

# 2023–24 Competitive Events Guidelines



## Foundations of Accounting

Foundations of Accounting provides members with the opportunity to demonstrate knowledge around introductory competencies in accounting. This competitive event consists of an objective test. It aims to inspire members to learn about accounting.

### Event Overview

**Division:** Collegiate

**Event Type:** Individual

**Event Category:** Objective Test, 100-multiple choice questions (breakdown of question by competencies below)

**Objective Test Time:** 50 minutes

**NACE Connections:** Career & Self-Development

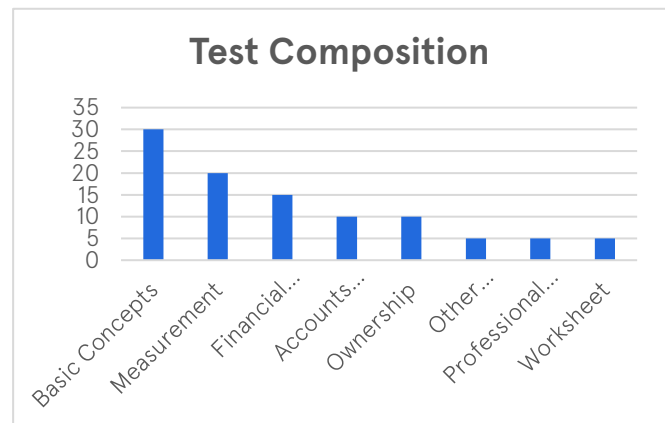
**Equipment Competitor Must Provide:** Pencil, Computer

**Equipment FBLA Provides:** One piece of scratch paper per competitor

*Only for members who have had no more than six credit hours on a semester schedule, or the equivalent of quarter hours, of accounting instruction at the collegiate level by May 1 of the current year.*

### Competencies

- Basic Concepts, Principles and Terminology
- Measurement, Valuation, Realization, and Presentation of Assets
- Financial Statements
- Accounts Payable and Receivable
- Ownership Structure
- Other Financial Statements
- Professional Standards and Ethics
- Worksheet



### State

Check with your State Leader for state-specific competition information.

### National

*Policy and Procedures Manual*

- Competitors should be familiar with the Competitive Events Policy & Procedures Manual, found on the Competitive Events page on [www.fbla.org](http://www.fbla.org).

*Eligibility*

- FBLA membership dues are paid by 11:59 pm Eastern Time on April 15<sup>th</sup> of the current program year.
- Members must be registered for the NLC and pay the national conference registration fee in order to participate in competitive events.

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- Members must stay in an official FBLA hotel to be eligible to compete.
- Each state may submit four entries per event.
- Each member can compete in up to two individual/team events and one chapter event (Community Service Project or State of Chapter Presentation).
- If competitors are late for an objective test, they will be allowed to compete until such time that results are finalized, or the accommodation would impact the fairness and integrity of the event. Competitive event schedules cannot be changed. Competitive events start in the morning before the Opening Session of the NLC.
- Picture identification (physical or digital driver's license, passport, state-issued identification, or school-issued identification) is required when checking in for competitive events.

### *Recognition*

- The number of competitors will determine the number of winners. The maximum number of winners for each competitive event is 10.

### *Event Administration*

- This event is an objective test administered online at the NLC.
- No reference or study materials may be brought to the testing site.
- No calculators may be brought into the testing site; online calculators will be provided through the testing software.

### *Tie Breaker*

- Ties are broken by comparing the correct number of answers to 10 pre-determined questions on the test. If a tie remains, answers to 20 pre-determined questions on the test will be reviewed to determine the winner. If a tie remains, the competitor who completed the test in a shorter amount of time will place higher.

### *Americans with Disabilities Act (ADA)*

- FBLA meets the criteria specified in the Americans with Disabilities Act for all competitors with accommodations submitted through the conference registration system by the registration deadline.

### *Penalty Points*

- Competitors may be disqualified if they violate the Competitive Event Guidelines or the Honor Code.
- Five points are deducted if competitors do not follow the Dress Code or are late to the testing site.

