Preparation for the accounting profession

Anonymous
Preparation for the Accounting Profession

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# PREPARATION FOR THE ACCOUNTING PROFESSION

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PREFATORY NOTE

Accountancy has now an established place among the professions, and those who would be successful accountants must be willing to put as much thought and effort into their preparation as a doctor or a lawyer. The road to success is apt to be long and rough if the start is made in the wrong way, and this Report was prepared as a guide for the young accountant to direct him along the shortest, most direct route to his goal.
PREPARATION FOR THE ACCOUNTING PROFESSION

PRELIMINARY PREPARATION

Scope of Report.—The present Report has a double purpose; first to set forth fully the preliminary education and training necessary in preparation for the profession of public accountancy, and secondly to outline broadly the essentials of a practical training in the professional field. A consideration of the preliminary steps is inclusive of suggestions concerning natural and professional requirements. The second step goes on from the point of the beginner's entrance into the public accountant's office and his development from that stage.

Function of the Accountant.—In the first number of the Journal of Accountancy, which is the official organ of the American Institute of Accountants in America, a public accountant is defined and his functions summarized as follows:

A public accountant is one who by training and by experience is fitted to perform, and who holds himself ready to render services of the following kind:

(1) To devise systems of accounting control adapted to the administrative needs of undertakings, public and private; to improve systems of control which are already installed.

(2) To audit or critically examine systems of accounts as a means of detecting irregularities of any kind, whether of ignorance, fraud or mistake, and of determining and certifying to the accuracy of accounting results; to report to managers and to others interested in the financial condition the operative results, the gains and losses, the distribution in dividends of net profits or surplus of a going concern, or the distribution of the estate of a concern on winding up.

(3) To make examinations and special reports pertaining to any matter or aspect of a business or undertaking, public or private, involving financial analysis.

From this statement of demands made upon the professional accountant it is evident that no mere superficial understanding of bookkeeping procedure and office practice can be expected to meet the
Many successful bookkeepers and corporation auditors, misled by glowing accounts of large financial returns and by do-it-quick advertisements of accounting by mail, are confident of their ability to pass the state C. P. A. examinations and to enter at once upon the practice of the accounting profession. Many men do not realize that this profession requires broad understanding and experience for its successful practice. There is a decided difference between being able to pass the C. P. A. examinations and being a successful practitioner.

Now and then we may hear of a man who, by cramming diligently for a short time, and with some luck, has barely passed the examinations for admission to the profession. That man, however, invariably finds himself facing a hard road which he has yet to travel before he can do more than earn a bare living in the profession. He lacks the practical experience which makes it possible for him to do other than ordinary bookkeeping, routine work.

Preliminary Education.—A profession is a calling for the successful pursuit of which a special training of the intellect is necessary. A professional man must have knowledge not possessed by the average man. He must be trained in one or more of the sciences, and part of his training, unless he is a man of extraordinary caliber, he must get outside of the business office. A trade can be learned only by practice. It involves a minimum of knowledge and a maximum of manual skill.

Business operations are now conducted on such a large scale that the problem of control has become a most difficult and important one. The course of events during the last few years has made it plain that this problem properly belongs to the accountant. It is out of the lawyer's field, and he cannot handle it. The entrepreneur cannot give time to it without neglecting other vital points of his business. The average entrepreneur, indeed, is not qualified for it, for he is lacking in knowledge of accounts and that is absolutely essential to the creation of a good system of control. The knowledge of accounts alone, however, is not enough. To that must be added a thorough understanding of the conditions which make for success or failure in business. An expert knowledge of business as well as an expert knowledge of accounts is essential.

The accountant, therefore, needs a very broad education. Above all things, he needs a thorough grounding in the science of business. He should also be acquainted with the most up-to-date methods of organ-
izing and financing corporations, and with the laws relating to them; with the sources and costs of the most important raw materials; with the operations of banks and insurance companies, with the scientific handling of statistical data, and with the different branches of so-called commercial law. The accountant must have an education built up on subjects of this sort, and if this necessity is not recognized by accountants as a body, their vocation will not deserve the name of profession. Furthermore, they will lose the present opportunity, for it will be quickly grasped by some other set of men.

