1933

Examination questions [1933, November]

Minnesota State Board of Accountancy

MINNESOTA STATE BOARD OF ACCOUNTANCY

EXAMINATION QUESTIONS

WEDNESDAY, NOVEMBER 15, 1933 — 8:30 A.M. to 10:00 A.M.

ORAL

10:00 A. M. to 12:00 M.

Economics and Public Finance

Question 1:

From the economic angle alone, should the United States recognize Russia? The volume of our trade with Russia in 1931 was a hundred and thirty-eight and three quarter million dollars, during the first half of 1933 seven and a half million dollars. Claims of the United States Government and its citizens against Russia and its people are nearly six hundred million dollars with counter claims advanced by Russia of nearly two hundred million dollars.

Question 2:

Some one has said, "Nothing should be done by man which can be done by a machine." Another writer has proclaimed that "The displacement of labor by machines has resulted in an improvement in processes which 'threw men out of work.' " Discuss the economic effect of what is usually described as the Machine Age.

Question 3:

Discuss the theory that the economic welfare of the public is enhanced by lessening its working hours.

Question 4:

Explain the statement that, "Credit is the mechanism by which all forms of wealth may be coined into dollars and put to work."

Question 5:

Name and explain the different ways in which the principle of inflation may be utilized in reëstablishing a satisfactory economic condition.

Question 6:

Explain the economic principle involved in the plan of the Agricultural Adjustment Administration.

MINNESOTA STATE BOARD OF ACCOUNTANCY

EXAMINATION QUESTIONS

WEDNESDAY, NOVEMBER 15, 1933 — 1:00 P.M. to 5:30 P.M.

Practical Accounting

Problem 1:

Following the bank moratorium in March, 1933, The Builders State Bank reorganized. Capital was procured from wholly new stockholders and the institution was renamed The Builders Bank and Trust Company. Under contract, the old bank sold all its assets to the new company which, in turn, assumed all the obligations of its predecessor. With the exception of fixtures and equipment, and United States government securities which were to be taken over at net book values and market, respectively, and certain other items which had a definite market value, the contract did not fix transfer values of assets. It was stipulated, however, that any excess realized in the liquidation of these unvalued assets over the amount of the net liabilities assumed should be turned back to the old bank for distribution to the old stockholders. The new bank was given unrestricted title to the assets, with unlimited power to dispose of them as its officers deemed best. The obligation of the old bank to the new was credited with the values of fixtures, Federal securities, cash, and such loans and other securities as were considered unquestionably sound. As the market values of other assets rose to levels equal to their value on the books of the old bank, the new bank took them up and credited the obligation of the old bank with the current market plus accrued interest to the date of the book transfer. From the date of reorganization to July 31, all income received from securities which had not been so transferred to the books of the new bank was credited to the obligation of the old bank and treated as income of the old organization.

It has been pointed out that since the terms of the contract gave the new bank title and possession of the assets of the old bank, income from such assets, regardless of whether such assets are reflected or not reflected on the books of the new organization, should be shown as taxable income of the new bank. The officers defend their procedure by stating that the bank examiner refused to let them take certain assets on their books and they had deferred the time of transferring others until market values rose to a point where a minimum loss would be incurred by the old bank. Which position would you defend? Why?

Problem 2:

From the accompanying comparative balance sheet, prepare a statement of application of funds for the year ending July 31, 1933:

ARTHUR CORPORATION
COMPARATIVE BALANCE SHEETS
FISCAL YEARS ENDING JULY 31, 1932 AND 1933

	July 31, 1932	July 31, 1933
Assets		
Cash on hand and in banks	$ 63,429.48	$ 32,699.40
Notes receivable	10,300.00	12,460.00
Trade accounts receivable	314,098.67	318,270.48
Inventories—		
Raw material	43,290.74	23,980.67
Work in process	15,840.62	9,479.82
Finished goods	75,390.84	46,249.29
Prepaid expenses	9,240.00	6,480.00
Treasury stock—250 shares, at cost	....	38,200.00
Land	120,000.00	120,000.00
Buildings	847,000.00	630,000.00
Reserve for depreciation	496,240.84*	385,690.74*
Machinery and equipment	430,290.00	410,380.72
Reserve for depreciation	298,460.70*	284,943.61*
Total	$1,134,178.81	$ 977,566.03

LIABILITIES AND NET WORTH

	1932	1933
Accounts payable	$ 196,340.82	$ 273,560.90
Notes payable	52,500.00	46,000.00
Accrued expense	4,390.00	8,946.70
Notes receivable discounted	....	10,300.00
Loans from officer	....	20,000.00
6% First mortgage bonds	150,000.00	100,000.00
Capital stock — 4,000 shares, $100.00 par, authorized	350,000.00	380,000.00
Capital surplus	409,050.10	274,100.20
Earned surplus	28,102.11*	135,341.77*
Total	$1,134,178.81	$ 977,566.03

*Red.

