1934

Examination of November, 1934

Minnesota State Board of Accountancy

MINNESOTA STATE BOARD OF ACCOUNTANCY

EXAMINATION OF NOVEMBER, 1934

WEDNESDAY, NOVEMBER 14, 1934—8:30 A. M. TO 10:00 A. M.

Oral

10:00 A. M. TO 12:00 M.

Economics and Public Finance

QUESTION 1:

President Theodore Roosevelt, in a speech made in April, 1906, said: "As a matter of personal conviction, and without pretending to discuss the details or formulate the system, I feel that we shall ultimately have to consider the adoption of some such scheme as that of a progressive tax on all fortunes, beyond a certain amount, either given in life or devised or bequeathed upon death to any individual —a tax so framed as to put it out of the power of the owner of one of these enormous fortunes to hand on more than a certain amount to any one individual." Discuss this suggestion from an economic standpoint in the light of subsequent events and present-day conditions.

QUESTION 2:

Henry C. Adams, former Professor of Political Economy and Finance at the University of Michigan, in his book, "The Science of Finance," published in 1899, gave three fiscal axioms which should underlie governmental plans of finance. They were: 1. The patrimony of the State must not be impaired. 2. Political restraints must be established. 3. The political organization must be recognized.

With regard to each axiom he concluded as follows: 1. "The financier is precluded from entering upon any line of policy which shall permanently impair the sources of public revenue." 2. "A sound fiscal system will establish political restraints in order to insure that all services rendered by the State shall be rendered at the least possible cost." 3. "A successful financial system will conform to the political ideas which for the time being control society, and adjust itself to the political structure of the particular society to which it applies." Discuss these axioms and conclusions in connection with present-day governmental tendencies.

QUESTION 3:

It is estimated that it costs more to care for the unemployed through the P. W. A. than through direct relief. Explain the different economic factors involved in the two methods.

QUESTION 4:

Discuss the economic features involved in the recent demand by The American Federation of Labor that a thirty-hour-a-week law should be enacted by Congress.

QUESTION 5:

Name and explain the economic effects of the various methods by which the present Administration has sought to control production.

QUESTION 6:

Outline a method by which income may be equitably divided between the various factors involved in labor, capital, and entrepreneur service.

MINNESOTA STATE BOARD OF ACCOUNTANCY

EXAMINATION OF NOVEMBER, 1934

WEDNESDAY, NOVEMBER 14, 1934—1:00 P. M. TO 5:30 P. M.

Practical Accounting

QUESTION 1:

Following your audit of The Dale Publishing Company at June 30, 1934 you have been asked to write a letter to the manager, C. L. Packard, outlining briefly your recommendations for a method of collecting prime costs. In the course of your examination you find that there are four principal sources of income: printing sales (handbills, letterheads, etc.); bindery sales (desk organizers, order books, etc.); newspaper subscriptions; and newspaper advertising. Total annual sales average $80,000.00. The newspaper is a weekly, small town paper having a circulation of about 2,500. The management is anxious that the sales and prime costs of the printing and bindery departments be kept separately. Numerous jobs go through these departments. It has been agreed that overhead expense is to be periodically apportioned to the two departments on the basis of the total sales of each department.

A competent bookkeeper has been engaged to carry out the suggestions which you make.

QUESTION 2:

A fire on April 1, 1934 destroyed all office records of the Ajax Distributors, Inc., except the minute book, the customers' and creditors' ledgers, and a profit-and-loss statement. From the information available you are asked to prepare a balance sheet as of the close of the business on March 31, 1934.

Extracts from the minutes disclose the following facts:

On January 1, 1934

Charter granted authorizing maximum capital of $48,000.00, consisting of $16,000 of common and $32,000 of preferred stock of a par value of $100 per share, to be issued only on a basis of one share common to two of preferred.

44 shares of the common and 88 shares preferred stock were subscribed for by the incorporators at par, and the corporation received cash for one-half the subscriptions to the common stock and the remainder in 6% interest-bearing notes, payable to the corporation at its office on June 1, 1934. Land and buildings with an estimated life of 25 years were received in settlement

of the preferred-stock subscriptions. Certificates were issued to the subscribers. The buildings were appraised at twice the value paid by the corporation and pursuant to a resolution of the board these values were set up on the books on January 1, 1934.