Within the last few years many college graduates have been taking up the study of accounts solely that they might maintain their efficiency as business statisticians and organizers. It is generally thought that for the good of the profession as well as the individual these men should all become accountants and be recognized as accountants. Such will not be the case, however, if the public accountant takes a narrow view of his responsibilities and opportunities and does not show by discriminating selection of assistants that he values education, intelligence and the laws of business quite as highly as he does familiarity with the more difficult rules of bookkeeping.

It is now clear, of course, that the accountant needs to know more than how to record mercantile and financial transactions in proper books, and render statements of accounts in suitable form. A person possessed of such limited technical ability is merely a routine bookkeeper. An accountant, to practise in any of our large industrial centers, must know not only how to record transactions and render statements of account; he must know how to organize and administer affairs, estates and businesses of every kind and for all sorts of clients. He must have a breadth of view that will enable him to go into any department of a business and feel and act perfectly at home. Breadth of view, openness of mind, curiosity as to premises and initiative as to application are the characteristics needed in the accountancy profession. Accountancy is not a trade involving a little knowledge and a maximum of manual skill, but a profession involving a knowledge not possessed by the average man and requiring a special training of the intellect. The successful accountant must have a broad knowledge of the science of business, theoretical and applied.

**General Education.**—Practically every state granting the degree of certified public accountant now requires, in addition to the accountancy examinations, a general education equivalent to that obtained from a four-year high school course. State legislatures have
seen the necessity for providing for this breadth of view and have taken the necessary preliminary steps to secure it.

In addition to the high school education or its equivalent, it will be well for the applicant to consider carefully the advantages of a college education. In fact, it has become quite generally recognized among progressive educators and business men, that the young man who secures his accountancy education in college, studying at the same time other phases of the science of business, has a distinct advantage over the one who secures only an office training.

Economics and accountancy are closely related; they deal with identical phenomena. The science of economics has for its aim the explanation of the phenomena of business. The science of accountancy makes inquiry into the laws determining the money results of business operations. It deals with the same phenomena as economics, but it has a different end in view. Not until the accountant can understand the work of the economist and has mastered certain conclusions which all economists are agreed upon can he get a clear conception of the work upon which his services are needed. In other words, accountancy as a science can be developed only by men who have been trained in economics. Only such men can know the real significance of all of the operations which the accountant is called upon to make.

Residence Instruction in Accountancy.—When conditions of location and other personal considerations allow, it is highly desirable that the prospective accountant secure the necessary accounting education in a good university department of economics or school of commerce where courses in economics, theoretical and applied, can be taken along with the courses in accountancy. As a matter of fact, most universities offering courses in accountancy prescribe certain courses in economics as prerequisite to the accountancy courses.

In considering the selection of a college or university, it is well to keep in mind the importance of the opportunities offered for practical field work by those institutions located in the larger cities. Also, the larger cities afford a somewhat better opportunity for self-support, enabling competent men at times to secure good positions while pursuing their college training. Among the universities most fortunately located from this standpoint are:

New York University School of Commerce, Accounts and Finance, New York City
University of Pennsylvania, Wharton School, Philadelphia, Pennsylvania
State Accountancy Laws.—Accountancy is now generally recognized as a profession since all the states regulate by law admission to its practice. The first state law was passed by New York, April 17, 1896. In 1899 Pennsylvania followed and in 1900 Maryland did likewise. In the nineteen years following, forty-three states passed laws creating state boards of accountancy and providing for the granting of certificates which entitled the possessors to practice as public accountants. Six states passed laws during the single year 1915.

The last states to adopt laws regulating the practice of accounting were Mississippi and New Mexico. In 1920 Mississippi passed legislation regulating the profession; in 1921 New Mexico fell in line.