The following points are to be considered:

(1) The building account was shown at appraised values on July 31, 1932, but was written down on August 1, 1932, to its original cost on which 5% depreciation was taken during the year ending July 31, 1933.

(2) Machinery costing $68,390.00, on which depreciation of $54,555.16 had been accumulated was sold for $5,500.00.

(3) Mortgage holders received $20,000.00 plus accrued interest in cash and $30,000.00 in capital stock for bonds maturing during the fiscal year ending July 31, 1933.

(4) The only other change in capital surplus arose from a loss from a merchandise speculation which was charged thereto.

(5) The loan from officer represents the undrawn salary of the president for the past year.

Problem 3:

The Apex Mills floated a bond issue of $25,000.00 on January 1, 1931. The provisions of the trust agreement state that $5,000.00 is to be retired annually, beginning one year from the date of issue, on the interest date, January 1. The bond discount and expense of the issue, $1,960.87, is to be amortized over the five-year period on the calendar-year, bonds-outstanding basis.

On June 30, 1933, bonds totaling $3,800.00 were purchased by the company at par plus accrued interest, with maturity dates as follows:

Date due	Amount
Jan. 1, 1934	$1,500.00
Jan. 1, 1935	2,000.00
Jan. 1, 1936	300.00
	$3,800.00

Of the bonds repurchased, those having the due date of January 1, 1935, were resold September 1, 1933, at 80.

Compute the discount and expense chargeable to the calendar year 1933.

MINNESOTA STATE BOARD OF ACCOUNTANCY

EXAMINATION QUESTIONS

THURSDAY, NOVEMBER 16, 1933 — 8:30 A.M. to 12:00 M.

Commercial Law

AGENCY
(Answer two)

Question 1:

Give a definition of Agency.

Question 2:

A appoints B his agent for the collection of rents on his property. A dies and C, a tenant, now knowing of A's death, pays B the rent for the month. B absconds with the money and A's executor sues C. Can he recover? Give your reasons.

Question 3:

A ordered coal from B. C, an unauthorized agent delivered coal to A, and in doing so, negligently broke a large plate glass window of A's. B later presents a bill for the coal to A, having full knowledge of the facts. A sues B for the broken window. Can he recover? Give your reasons.

BANKRUPTCY
(Answer two)

Question 1:

The X Co. shipped to B certain merchandise subject to approval. B becomes bankrupt and the X Co. presents and files a general claim against the bankrupt estate. Subsequently, they desire to reclaim their property and withdraw their claim. May they do so?

Question 2:

Certain accounts receivable of the A Corporation are assigned to one of its creditors more than four months prior to the date of bankruptcy of the A Corporation. The accounts, however, are actually collected within the four months period preceding commencement in bankruptcy. Is the assignment of the accounts a voidable preference?

Question 3:

What are the qualifications of a trustee in bankruptcy?

CONTRACTS
(Answer five)

Question 1:

A attempted to foreclose a mortgage. B's defense was that A told him that when the principal fell due, he didn't have to pay it, but only pay him the interest. Is this a good defense?

Question 2:

A offered a reward in a newspaper of $200.00 to anyone finding and returning a valuable diamond watch with his name inscribed on the watch. B found the watch but did not see the offer of reward in the paper, but through the inscription of A's name on the watch returned it to A. B then learned of the offer for reward and sued A for the $200.00. Will he suceed? Explain.

Question 3:

What are the essential elements of a valid contract?

Question 4:

Is a mere moral obligation sufficient consideration of a contract?

Question 5:

A adopts a step-son; after maturity the step-son gives his promissory note for one year for $1,000.00 to his step-father in consideration of his expenditures for him. Can A collect on the note? Explain.

Question 6:

A, having his place of business in California, sends B a letter in New York on January 2, 1933, offering him 500 bushels of wheat at $1.00 per bushel. B received the letter on January 8, 1933. On January 9, 1933, at 10:00 o'clock in the forenoon, B mails a letter to A accepting the offer. Meanwhile, on January 4, A had written another letter repudiating the offer which reached B on January 10. A refuses to ship the wheat. Can B recover and why?