The sale of $5,000 6% five-year bonds, with semi-annual interest coupons attached, secured by deed of trust on land and buildings was authorized. Bonds in an amount equal to common stock issued were sold for cash at 95. It was provided in the trust agreement that the corporation must on the last day of each quarter set aside in a special fund equal amounts sufficient to retire the bonds sold at maturity (ignore interest), and to set up a reserve therefor.

Bought following equipment on terms of one-fifth cash and the balance in four equal payments, due on the last day of each month: store and office equipment with an estimated life of 10 years, and delivery equipment estimated to last 5 years.

Paid insurance for one year on buildings, equipment and stock.

On March 31, 1934

Dividend of 2% on outstanding stock declared, payable on April 10, 1934.

Additional information obtained from bookkeeper

Books were kept on an accrual, deferred and reserve basis. Depreciation was computed on the straight line method with no scrap values. All items of income or expense were cash unless so indicated. All receivables and payables paid were within the discount period. A $400.00 60-day 6% interest-bearing note dated March 1, 1934 was received from a customer in settlement of his account. Salaries and rent were the same each month and March items have not been paid. Ten per cent of the outlay for advertising and store supplies for the period remained on hand on March 31, 1934. No accounts have been charged off as bad. The profit-and-loss statement follows:

AJAX DISTRIBUTORS, INC.
Profit and Loss
Quarter Ending March 31, 1934

INCOME FROM SALES:			
Sales, Terms 1%/20, N/30		$15,000.00	
Sales Returns		1,875.00	
Net sales			$13,125.00
COST OF SALES:			
Purchases, Terms 3%/10, N/60.......	$ 8,000.00		
Purchases returns	995.00	$ 7,005.00	
Inventory, March 31, 1933		1,000.00	
Cost of goods sold			6,005.00
Gross profit on sales			$ 7,120.00
EXPENSES:			
Selling—			
Sales salaries	$ 1,500.00		
Advertising supplies used	1,130.00		

Store supplies used	180.00		
Expired insurance—merchandise	25.00		
Expired insurance—store equipment	16.00		
Expired insurance—delivery equipment	20.00		
Depreciation—store equipment	25.00		
Depreciation—delivery equipment	62.50		
Sundry selling expenses	212.50		
Total selling expenses		$ 3,171.00	
General—			
Office salaries	$ 600.00		
Rent	750.00		
Expired insurance—office equipment	10.00		
Expired insurance—buildings	12.00		
Depreciation—office equipment	15.00		
Depreciation—buildings	44.00		
Loss on bad debts	100.00		
Sundry general expenses	116.00		
Total general expenses		1,647.00	
Total expenses			4,818.00
Operating income			$2,302.00
OTHER INCOME:			
Purchases discount	$ 173.25		
Interest earned	35.00	$ 208.25	
DEDUCTIONS FROM INCOME:			
Sales discount	$ 98.25		
Interest expense	66.00		
Bond discount amortized	11.00	175.25	
Net addition to income			33.00
Total net income			$ 2,335.00

QUESTION 3:

Foster Mills, Inc., has a net profit before bond interest and Federal income tax of $147,390. According to the terms of the bond indenture, net profit, after deducting the Federal tax but before deducting interest on bonds, will be applied against interest and principal ($1,200,000 7% gold bonds outstanding) in equal amounts if the interest requirements are more than one-half the net profit after deducting the Federal income tax. Interest expense so determined represents the total expense to the corporation for the period, the 7% requirement merely limiting the amount of interest.

You are required to compute the interest expense, Federal income tax, and principal payment for 1933.

MINNESOTA STATE BOARD OF ACCOUNTANCY

EXAMINATION OF NOVEMBER, 1934

THURSDAY, NOVEMBER 15, 1934—8:30 A. M. TO 12:00 M.

Commercial Law

CORPORATIONS
(Answer four)

QUESTION 1:

X Co. sold goods to Food Stores, Inc., in reliance on a financial statement that listed among the purchasers' assets, machinery and fixtures at $16,500. It appeared that defendant, Y, owned more than half of the stock of Food Stores, Inc. He was also an officer and owner of a manufacturing corporation engaged in the business of supplying fixtures for grocery and other similar establishments. His company sold equipment to Food Stores, Inc., on conditional bills of sale. The financial statement of Food Stores, Inc., did not mention the conditional bills of sale nor the fact that there was $15,000 still due on equipment.

Food Stores, Inc., made an assignment for creditors, and X Co. brought action against Y for the amount due it from Food Stores, Inc. Should it recover or not? Give reasons.