The state accountancy laws show a considerable degree of uniformity, altho there is, of course, a wide difference in their operation due to the difference in the administration of discretionary powers by the boards. Besides creating state boards to control examinations, the laws prescribe the preliminary education and training necessary; certain prerequisites, such as citizenship or intention to become a citizen, residence and the like; the professional requisites, including the nature of the examination, hours allowed for each subject, and experience; age requirements; waiver provisions; reciprocity conditions; frequency of examinations; fees, and penalties for violations of the law. In some states the boards are composed of the regents of the state university. In thirty-six states the minimum age requirement is twenty-one years; in Washington, nineteen; in South
Dakota, twenty-two; in Wisconsin, twenty-three; in Arizona, Arkansas, California, Iowa, Kentucky, Missouri and Montana, twenty-five years.

The American Institute of Accountants, after long experience with the various C. P. A. laws, has prepared a model law in the endeavor to overcome most of the weaknesses of past accounting legislation. They recommend this standard draft to the consideration of those states in which unsatisfactory laws now exist in the hope that amendments may be enacted, and to those states in which C. P. A. laws do not exist, trusting that when the enactment of such laws is considered, the accepted draft may be followed. Appendix D contains a digest of the present laws of each state as far as their provisions concern the subject-matter of this Report.

Requirements of Practical Experience.—Up to this point the discussion has been confined entirely to a review of the essential requirements in building a broad foundation to serve as the basis for more specialized work in the professional field. The second step is to consider how the necessary practice may be had. In addition to the preliminary education, a large percentage of the states require that an applicant have from one to three years' practical experience in accounting work. Some require at least one year's experience as a public accountant, and two years as an assistant accountant or three years as head bookkeeper. Too much emphasis cannot be laid upon the importance of this part of an accountant's training. In one or two states where the restrictions are particularly high, applicants for examinations are required to apply at least three years before they are permitted to take the examination, and must register with the Accountancy Board the name of the firm with which they are connected. The Board then has an opportunity to investigate the type of work the applicant has been doing and is doing and in this way to judge better his fitness for taking the final examinations. It is not unlikely that other states will have more stringent requirements in this respect in the future.

In several instances, the state laws do not prescribe any practical accounting experience as a prerequisite to the examination. In some of these states, however, without a specific provision of the law, the Board of Examiners has been given the power to make such regulations and to inquire into the general fitness of the candidates. There are no uniform standards in this respect. It is obvious, however, that practical accounting experience prior to the examination should be a
Whether or not a state requires such experience should be of little concern to the candidate. It is an essential requirement, and his own attitude toward the profession should demand that he secure the experience before applying for membership in the profession.

**The Examination.**—In practically every state, candidates for the C. P. A. degree must pass examinations in theory of accounts, practical accounting, auditing, and commercial law as affecting accountancy.

As a general rule the examination in practical accounting is found to be the most difficult of the subjects presented. It has been the cause of most failures at examinations because of its strictly technical nature and of a certain natural aptitude that it demands. Aside from the candidate's aptitude for accounting work, which is a prerequisite to his success, he must have acquired the ability to grasp quickly a statement of facts or a complicated statement. He must be so trained that he is able to perceive at once the essential points involved and then to get under way in this work without loss of time. This facility to get promptly at the root of a problem is a power that comes as a combined result of a broad fundamental training and of experience.

Because the accountant is required to be familiar with accounting procedure as it relates to all lines of enterprise it is important that in his preparation for examinations the candidate equip himself accordingly. As an essential point of his practical training he should obtain as many as possible of the problems set in different states, and acquaint himself thoroughly with them. For this purpose there are to be had books containing an accumulation, from various states, of accounting examination questions and solutions. Some of these books are listed in Appendixes B and C. The *Journal of Accountancy* is also recommended in this connection.

There is an important element of technique in the method of stating the solution to accounting problems. The facility, of course, increases with continued practice. The student in commencing his work on problems should at the outset proceed slowly with the main purpose in mind of obtaining accuracy and a thorough understanding of every principle involved in the problem. Some months before the examination, he should attempt to increase in speed, until at least a month before the appointed time he should have satisfied himself that he has so increased his pace that he is fully up to the standard as set in the examination.