Question 7:

Give a definition of a condition precedent and a condition subsequent and an illustration of each.

CORPORATIONS

(Answer two)

Question 1:

Give a definition of corporation.

Question 2:

Explain what is meant by ultra vires in regard to the act of a corporation and give an example of such act.

Question 3:

A Corporation made a contract with the B Corporation to build a boat for the B Corporation on instalments. The instalments to date had been paid, except part of the instalment for $9,000.00. The B Corporation refused to pay any more money because the A Corporation was insolvent and the following agreement was entered into: The A Corporation mortgaged its property to the B Corporation for the entire original contract price and the B Corporation was to raise some money on the mortgage and give it to the A Corporation to enable it to carry on the business. The B Corporation then gave the A Corporation the $9,000.00. A receiver was later appointed for the A Corporation and he moved to set aside the mortgage. Can he succeed? Give your reasons.

GUARANTEE AND SURETYSHIP

(Answer one)

Question 1:

(*a*) Define guaranty.
(*b*) Define suretyship.

Question 2:

X makes a written guarantee with A, guaranteeing that if A would sell coal to B for an amount not exceeding the value of $1,000.00, he, X, would be responsible. A agrees to do so. A sells B coal in the amount of $2,000.00. B becomes insolvent and A sues X on his guarantee for $1,000.00. Can A succeed and why?

INCOME TAX

(Answer three)

Question 1:

Referring to the Revenue Act of 1933, state briefly the nature of the excise tax on dividends.

Question 2:

Referring to the Revenue Act of 1933, state briefly the nature of the capital stock tax.

Question 3:

Referring to the Revenue Act of 1933, state briefly the nature of the excess profit tax on corporations.

NEGOTIABLE INSTRUMENTS
(Answer three)

Question 1:

John Jones has Robert Hurd and the Goodwill Corp. become accommodation endorsers on his note payable to Richard Roe. On the date of maturity, John Jones is insolvent and the endorsers refuse to pay. They both put in a defense. What can their defense be, if any?

Question 2:

What constitutes a holder in due course?

Question 3:

Name the different kinds of endorsements and give a short definition of each.

Question 4:

A purchased stolen negoitable bonds knowing they are stolen, and negotiates to B, an innocent purchaser, for value. A later repurchases the bonds and on the due date presents the bonds for payment, which is refused. A brings suit to recover the price of the bonds. Can he recover? Explain.

PARTNERSHIP
(Answer two)

Question 1:

A, B and C are partners in a garage business. D brings in his car for repairs. A wrongfully refuses to give D his car and D sues A, B and C for conversion. B and C file an answer stating they did not convert said automobile. D moves to strike out the answer. Who should prevail and why?

Question 2:

What are the rules for distribution in settling accounts between partners after dissolution under the Uniform Partnership Act, there being no agreement between them?

Question 3:

(*a*) Give a definition of limited partnership.

(*b*) What is the character of a limited partner's contribution?

(*c*) May a person be a general partner and a limited partner in the same partnership at the same time?

Question 4:

A, B and C are partners carrying on a business selling tires. One year after the formation of the partnership D is admitted to the partnership. Two months before the admission of D; A, B and C had purchased approximately $5,000.00 worth of tires and at the time of D's admission, the sum is past due. Thereafter a judgment is taken against the partnership and the assets of the partnership are sold for $3,000.00. Meanwhile, A, B and C had filed petitions in bankruptcy and an attempt is made to levy on D's individual estate. D objects to such levy. Who should prevail and why?

SALES

(Answer three)

Question 1:

The John Adams Co. of Boston, Mass., sells to the Maxwell Sales Co., merchandise for the sum of $600.00, shipment to be made immediately and payment to be made in ten days. The John Adams Co. ships the merchandise by the American Express Co. immediately, and after shipment, the John Adams Co. learns that a receiver in bankruptcy has been appointed for the Maxwell Sales Co. and they telegraph the American Express Co. in New York to hold the shipment and not to deliver. The receiver sues for the goods. What are the rights of the parties?

Question 2:

What are the rights of the unpaid seller against the goods sold, as set forth in the Uniform Sales Act.