QUESTION 2:

An employer corporation agreed with an employee in writing to make "reasonable recognition" for inventions made by the employee and turned over to the employer. Is such a contract enforceable by the employee? Give your reasons.

QUESTION 3:

What is the generally accepted rule as to the personal liability of the directors of a corporation for inattention to its affairs?

QUESTION 4:

X Company sold a buyer in another State complicated plant machinery agreeing to furnish superintendence for its installation and erection. Was it "doing business" in the State of its purchaser?

QUESTION 5:

May officers of a corporation legally fix their own compensation by their own votes?

SALES

(Answer two)

QUESTION 1:

Piano company sold a piano on conditional sales contract signed by a minor and her grandmother. After $150.00 was paid, default was made, and the piano repossessed by the company. The minor then brought suit to recover total payments, proving same was made from her funds. Is she entitled to recover? Give reasons for your conclusion.

QUESTION 2:

In the above case has the piano company any remedy against the grandmother?

AGENCY

(Answer four)

QUESTION 1:

Explain the difference in meaning between the terms "agent" and "attorney in fact."

QUESTION 2:

Define and discuss the terms:
(a) General Agent.
(b) Special Agent.

QUESTION 3:

A party dealt with an agent without disclosure of his agency. He thereafter discovered the principal for whom the agent acted. May such party elect to treat his contract as being with the principal?

QUESTION 4:

The party in the above contract elects to proceed against the principal. If unsuccessful, may he later proceed against the agent?

QUESTION 5:

An agent is put forward to conduct a separate business in his own name, but with the property and for the benefits of his principal. May the latter escape liability for the purchase price of goods by a secret limitation upon the agent's authority to purchase? Give your reasons.

TAXATION
(Answer four)

QUESTION 1:

Define taxes.

QUESTION 2:

What changes should be made in tax regulations in order that equity should be substituted to a greater extent for technicality in Treasury procedure?

QUESTION 3:

What amendments to Federal tax laws do you suggest which would either improve administration, or provide additional revenue, or both?

QUESTION 4:

What amendments to State tax laws of this State do you suggest which would either improve administration, or provide additional revenue, or both?

CONTRACTS
(Answer two)

QUESTION 1:

What are the essential elements of a valid contract?

QUESTION 2:

State the major kinds of contracts which under the Statute of Frauds must be in writing in order to be enforceable.

NEGOTIABLE INSTRUMENTS
(Answer two)

QUESTION 1:

May a bank recover money paid on a check bearing forgery of depositor's signature? Give the reason for your answer.

QUESTION 2:

Give the essential elements of a negotiable note.

PARTNERSHIPS
(Answer two)

QUESTION 1:

What are the essential elements in a partnership?

QUESTION 2:

Give differences between general, silent and limited partners.

MISCELLANEOUS
(Answer four)

QUESTION 1:

What is the effect of usury upon a mortgage?

QUESTION 2:

What are the requisites of a valid will?

QUESTION 3:

What is the right of eminent domain?

QUESTION 4:

What is the difference between an estate in remainder and one of reversion?

QUESTION 5:

What do you consider the three most important factors in preparing a report in bankruptcy proceedings?

MINNESOTA STATE BOARD OF ACCOUNTANCY

EXAMINATION OF NOVEMBER, 1934

THURSDAY, NOVEMBER 15, 1934—1:00 P. M. TO 5:30 P. M.

Practical Accounting

QUESTION 1:

The trial balance of the Bellwood Manufacturing Company at April 30, 1934 was as follows:

	Dr.	*Cr.*
Cash on hand and in banks	$ 118,656.79	
Trade accounts receivable, net	295,570.01	
Notes receivable	50,941.97	
Inventories—products and supplies at lower of cost or market	811,888.03	
Investments in stocks and bonds at lower of cost or market	169,310.06	
Real estate—appraised July 1, 1928	26,976.35	
Plant and equipment—appraised July 1, 1928	2,801,923.32	
Patents, franchises, etc.	52,219.78	
Deferred charges and other assets	62,118.53	
Accounts payable		$ 171,392.76
Notes and acceptances payable		95,216.37
Interest, wages and taxes accrued		15,032.38
Reserve for depreciation on plant and equipment		984,382.76
6%, 30-year first-mortgage gold bonds dated July 1, 1928		1,000,000.00
7% cumulative-preferred stock—$50.00 par		750,000.00
Common stock—Class A—$50.00 par		750,000.00
Common stock—Class B—5,000 no-par shares		250,000.00
Capital and paid-in surplus		315,973.68
Earned surplus		57,606.89
	$4,389,604.84	$4,389,604.84