### *Electronic Devices*

- All electronic devices such as cell phones and smart watches must be turned off before competition begins.

### Study Guide: Competencies and Tasks

#### A. Basic Concepts, Principles and Terminology

1. Define the steps of accounting cycle, which include: recording of a transaction, presenting the trial balance, recording adjustments, presenting the adjusted trial balance, presenting the financial statements, recording the closing of an account, and presenting the post-closing trial balance.
2. Define the basic accounting equation and demonstrate how it is affected by individual transactions.
3. Identify resources to provide information on financial laws, regulations, and policies.
4. Define general accounting terms such as asset, liability, accounts payable, capital, income, expense, etc.
5. Define double entry accounting, debits, and credits.
6. Describe the purpose of accounting, the role it plays in our economy, and who uses it.
7. Describe the purpose and basic concepts of the GAAP.
8. Identify asset, liability, and capital or owner's equity accounts.
9. Differentiate fixed assets, intangible assets, and current assets.
10. Differentiate between current and long-term liabilities.
11. Define cash and explain a cash transaction's effect on the cash account.
12. Record business transactions involving cash in cash related journals.
13. Prove the accuracy of the cash account.
14. Describe Adjusting, Reversing, Closing Entries, and Error Correction.
15. Define the components of payroll.
16. Prepare a Chart of Accounts.
17. Use T accounts.
18. Record transactions in a general journal.
19. Post journal entries to general ledger accounts.
20. Prepare a trial balance and a post-closing trial balance.
21. Journalize and post adjusting and closing entries.
22. Define subsidiary ledgers and illustrate their use.

#### B. Measurement, Valuation, Realization, and Presentation of Assets

1. Compute financial ratios and analyze financial statements using horizontal analysis, vertical analysis, and commonly used financial ratios.
2. Utilize the analysis of data to make business decisions such as buying or replacing equipment.
3. Explain, compare, and analyze various depreciation methods and their effect on the value of assets.
4. Identify property, plant, and equipment assets and record their initial cost.
5. Classify fixed and intangible assets.
6. Compute and record the amortization of an intangible asset.
7. Compute percentages, ratios, and turnovers as applied to solvency and profitability measures.
8. Determine the cost of inventory using a variety of inventory costing methods.
9. Prepare depreciation schedules.
10. Define and illustrate capital expenditures vs. revenue expenditures.

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11. Discuss the three methods of expensing long-term assets: depreciation, amortization, and depletion.
  12. Illustrate the straight line, units of production, and double the declining balance methods of depreciation.
  13. Illustrate recording the sale, disposal, and trade-in of property, plant, and equipment.
  14. Illustrate the accounting treatment of intangible assets and natural resources.
  15. Analyze the items that belong to current assets account, including cash, accounts receivable, and inventory.
  16. Analyze the items that belong to long-term assets account, including tangible and intangible assets.
  17. Explain inventory systems and inventory valuation methods.
  18. Describe inventory and periodic and perpetual inventory systems.
  19. Identify cash dividends, stock dividends, stock split, return on assets, and return on common equity.
- C. Financial Statements (Balance Sheet and Income Statement)
1. Describe the different types of financial statements and compare the difference.
  2. Explain the purposes of each financial statement and describe the way they articulate with each other.
  3. Define terminology and classifications necessary for financial statements.
  4. Prepare an income statement that reports the results of operations for any entity.
  5. Interpret the information on an income statement.
  6. Prepare and interpret a balance sheet that reports the financial condition of the entity.
  7. Define the specific assets, liabilities, and stockholders' equity accounts that appear in the balance sheet.
  8. Prepare and analyze internal and external accounting reports using a balance sheet, an income statement, and analysis.
  9. Analyze the effects of revenue on financial statements.
  10. Compute the various financial ratios from a firm's income statement, balance sheet, and statement of cash flows.
  11. Perform all of the functions of the closing process, journalize and post the closing entries, prepare the post-closing trial balance, and prepare all of the appropriate financial statements and reports for a corporation.
  12. Create financial statements for partnerships including end-of-fiscal-period worksheet, income statement, distribution of net income statement/owner's equity statement, balance sheet, adjusting and closing entries, and post-closing trial balance.
- D. Accounts Payable and Receivable
1. Analyze and journalize transactions of merchandise sold for cash, on account, or by credit card; post to proper ledger accounts; and prove subsidiary ledger by preparing a schedule of accounts receivable.