Question 3:

A is the owner of a large shipyard. B contracts with A for the building of a large motorboat and B is to hire someone to supervise the erection of this boat, and all the material which is to be used in erection is to be stamped B's. The price agreed upon was $30,000.00, to be paid in instalment as the work progressed. The work was commenced and approximately $10,000.00 had been paid when the ship mysteriously caught fire and was completely burned. At the time of the burning B was to have paid an additional $10,000.00 for the erection. A sue B for the $10,000.00 additional, claiming title to the vessel was in B. Is his contention proper and why?

Question 4:

What are the provisions of the Statute of Frauds under the Uniform Sales Act?

Question 5:

Are the following cases within or without the Statute of Fraud? Answer within or without.

1. An entire contract, delivery by installments, one installment delivered.
2. Retention of samples of tea.
3. Obtaining goods for opportunity to inspect.
4. Order blank states "goods not subject to return"; goods are received by buyer on approval. Is that *ipso facto* within or without the Statute?
5. A unique diamond bracelet, manufactured but not intended for the general trade.

CONDITIONAL SALES
(Answer one)

Question 1:

A landlord distrains for rent on the chattels of B. Among such chattels distrained is a chattel subject to a conditional bill of sale held by C, but not recorded. C claims the chattel. Who should prevail and why?

Question 2:

(*a*) Give a definition of conditional sale.
(*b*) Give a definition of a chattel mortgage.

WILLS
(Answer one)

Question 1:

A dies leaving a last will and testament. Among the bequests is a bequest to A which has lapsed. There is no residuary clause in the will. What happens to the lapsed bequest? Would your answer be different if the lapsed bequest was to take effect at some period of time after the death of the testator?

Question 2:

A makes a last will and testament. Later he isn't satisfied with it and asks his wife to burn it up. She neglects to do so and A dies making no other will. A's wife attempts to probate the will. Can she do so, and why?

MINNESOTA STATE BOARD OF ACCOUNTANCY

EXAMINATION QUESTIONS

FRIDAY, NOVEMBER 17, 1933 — 8:30 A.M. to 12:00 M.

Auditing

(Answer ten questions including No. 6 and No. 9.)

Question 1:

During the course of your audit of the B Company, you find that the salary of one of the vice-presidents was increased in the amount of $15,000 during the year but that no record of such increase has been authorized by the Board of Directors. The president informs you that a majority of the Board know of the increase, and that these members have approved it. Would you regard this explanation as satisfactory; if not, what further steps would you take?

Question 2:

What general questions should be raised by an auditor in his first examination of the accounts of a company with respect to the adequacy of the system of internal check surrounding payrolls?

Question 3:

What attitude should the auditor adopt toward postdated invoices included in accounts receivable?

Question 4:

Postdated checks from customers totaling $12,500.00 appear as part of the cash on hand of a company you are auditing. These checks were ultimately deposited and collected in full. Would you object to their inclusion as cash?

Question 5:

The president of the L Company hands you a certificate to the effect that the debit balance of $52,000.00 appearing in his personal account on the books of the L Company is correct. Would you accept this certificate as satisfactory evidence as to the existence and propriety of the account?

Question 6:

In the course of an audit of a manufacturing company, you discover that the stockholders had authorized the sale of $500,000.00 of preferred stock to an investment banking house at par, to be paid for as the sales were made to the public. At December 31, 1932, in answer to a letter of verification sent by you, you learn that $125,000.00 of stock had been sold, but none of the proceeds had been turned over to the company. The president of the company advises you that inasmuch as no money was received, no record has been made on the books, and only a note should appear on the balance sheet relative to the deal. State how you would reflect this transaction on the balance sheet, if at all.

Question 7:

The officers of a certain holding company have followed the practice of pegging the company's stock by means of maintaining brokerage accounts in the names of various officers and operating these accounts as fully as necessary in order to accomplish their objective. Due to market declines in 1932 which could not be overcome, the debit balances with brokers became worthless and were charged off to paid-in surplus as part of a larger item termed "Losses from write-downs of investments." What steps would you follow in auditing these losses and how would you disclose them in your financial statements?

Question 8:

Warehouse receipts are presented to you as evidence of item of "Goods in warehouse in other cities." Would you consider them as sufficient evidence to verify the account?

Question 9:

The Bleifuss Company evades the Federal tax on checks by issuing drafts to its creditors. These drafts are issued to the order of the creditor, are orders on the company's treasurer and are payable only through a designated bank. However, by agreement with the company, the bank is under no obligation to pay such drafts until all the drafts presented for the day have been covered by the company's check. In the balance sheet of the company at October 31, 1933, how would you reflect drafts issued and outstanding?

