,850	

Two options available using the Allowance Method

Percentage of Sales method (Guess)

OR

Aging of A/R method (Better guess!)

Obviously, if a biz knew who wouldn't pay what is owed, the biz. wouldn't let them charge to begin with!

Adjustment for % of Sales Method

Allow for Uncoll. Accts.

-	B+
	125 B4 adj.
calc. amt is AJE)	+ 750 adj. amt (e.g.3% X 25,000 Net Sales)
	875 Ending Balance
	======

Adjustment for Aging of A/R

(since this method relates directly to A/R, it is a 'better' guess, so it becomes the ending balance.)

AGING-ENDING

Allow for Uncoll. Accts.

	-	B+	
		125	B4 adj.
			(aging amt. of
		+ 625	$750 less 125
			(3% of 25,000)
(calc. amt is Ending Balance)		875	
		======	

#2 Plant Assets: & Depreciation

finally showing the cost of assets as an expense!

Plant & Equipment Assets

Equipment, Vehicles, Building, Airplane, Computers, Furniture, etc.

- Are used over multiple accounting periods
- Are used to earn revenue, not to be resold
- Cost is allocated over the years of useful life
- Must be recorded at historical cost
- Are called by several differing terms

Four factors in Calculating Depreciation

- 1st 2 are known; 2nd 2 are estimated
- Cost
- Depreciation method to be used
- Estimated useful life
- Estimated salvage value

Plant Asset Cost

Cost of a plant asset includes all amounts spent to prepare it for use in the operations of the business.

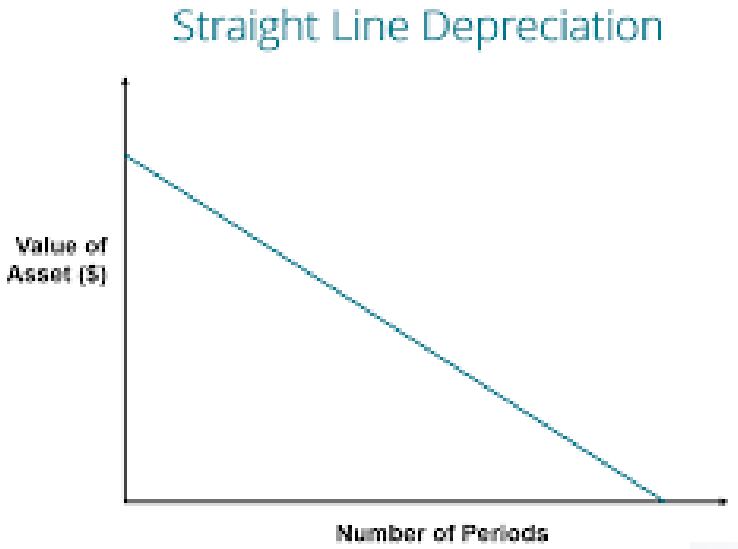
(Cost + Shipping + Sales Tax + Installation +Delivery)