In December, 1933 the Board of Directors submitted to the stockholders a recapitalization plan which would have as its objectives the following purposes: (1) a write-down of the appraisal value of the plant and equipment to present-day prices, in order to reduce annual depreciation charges; (2) putting the stock on a dividend-paying basis (no dividends have been paid since July 1, 1931, an indenture in the mortgage providing that dividends may be paid only out of net profits derived from operations) ; and (3) a reduction of the present capitalization.

A summary of the plan presented to the stockholders was made as follows: (1) The question of a new 6% cumulative-prior-preferred stock to be exchanged share for share for the 7% preferred issue at the option of the present holders, the new issue to consist of 15,000 shares at $50.00 par and to be entitled to accumulative dividends from January 1, 1934, before any dividends may be paid on other classes of stock. With each new share of preferred is to be given one share of new common stock in full payment of accumulated dividends prior to January 1, 1934. Accumulated dividends on the 7% issue retained by stockholders are to be paid before dividends are paid to common stock. When exchanged for 6% preferred, the 7% shares are to be canceled. (2) The authorization of a new issue of common stock consisting of 50,000 shares at $20.00 par. The existing Class A stock is to be exchanged on a share-for-share basis. The Class B stock is to be exchanged on the basis of ½ share of new common stock for each share of Class B stock. The shares of Class A and Class B stocks are to be canceled when exchanged for the new common stock. (3) A write-down of assets in the following amounts:

Plant and equipment	$960,233.40
Patents, franchises, etc.	52,219.78
Deferred and other assets	29,654.65
Reserve for depreciation on plant and equipment	412,199.65
Net write-down	$629,908.18

At April 30, 1934 the above plan was ratified by the necessary majority of each class of stockholders.

Immediately (as at April 30) 13,890 shares of the 7% preferred stock were exchanged and because of intrafamily holdings 100% of the Class A and Class B shares were exchanged.

You are required to set up the necessary journal entries to properly record the above plan and exchanges of stock, and to prepare a balance sheet as at April 30, 1934 after giving effect to your journal entries.

On July 1, 1934 accrued earnings in the form of cash, available for dividends were $55,000.00. Compute the amount of dividends that would be available per share of common stock and the annual per cent yield to the common stock if the same earnings were likewise available at the end of the next following six months. There were no further exchanges or sales of capital stock after April 30, 1934.

QUESTION 2:

From the information following, prepare a statement of partners' accounts at December 31, 1933.

X, Y and Z, attorneys, agree to consolidate their individual practices at December 31, 1932. Assets, exclusive of cash, and liabilities at that date, all of which are taken over by the new partnership, are as follows:

	X	*Y*	*Z*
Accounts receivable	$14,248.00	$5,248.60	$15,900.00
Furniture and fixtures	4,300.00	2,500.00	6,200.00
Reserve for depreciation	2,480.00	1,578.00	4,698.00
Accounts payable	100.00	1,480.00	690.00

Each partner is to contribute $5,000.00 as working capital. Z has leased office space, and is bound by the lease until June 30, 1934, the monthly rental being $600.00. The partners agree to occupy his office space until the expiration of the lease. The partnership is to pay the rent. However, Z's drawing account is to be charged $150.00 per month, the space having a present monthly rental value of $450.00. Each partner is to guarantee his receivables contributed to the partnership. No salaries are to be paid to the partners; drawings are to be regarded as advances. The individual partners will receive 20% of gross fees billed to their respective clients during the first year of the partnership. After deducting operating expenses, the balance of fees billed will be credited to the partners' accounts in the following ratios:

X—40%
Y—35%
Z—25%

On April 1, 1933, W is taken into the partnership, and is to receive 25% of the fees from new business, after deducting expenses applicable to the new business. Expenses are to be apportioned to new business in the same ratio that total expenses bear to total fees billed.