Question 10:

In verifying prepaid fire insurance premiums for a public utility company, you find that the only evidence on hand as to the existence of these policies is a receipt from the First National Bank. Explain what a presence of these policies at the bank may signify.

Question 11:

A concern rendering service has attempted to augment its business through the sales of tickets at a small discount from the regular price, which enable the purchaser to secure the service at any time in the future merely by presentation of the ticket. Over a period of several years the company finds that while an annual increase in ticket sales has occurred, the liability account for unpresented coupons has increased considerably in excess of the rate of sales. The management has called upon you to make an investigation of this point and report on your findings, together with any suggestions you may have relative to the method of handling the tickets. Discuss what you might expect to find and what changes, if any, you would make.

Question 12:

In a balance sheet audit, what are some of the expense accounts to which you might profitably devote your attention?

MINNESOTA STATE BOARD OF ACCOUNTANCY

EXAMINATION QUESTIONS

THURSDAY, NOVEMBER 16, 1933 — 1:00 P.M. to 5:30 P.M.

Practical Accounting

Problem 1:

Mr. J. B. Sterling, president of the Nomad Manufacturing Company, hands you the following condensed comparison of operations for the years ending December 31, 1931 and 1932. He believes that a considerable portion of the loss for the year 1932 is attributable to reductions in selling prices not completely compensated for by reductions of the prices of raw materials purchased.

Write a letter to the president pointing out to him the apparent causes for the decline in net profit for 1932.

The data submitted by the president follow:

Particulars	1931	1932
Units sold	211,360	179,864
Sales	$321,267.20	$259,004.16
Cost of sales—		
Raw materials	$237,524.30	$184,243.92
Direct labor	23,885.94	19,216.51
Factory overhead	23,239.79	24,020.65
Variation in finished goods inventory—		
Raw materials	4,284.31*	4,570.11
Direct labor	433.43*	467.81
Factory overhead	429.82*	584.75
Cost of sales	$279,502.47	$233,103.75
Selling expenses	23,131.24	24,087.39
General and administrative expenses	15,742.09	16,835.27
Total cost and expenses	$318,375.80	$274,026.41
Net profit	$ 2,891.40	$ 15,022.25*

*Red.

Problem 2:

A partnership comprised of A, B and C has decided to liquidate its business because of declining profits. The partners ask you to prepare a balance sheet of the partnership at December 31, 1932, and to devise a schedule showing the proper distribution of the available cash to accounts-payable creditors and partners. The following facts are made available to you:

The partnership agreement calls for the distribution of profits as follows:

A — 20%
B — 40%
C — 40%

A, as manager, is entitled to an annual salary of $10,000.00 plus 20% of the profits before partners' interest allowances but after the salary deduction. The bonus has not yet been given expression to on the books. Interest at the rate of 6% per annum is to be allowed on average invested capital during the year 1932, without regard, however, to the current year's profits or losses. None of the partners has private resources that may be drawn on in the event of a deficiency.

A trial balance of the company's books at December 31, 1932, was as follows:

Trial Balance
December 31, 1932

	Dr.	Cr.
Cash	$ 325,000	
Accounts receivable (considered collectible)	175,000	
Inventory—December 31, 1932	55,000	
Land and building (less reserve)	425,000	
Machinery and equipment (less reserve)	150,000	
Accounts payable		$ 30,000
6% mortgage on land and building, maturing August 1, 1933 (interest paid to January 1, 1933)		100,000
A—Salary account		5,000
B—Loan (interest paid in full to Jan. 1, 1933)		20,000
B—Withdrawals	10,000	
C—Withdrawals	35,000	
A—Capital		270,000
B—Capital		375,000
C—Capital		325,000
Sales		1,500,000
Cost of sales	1,250,000	
Partner's salary	10,000	
Other expenses	190,000	
	$2,625,000	$2,625,000

The partners accepted the plan of distribution presented by you and on January 10, 1933, made the distribution called for by your statement. A was appointed to take charge of liquidating the business at an annual salary of

$6,000.00. You are requested to make up distribution statements for each three months until the business is liquidated so that the receipts may be disbursed promptly.