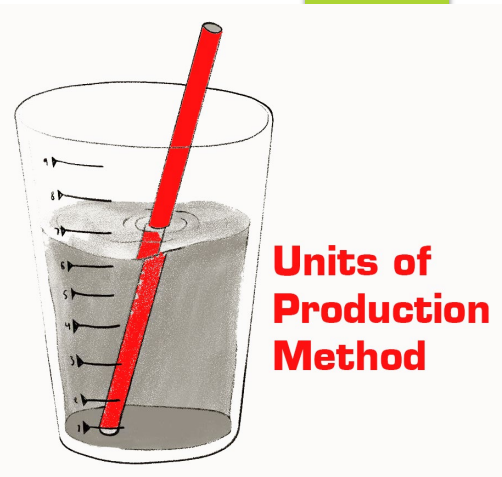
Plant Asset Cost Example

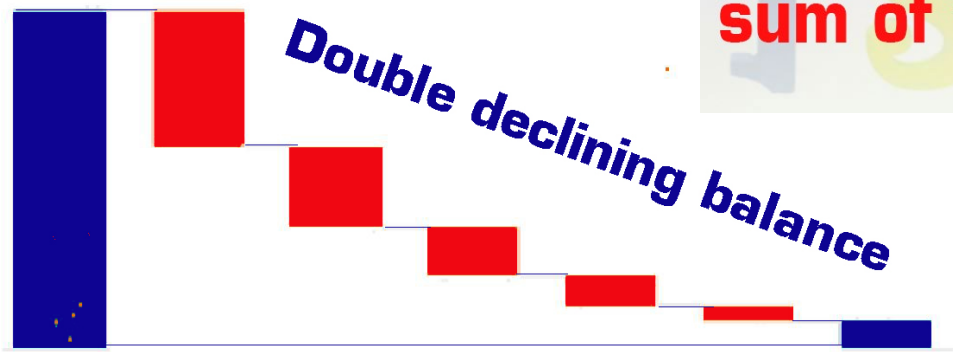
- A company called Hands Up located in Texas purchased a new machine on April 1, 2024 for **$210,000.** that will enable them to make latex gloves in various colors.
- Hands Up was required by Texas to pay Texas **sales tax of $14,220** because the Chicago company also had operations in Texas.
- Hands Up was required to pay **$7,200** to have the machine **transported** to Texas.
- Upon arrival a specialized crew had to **install** the new machine at a cost of **$4,440**.
- The machine was fully operational by **April 12, 2004**.(date to be used for put in service)
- ~~The machine's technology is two years old, and the market value was $225,000~~. **(distractor)**
- Hands Up estimates the **useful life** of the asset to be **10 years**. The estimated value of the machine at its replacement time is determined by Hands Up to be **$54,000 (salvage value)**.

210,000 + 14,220 + 7,200 + 4,440 = 235,860 COST - 54,000 Salvage Value = 186,860 Depr. Value

Four depreciation methods







Method #1
Straight-Line

- $ Equal amount method
- $ Widely used
- $ Easiest to calculate

Straight-Line Formula:

Cost
- SV (Salvage Value)
= DV (Depreciable Value)

÷ UL (# Yrs. Useful Life)
= AD (Annual Depreciation) for Years 2 and following

÷ 12 = Mo. Depreciation
x # mos. owned in Year 1
= 1st Yr. Depr. Exp. amount

Straight-Line Formula

Cost $5,300
-SalVal - 500
= DepVal 4,800

÷ UL ÷ 4 yrs
= AnnDep = 1,200

÷ 12 = 100/mo.

x # 7 mos.
(Jun-Dec)

= Yr. 1 Depr. $ 700
Yr. 2 Depr. 1,200
Yr. 3 Depr. 1,200
Yr. 4 Depr. 1,200
Yr. 5 Depr. 500

PLANT ASSET RECORD

ITEM *Computer System* DISPOSAL VALUE *$500*

GENERAL LEDGER ACCOUNT *Equipment*

DEPRECIATION METHOD *Straight-Line* ESTIMATED LIFE *4 yrs*

	ASSET	ACCUMULATED DEPRECIATION			BOOK
DATE	COST	DEBIT	CREDIT	BALANCE	VALUE
5-30-20	$5,300				5,300
12-31-20 (7 mos.)			700	700	4,600
21 (12 mos.)			1,200	1,900	3,400
22 (12 mos.)			1,200	3,100	2,200
23 (12 mos.)			1,200	4,300	1,000
24 (5 mos.)			500	4,800	500

In every year, COST - ACCUM. DEPRECIATION = BOOK VALUE

7 months in 2020 + 5 months in 2024 = 12 months, so 4 full years

Sample Questions for the Computer Equipment example just given:

What is the book value of the computer system at the end of 2022? $2,200

What is the amount of depreciation expense recorded for the computer equipment in 2020? $700

What is the book value of the computer equipment at the end of year 2024? $500

If the Total Fitness Center sells the computer system on 12-31-23 for $1,200, what is the amount of the gain or loss? $200 gain

Method #2
Double-Declining-Balance

Accelerated method

More expense in earlier years

Double Declining Formula:

100%
÷ UL (# Yrs. Useful Life)
X 2
= AD % (Annual Depreciation %)
x Book Value each year
= Depr. Exp each year

Final year depr. exp. amt. is Book Value - Salvage Value

1st Yr. Depr. Exp. can be partial, but most problems are dated Jan 1

PLANT ASSET RECORD

ITEM *Fitness Equipment* DISPOSAL VALUE *$12,500*

GENERAL LEDGER ACCOUNT *Equipment*

DEPRECIATION METHOD *Double Declining Balance* EST. LIFE *5 yrs*

DATE	ASSET COST	ACCUMULATED DEPRECIATION DEBIT	CREDIT	BALANCE		BOOK VALUE
1-5-20	$125,000					$125,000
12-31-20			50,000	50,000	40% X	75,000
12-31-21	100% / 5 x 2		30,000	80,000	40% X	45,000
12-31-22	= 40% rate		18,000	98,000	40% X	27,000
12-31-23			10,800	108,800	- S.V.	16,200
12-31-24			3,700	112,500	(Not 40%)	12,500