To summarize: a correct understanding of the requirements of
the problem, accuracy in the work and completion within the allotted
time are the essentials. Actual training in an accountant's office is a
decided help. Altho the junior may not learn to draw up intricate
forms and instal complicated systems during his first or second year,
he does become familiar with a variety of accounting methods and
acquires speed. The future accountant is not always in a position
to do this, however, and in that case must get his practical experience
thru working out practical problems along the lines suggested.

Examination Questions.—The general scope of the examinations
in auditing and commercial law is indicated in the list of specimen
questions shown in Appendix A. By way of suggestion there is
given below a list of subjects recommended to be considered in prep­
aration for the professional examination in practical accounting:

Statements of income, profit and loss
Trading and profit and loss accounts
Balance sheets from trial balances
Partnership accounts
Conversion of partnerships into corporations
Corporation accounts
Joint adventure accounts
Consolidation accounts
Head office and branch accounts
Accounts of professional men
Bankruptcy and insolvency accounts
Statements of affairs and deficiency accounts
Accounts of executors and administrators
Bankers' and insurance companies' accounts
Municipal accounts.

The Journal of Accountancy conducts a Students' Department
where those interested will find aid in specific matters relating to
accountancy. Here problems, sometimes taken from C. P. A.
examinations, are given, together with solutions, each month. Sub­
scribers to the magazine also have the privilege of submitting prob­
lems of their own for solution or comment. This magazine, as
previously stated, is the official publication of the American Institute
of Accountants. The purpose of the Institute, as stated in its certifi­
cate of incorporation, is: "to unite the accountancy profession of the
United States of America; to promote and maintain high professional
and moral standards; to safeguard the interest of public accountants;
to advance the science of accountancy; to develop and improve accountancy education; to provide for the examination of candidates for membership; and to encourage cordial intercourse among accountants practising in the United States of America."

The Institute has had a far-reaching influence in the public recognition of accountancy as a profession. Membership is carefully guarded and granted only after examinations which are held semi-annually. These examinations have become recognized as standard, and the State Boards of Public Accountants have in many instances cooperated with the Institute either by accepting the results of the Institute examination or by using in its own examinations questions prepared by the Institute.

In order to give some idea of the field that is likely to be covered by any C. P. A. examination a complete set of examination questions made up from previous examinations given in several states is included as Appendix A of this report.

Use of the Modern Business Course in Preparation for Examinations.—Among subscribers to the Modern Business Course there are now many in the profession of accountancy who have pursued a cooperative plan in studying for the examinations. From two to five or more men meet regularly two or three evenings a week, forming "quiz" classes. For the sake of illustration, it may be assumed that three men have decided to become certified public accountants. After having enrolled for the Course they decide upon their meeting nights—say, every Monday and Friday evening. Beginning with the first assignment on Monday night one of the three men will read the review questions found at the end of each chapter of the Text, and each member of the class will answer one question in his turn. The same system is followed thru the entire Course. Upon its completion the more specialized work is taken up in the study of accounting practice. The basis for this may be the special accounting Reports or one or more of the special volumes listed in Appendix B. In studying these each man should read the theory carefully and work out the illustrations himself, he should prepare a number of questions with which to quiz the others. When dealing with a book of problems it is well to pick problems of the same nature and assign one problem to each man. Upon the next meeting night, each member of the class will hand his problem to one of the others who will criticise it. The advantage of this system is that the ensuing discussions naturally bring out points which otherwise
would not have come up, resulting in broader views and greater confidence. Oftentimes one is doubtful as to the correctness of a classification in a profit and loss statement, as to the method of amortizing premiums on bonds, etc., and a discussion of this kind may dispel the doubt. An important fact to bear in mind is that the members of a "quiz" class should be about equal in intelligence and speed.

The same order of study should be followed by the man who, for any reason, does not join a "quiz" class. While it is possible to study the accountancy subjects only, and "cram" for the examinations, putting aside the study of other subjects which are closely allied to the accountancy profession, such a plan is not advisable. By far the wiser and safer plan is to follow the Course as it has been laid out by the Staff of the Institute.