2. Analyze and journalize purchases of merchandise on account; demonstrate knowledge of net purchases; post to proper ledger accounts; and prove subsidiary ledger by preparing a schedule of accounts payable.
  3. Record transactions and journalize entries to write off uncollectible accounts using the direct write-off and allowance method.
  4. Prepare adjustments using aging accounts receivable, percentage of sales, and percentage of accounts receivable methods.
  5. Explain the purpose of notes payable and notes receivable and calculate, record transactions, and journalize interest and payment of notes payable and receivable.
  6. Record transaction journal entries related to accruals and deferrals.
  7. Explain the nature of accounts payable.
  8. Explain an allowance for returned goods.
  9. Process sales orders and invoices for payment.
  10. Process accounts payable checks.
  11. Explain the nature of accounts receivable.
  12. Maintain a customer file for accounts receivable.
  13. Process sales returns and allowances.
  14. Explain and illustrate the calculation of interest revenue on notes receivable.
  15. Illustrate the preparation of a loan amortization table.
- E. Ownership Structure
1. Identify types of business organizations and functions.
  2. Identify business reporting and information flow required for types of ownership.
  3. Explain the characteristics associated with corporates, including PC, LLC.
  4. Define the advantages and disadvantages of corporations.
  5. Explain the characteristics of partnerships.
  6. Define the advantages and disadvantages of partnerships.
  7. Explain the characteristics of sole proprietorships.
  8. Define the advantages and disadvantages of sole proprietorships.
  9. Compare the accounting implications for different types of business ownership.
  10. Summarize the differences in the equity sections for sole proprietorships, partnerships, and corporations.
  11. Define capital stock, its classes, its characteristics and all associated terms.
  12. Describe an agency relationship.
  13. Describe the different levels of liability and taxation for Subchapter S Corporations and Limited Liability Corporations.
- F. Other Financial Statements (cash flow, owner's equity, profit-loss, etc.)
1. Prepare statement equity and retained earnings.
  2. Differentiate between stock splits and stock dividends and explain how each affects equity.
  3. Describe the purposes of the revenue, expense, and drawing accounts and illustrate the effects on capital/owner's or stockholder's equity.
  4. Use cost-volume-profit and contribution margin analysis to plan operations.
  5. Analyze cash inflows and cash outflows and prepare a cash flow statement.

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6. Determine cash flows from operating activities, investing activities, and financing activities.
  7. Describe working capital changes.
  8. Calculate business profitability.
  9. Prepare a budget and use it to make business decisions and evaluate the company's performance.
  10. Describe the many types of budgets.
- G. Professional Standards and Ethics
1. Identify confidentiality concepts and policies.
  2. Identify characteristics of professional conduct.
  3. Identify and practice good ethical behavior.
  4. Differentiate between good and poor business ethics.
  5. Adhere to financial laws and regulations and to establish company rules, regulations, and policies.
  6. Identify issues and trends affecting computers and information privacy.
  7. Describe the importance of integrity, confidentiality, and high ethical standards in preparation of financial statements, and in interpretation and use of data.
  8. Explain the importance of ethical business decisions.
  9. Utilize security measures to minimize loss and to create trust (e.g., maintain data security and develop strategies to protect data).
  10. Discuss the general principles of the code of ethics for the AICPA, IMA, CIA, and ACAT.
- H. Worksheet
1. Identify information needed in preparation of a worksheet.
  2. Record adjustments on the worksheet.
  3. Prepare trial balance, income statement, and balance sheet section of the worksheet.
  4. Prepare a worksheet.
  5. Illustrate how a worksheet can be used to provide a preview of financial statements.