During the year ending December 31, 1933, fees were billed as follows:

X's clients	$23,400.00
Y's clients	18,650.00
Z's clients	10,460.00
New business—	
Prior to April 1, 1933	3,200.00
After April 1, 1933	8,030.00
	$63,740.00

Total expenses, exclusive of depreciation, were $25,380.00. Depreciation should be computed at the rate of 10%. Charges during the year to partners' drawing accounts were as follows:

W—$1,500.00
X— 5,200.00
Y— 4,450.00
Z— 5,800.00

Of X's and Y's receivables $1,200.00 and $450.00, respectively, proved to be uncollectible.

MINNESOTA STATE BOARD OF ACCOUNTANCY

EXAMINATION OF NOVEMBER, 1934

FRIDAY, NOVEMBER 16, 1934—1:00 P. M. TO 5:00 P. M.

Accounting Theory

(Answer ten questions including No. 11 and No. 12)

QUESTION 1:

The Z Company, not engaged in the security business, but wishing to invest surplus funds for possible expansion or distribution to stockholders at some indefinite future date, purchases stocks and first-mortgage bonds of other companies listed on the New York Stock Exchange. During an eight-year period no securities were liquidated other than for reinvestment and the total amount invested increased only slightly through the excess of additional contributions over net losses from sales. At the close of the fiscal year ended June 30, 1934, the facts with respect to its investments then owned were as follows:

Particulars	*Stocks*	*Bonds*
Par or stated value	$356,566.00	$87,400.00
Cost, carried on books of account	583,113.34	96,619.08
Market	406,059.06	82,736.00
Cost or market, whichever is lower	395,584.25	80,195.50
Reserve for losses carried on books of account	188,000.00	16,000.00
Losses, net, from sales during year	23,866.22	8,929.10
Ratio to cost of dividends or interest received during year	2.06%	4.27%

Dividends and interest received, together with profits and losses from the sales of securities, are cleared through current profit-and-loss accounts. The reserve for losses was created by resolutions of the board of directors out of surplus but is never used for absorbing current losses. At the end of the fiscal year the amount necessary to reduce values to the lower of cost or market is computed for the directors and the reserve is brought into approximate conformity by a charge or credit to earned surplus. On the balance sheet transmitted each year to stockholders the item of investments appears, less the reserve for losses, under current assets.

What criticism of procedure or balance-sheet display would you offer?

QUESTION 2:

The Y Company has written up its fixed assets to replacement values, and proposes to use these values for balance-sheet purposes. How would you treat depreciation on the company books and financial statements? Give reasons.

QUESTION 3:

Should unamortized bond discount and expense, which is being charged to expense on the "bonds-outstanding" method, be adjusted for serial bonds prematurely retired? If an adjustment is required, how will it be determined?

QUESTION 4:

How would you record profit or loss made by a company, arising as a result of purchases and sales of its own common stock, on the open market? State reasons.

Would your treatment be different if the profit or loss were made on the company's own bonds?

QUESTION 5:

What is the meaning of "the present value of a 50-year annuity of $10,000.00 compounded annually at 6%"?

On the assumption that money can earn 6%, and that the present value of an annuity of $1.00 per year due over a period of 50 years is $15.7618, what should an individual realize who wishes to sell his interest in a trust fund from which he is to receive $2,400.00 a year for 50 years?

QUESTION 6:

A sales manager gives you the following figures relating to a household device and asks you to determine the amount of working capital he will require to finance his business:

Product X is the only item sold.

Selling price	$100.00	each
Cost	50.00	"
Selling expense	20.00	"
Overhead	10.00	"
Net profit	20.00	"

Estimated sales—

1st month	40	units
2nd month	60	units
3rd month	75	units
4th month and each month thereafter	100	units

Sales are to be made on the basis of $10.00 down and $10.00 monthly. The cash outlay at the time each unit is sold is $80.00. Operations are to begin December 1, 1934.

QUESTION 7:

The owner of a beauty-parlor concession of a department store has decided to carry his own public-liability insurance. Accordingly, a cash deposit of $20,000 is made with the store management under an agreement that it is to be used solely for the purpose of paying claims arising from personal injuries to customers.

How, if at all, would you display this item on the balance sheet of the department store?

QUESTION 8:

The Midwest Gas and Electric Company has a 5-year agreement beginning January 1, 1934 with the Strikeless Coal Co. whereby it agrees to buy all its coal requirements at cost plus 10%, which is to be determined quarterly. The agreement stipulates that the minimum amount of purchases during any calendar year shall not be less than $1,500,000.