The liquidation of the business by A resulted in the following cash collections for two three-months' periods as follows:

On accounts receivable—	
January 1 — March 31	$50,000
April 1 — June 30	50,000
Machinery and equipment sold, at book value—	
January 1 — March 31	$35,000
April 1 — June 30	25,000

On March 30, 1933, B offers to purchase the land and building at a valuation of $350,000.00 and to assume the mortgage and the interest payments thereon. A and C immediately accept the offer. Because of the possibility of a deficit in B's remainder interest, B on the same date gave to the partnership a $30,000.00 second mortgage on the land and building in complete and final settlement of his account.

On March 31, 1933, as a separate transaction, A agreed with C to accept the junior mortgage as a distribution to his account at a discount of 20%.

The entire inventory was sold for cash on March 31, 1933, at book value.

From the above information, prepare the statements asked for by the partners giving effect to the above transactions and to the quarterly distributions. The final distribution was made on June 30, 1933, the assets remaining unliquidated at that time having no value.

MINNESOTA STATE BOARD OF ACCOUNTANCY

EXAMINATION QUESTIONS

FRIDAY, NOVEMBER 17, 1933 — 1:00 P.M. to 5:00 P.M.

Accounting Theory

(Answer ten questions including No. 4 and No. 5.)

Question 1:

What is the difference between repairs, maintenance and renewals? What method should be followed in handling these items on the books of account?

Question 2:

How should the payment of special assessments on land be handled on the accounting records? If, after a number of years, an additional assessment is made to renew the property on which the original assessment was applied, how would you dispose of the new expenditure?

Question 3:

In some lines of business, where containers used are of sufficient value, the customers are charged a deposit until the container is returned. How should the "containers-out" and the corresponding liability account be shown on a balance sheet?

Question 4:

A piece of business property was improved by a building set up by the lessee under a long-term lease. Under such lease, the building becomes the property of the lessor at the expiration of the lease. How should the building be handled on the books of the lessor (*a*) during the life of the lease and (*b*) after the expiration of the lease?

Question 5:

The Horton Mills has an inventory-valuation problem which it asks you to solve. On June 1, 1933, the company buys and stores in its elevator ten million bushels of corn at 40c. On the same date it contracts to sell these ten million bushels for future delivery on September 1, at 45c. On September 1, the management decides to buy back the *future* at the market price of 46c on that date. It then enters into a contract to sell the ten million bushels in its elevators at 51c, for delivery December 1.

(*a*) What entry should be made on the books on September 1 when the transactions are consummated?

(*b*) What value must be used for balance-sheet purposes at September 30?

Question 6:

In August, 1929, the Krakow Manufacturing Company had its plant appraised in connection with the flotation of a first-mortgage-bond issue. The balance sheet submitted by the auditors incorporated the appraised values, showing reproduction cost new less accrued depreciation. Appreciation surplus of $263,575.00 resulted from taking up the appraised value. Depreciation charged to operations in subsequent periods was based upon appraised values; profit or loss on the disposition of assets acquired prior to the appraisal was also based on appraised values. No change was made in the appraisal surplus, the amount remaining at $263,575.00 on December 31, 1932.

What comments or criticisms have you to make on the procedure followed?

Question 7:

A newly organized corporation conducts an extensive advertising campaign through the mediums of newspapers, billboards and magazines. The management of the company believes that the current period should not stand the full cost of the advertising in view of the fact that the benefits in the way of future sales would not be received until later. Discuss the points involved and what you would consider to be the proper method of handling advertising expenditures. Would your answer be different if the company was a well-established concern and used its advertising campaigns to maintain its sales position?

Question 8:

A company having branches throughout the country follows the practice of shipping merchandise to warehouses from which its branches may withdraw stock as sales are made. Accounts in the receivables ledger are maintained with each branch which are charged at selling price with all merchandise shipped to the various warehouses, in order that an adequate record of the location of all merchandise can be kept. What criticisms and what recommendations would you make with regard to this procedure?

Question 9:

Describe briefly as many of the various features of the excess-profits tax recently enacted by Congress as you have knowledge.

Question 10:

Certain states now permit the payment of dividends to preferred shareholders from paid-in surplus without special authority therefor from the stockholders. Give reasons why you believe this policy to be either wise or bad.

Question 11:

A company in its earlier years has suffered losses from operation. Commencing with the year 1932, however, it made a large profit, although such profit was not large enough to absorb the previously existing losses. In your opinion, would it be proper to declare a dividend to stockholders from the profits of 1932?

Question 12:

M Company have a number of different plants, several of which are heavily mortgaged. They ask your opinion as to the advisability of including interest on plant as a production cost. What would be your answer?