In every year, COST - ACCUM. DEPRECIATION = BOOK VALUE

Sample Questions for the Fitness Equipment slide above:

What is the book value of the fitness equipment at the end of 2022? **$27,000**

What is the amount of depreciation expense recorded for the fitness equipment in 2020? **$50,000**

What is the book value of the fitness equipment at the end of year 2024? **$12,500**

If the Total Fitness Center sells the fitness equipment on 12-31-23 for $15,000, what is the amount of the gain or loss? **$1,200 loss**

SO NOW WHAT!

- $ After determining the annual depreciation, an Adjustment on the Worksheet will be done
- $ Then adjustments will be journalized as adjusting journal entries

DR Depreciation Expense
CR Accumulated Depreciation

Worksheet Adjustments

Work Sheet
For the Year Ended December 31, 20--

Account Title	Trial Balance		Adjustments		Adjusted Trial Balance	
	Debit	Credit	Debit	Credit	Debit	Credit
Equipment	28,500					
Accumulated Depreciation—Equip		11,000		3,000		14,000
Building	275,000					
Accumulated Depreciation—Bldg.		25,000		2,500		27,500
Depreciation Exp.--Eqp.	-----		3,000		3,000	
Depreciation Exp.--Bldg.	-----		2,500		2,500	

Adjusting Journal Entries

GENERAL JOURNAL PAGE 29

	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT
1		Adjusting Entries			
10	Dec. 31	Depreciation Expense-Delivery Equip.		300000	
11		Accum. Depr.-Delivery Equip.			300000
12	31	Depreciation Expense-Building		250000	
13		Accum. Depr.-Building			250000

Figure 22-6 Recording Adjusting Entries for Depreciation Expense

#3 Concept: Inventory

- $ Inventory costing is not just a given amount!
- $ In reality, that amount must be calculated
- $ And the amount of Merchandise Inventory in the asset section must be adjusted up or down

#3 Inventory

Four Inventory Costing Methods used

FIFO
(first-in, first-out)

LIFO
(last-in, first-out)

Weighted Average
(Total COGA / # units X # EI)

Specific ID
(large-ticket Items)

Inventory Stock Record

shows all purchases of a particular item

Note the Formula:

Beg. Inventory

\+ Purchases

= Cost of Goods Avail. For Sale (COGA)

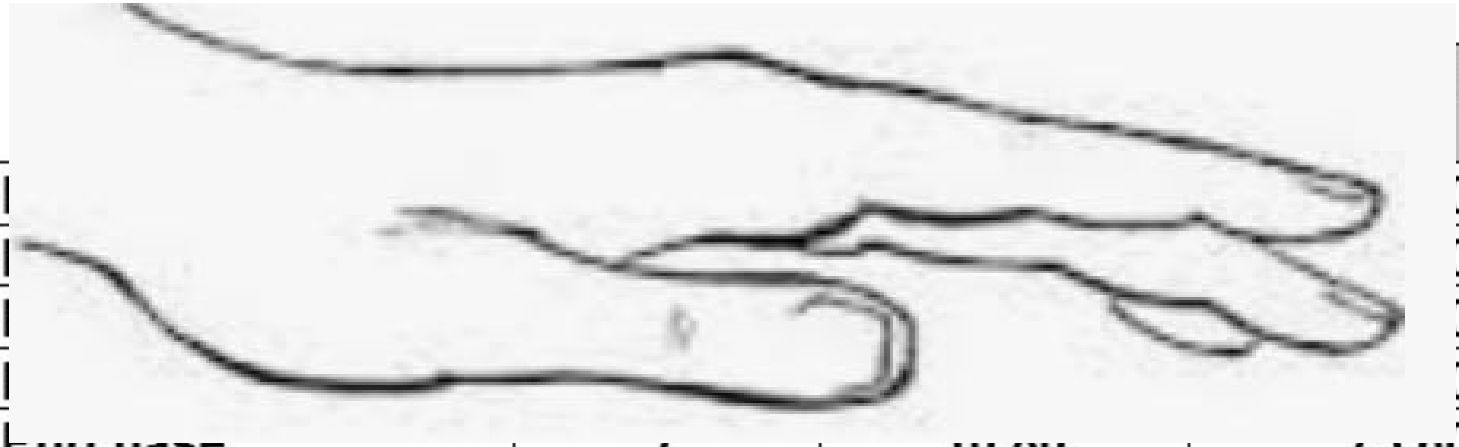
		Number of Units	Cost per Unit	Extended Amount
Jan 1	Beginning Inventory	3	10.00	30.00
Jan	Purchase	1	10.10	10.10
Feb	Purchase	30	10.20	306.00
Mar	Purchase	26	10.60	275.60
Apr	Purchase	7	10.80	75.60
Oct	Purchase	40	10.80	432.00
Nov	Purchase	1	11.00	11.00
Dec	Purchase	2	11.20	22.40
		110		1162.70