At September 30, 1934, the total purchased and consumed to date is $900,000. The average cost to the utility company during the nine-month period was $1.75 per ton, while the average market price of coal during the same period was $1.70 per ton. What notes, if any, do you think should accompany the financial statements of the utility company at September 30, 1934 with respect to the above items?

QUESTION 9:

Indicate briefly the main differences in procedure between the preparation of a budget for a private enterprise and a budget for a municipality.

QUESTION 10:

The Bee Publishing Company, a non-profit corporation, has operated for many years on receipts from subscriptions to the *Methodist Call,* a weekly paper. In 1933, however, it became necessary to solicit donations to pay operating expenses. The request for donations resulted in cash gifts which were designated for working-capital purposes or for the purpose of absorbing operating losses. Other gifts were not designated for any particular purpose.

How should these donations be shown on the balance sheet and profit-and-loss statement at December 31, 1933?

QUESTION 11:

What six points can you suggest that should be brought out clearly in annual financial statements sent to stockholders?

QUESTION 12:

Describe the three kinds of surplus and outline briefly their sources. Do you regard it important to maintain their identity on the balance sheet? Why?

MINNESOTA STATE BOARD OF ACCOUNTANCY

EXAMINATION OF NOVEMBER, 1934

FRIDAY, NOVEMBER 16, 1934—8:30 A. M. TO 12:00 M.

Auditing

(Answer ten questions including No. 4 and No. 12)

QUESTION 1:

What is meant by a qualified certificate? Outline a situation in the case of an inventory where a qualification would be necessary and indicate the qualification which you would require.

QUESTION 2:

What is the importance of examining canceled checks returned by the bank for the month immediately following the balance-sheet date?

QUESTION 3:

Outline a system of internal check relating to the accounts receivable of a large manufacturing company.

QUESTION 4:

Why is it ordinarily impracticable for an auditor to assume full responsibility for taking and pricing the inventory? What is the general nature of the responsibility which the auditor can and does properly assume in connection with inventories?

QUESTION 5:

On a first balance-sheet audit of a large corporation, what procedure would you follow with respect to capital stock?

QUESTION 6:

The White Construction Company has several large contracts in process of completion. Certain of these jobs are on a cost-plus basis and others are on a contract-price basis. No profit or loss has been taken on these jobs for the period under audit. Discuss the points affecting profit and loss which the auditor must consider.

QUESTION 7:

In auditing the books of a public-utility company, the stock of which is widely held, you find that certain officials are heavily indebted to the corporation, apparently without authorization. What procedure would you follow under such circumstances?

QUESTION 8:

On the books of a manufacturing company you are auditing, you find numerous debit balances in the trial balance of accounts payable. (a) How would you satisfy yourself concerning these items? (b) In what way might a dishonest employee create such debit balances and how might he appropriate funds thereby?

QUESTION 9:

A certain company has contracted for the construction of a new addition to its factory on a cost-plus basis. Construction commences in October, 1933, and at December 31, 1933 the engineers have estimated that in addition to the payments already made to the contractors, an additional $2,500,000 will be necessary in order that the addition be ready for occupancy by June 1, 1934. As the company's cash balance is adequate, no financing will be required.

What disclosure do you deem necessary on the balance sheet prepared by you as auditor of the company at December 31, 1933? How would you modify your answer if arrangements had been completed shortly after January 1, 1934 to raise the $2,500,000 through an issue of first-mortgage bonds?

QUESTION 10:

A manufacturer of refrigerators had 4,000 units of a 1932 model on hand at December 31, 1933 which had been completed in 1932. In February, 1934, prior to the completion of your audit, these units were disposed of as a job lot for $50,000, their original cost having been $310,000, and their inventory value at December 31, 1932, $248,000.

Assuming that the offer had been under consideration prior to December 31, 1933, what would be your opinion as to contention of the recently appointed comptroller of the company that since no fair market value existed at the end of the year, the original cost of $310,000 should be restored as the inventory value? Would your conclusion as to the proper valuation in the balance sheet of December 31, 1933 be modified if the offer had not been received until February?

QUESTION 11:

State your reasons for or against showing as a current asset the cash-surrender value of an insurance policy on the life of officers.

QUESTION 12:

As one of a staff engaged in a balance-sheet audit of a manufacturing company, the annual sales of which are approximately one million dollars, you are given one day in which to examine the 200 general-ledger profit-and-loss accounts of the company. Outline the procedure which you believe would be the most effective under the conditions as stated.