FIFO method

Ex. 17 units left in End. Inv.

With FIFO, cover the first rows with your hand; add from bottom:

2 @ 11.20
+ 1 @ 11.00
+14 @ 10.80
————————
= 17 184.52 E.I.



Jan 1				
Jan				
Feb				
Mar				
Apr	Purchase	7	10.80	75.60
Oct	Purchase	40	10.80	432.00
Nov	Purchase	1	11.00	11.00
Dec	Purchase	2	11.20	22.40
		110		1162.70

- EI 17 units - 184.52
= COGS 93 units sold 978.18
======

LIFO method

Ex. 17 units left in End. Inv.

With LIFO, cover the lower rows with your hand; add from the top:

3 @ 10.00
+ 1 @ 10.10
+13 @ 10.20
————————
= 17 172.70 E.I.

		Number of Units	Cost per Unit	Extended Amount
Jan 1	Beginning Inventory	3	10.00	30.00
Jan	Purchase	1	10.10	10.10
Feb	Purchase	30	10.20	306.00
Mar	Purchase			
Apr	Purchase			
Oct	Purchase			
Nov	Purchase			
Dec	Purchase			
		110		1162.70
- EI		17 units		- 172.70
= COGS		93 units sold		990.00
				======

Weighted Average method

Ex. 17 units left in End. Inv.

With weighted average, divide the COGA $ amt by # COGA units

1162.70
÷ 110
= 10.57 /unit
X 17 units
= 179.69 E.I.

		Number of Units	Cost per Unit	Extended Amount
Jan 1	Beginning Inventory	3	10.00	30.00
Jan	Purchase	1	10.10	10.10
Feb	Purchase	30	10.20	306.00
Mar	Purchase	26	10.60	275.60
Apr	Purchase	7	10.80	75.60
Oct	Purchase	40	10.80	432.00
Nov	Purchase	1	11.00	11.00
Dec	Purchase	2	11.20	22.40
		110	10.57 avg.	1162.70

EI 17 units - 179.69
= COGS 93 units sold 983.01
======

Specific ID method

Ex. 17 units left in End. Inv.

Specific ID would have to provide the months of purchase of EI:

For ex.

2 in B.I. = 20

5 in Mar. = 53

10 in Oct. = 108

17 = 181

		Number of Units	Cost per Unit	Extended Amount
Jan 1	Beginning Inventory	3	10.00	30.00
Jan	Purchase	1	10.10	10.10
Feb	Purchase	30	10.20	306.00
Mar	Purchase	26	10.60	275.60
Apr	Purchase	7	10.80	75.60
Oct	Purchase	40	10.80	432.00
Nov	Purchase	1	11.00	11.00
Dec	Purchase	2	11.20	22.40
		110		1162.70

EI = 17 units - 181.00

= COGS 93 units sold 981.70

======

So EI changes based on costing method

	COGA	- EI	= COGS
FIFO	1162.70	184.52	978.18
LIFO	1162.70	172.70	990.00
Weighted Avg.	1162.70	179.69	983.01
Specific ID	1162.70	181.00	981.70

#4 Partnerships

wherever two or more are gathered to make a profit!

No PP prez yet, but it's coming soon!

(She says hopefully!)

- Advantages & disadvantages
- Forming and dissolving
- Mutual agency
- Taxation
- Transactions

Bring your students to a SAC near you!

- Sept 13 University of Texas RGV, Edinburg
- Sept 27 West Texas A&M University, Canyon
- Oct 25 University of Texas at Austin
- Nov 1 Richland High School, Prosper

Contact Kay at kaywhitton@gmail.com

Free resources at accountingrocks.net

Success!


YOU
ARE A
HIGHLIGHT
OF MY
LIFE!
THANKS