**PRACTICAL TRAINING IN PUBLIC ACCOUNTING**

*Acquiring Practical Experience.*—At the outset it may be somewhat difficult for the average young man to secure practical experience in accounting. Opportunities are limited and applicants for positions are many. The accounting profession is, unfortunately, crowded with men of mediocre ability, who are willing to work on temporary staffs and to shift from office to office. Upon this floating supply public accountants usually draw during rush seasons and try to get along as best as they can with the class of work these men are able to do. At the end of the busy period they are let go—to swell once more the floating supply of accountants. This condition is unfortunate for the young man of first-rate quality who desires to enter the profession. Accountants do not care to train beginners unless they give evidence of possessing more than average ability. It seems better to employ more or less experienced juniors from the floating supply, even tho they have to be paid somewhat larger salaries than the beginner would require. Not only is much valuable time lost in educating a beginner, but the practitioner fears that the inexperienced man may overlook something of importance, or make serious errors in his work.

Nevertheless, accountants are always glad to get into touch with young men who look forward to an accountant's career in a true professional spirit. The standards of the profession are being raised. The requirements for the degree of Certified Public Accountant in the various states are becoming more and more stringent. There is also a growing tendency to require of the candidate that he possess
a certain amount of definitely prescribed experience before he is granted a degree. This situation, however, should not alarm the beginner, for the demand for thoroughly qualified men of high character is always greater than the supply. The initial difficulty is to get a foothold in the profession.

It must not be expected that a school degree, even from an accredited school of accounting, is an open sesame to the door of opportunity. Practitioners are not enthusiastic about purely book-made accountants—men whose sole knowledge of the subject comes from studies in school. Tho such training will be an inestimable help throughout one's entire career, it must be combined with the proper amount of proved judgment. A young man may know the principles of the science of accounts thoroughly, but the important thing professionally and practically is knowing how to apply these principles to cases as they arise. This is where good sound common sense will be of value.

Obtaining a Connection.—For the young man seeking to enter the accounting profession, the first step is to secure an engagement with a public accountant. If he is acquainted with an accountant in the city where he lives, or if he has friends who can speak a good word for him, his task in this respect will be comparatively easy. Lacking these advantages, he must make the rounds of the principal offices and offer his services. He should not waste money advertising for a position, for accountants are not likely to read the "situation wanted" column in the newspapers. In fact, they usually have a large waiting list of applicants.

In the larger offices the applicant will be received by the office manager or chief of staff. In the smaller offices he may meet a junior partner. A great deal may depend upon the impression he makes at these interviews. He should, of course, be neat in his personal appearance, frank in his statements, and be able to impress his auditor with the sincerity of his purpose to enter the profession.

Written Application.—In some offices the applicant will be required to write a formal letter of application. In that case he should exercise great care in its preparation. The letter, while observing the conventionalities, should express his personality. In other offices he may be quizzed orally as to his general knowledge, or perhaps asked to solve a simple accounting problem or do some other practical work. Correctness, neatness and dispatch are all taken into account in judging the results.
Salary at the Start.—It is far more important for the applicant to secure experience than to receive a large salary at the start. If employed by one of the smaller offices, the beginner should not expect to receive more than $90 to $100 a month. In a large office higher initial salaries are sometimes paid. Generally such salaries are higher in New York than elsewhere, probably because of a greater demand for men and a larger use made of accountants' services. As a rule, $50 a month is all that a beginner is actually worth to his employer.

Advantages of the Smaller Office.—Generally speaking, it is advisable to seek a first connection with one of the smaller offices. There are several advantages in so doing. In the first place, small firms are usually more willing than large ones to train beginners. In the second place, the work of the former is not likely to be so highly specialized as that of the latter, thus affording a young man a wider and more general training. He will also come in more intimate contact with the principals and will thereby have a better opportunity to impress them with his ability. Many good men practically lose their identity in a large firm. This is usually a serious hindrance to their progress, both professionally and financially.

The tendency to specialize is the same in accounting work as in other professions. Some houses make a specialty of stock brokerage work, others concentrate on insurance; some devote themselves almost entirely to investigation, while others do most of their work in cost accounting. In a large office one may be placed in a special crew doing but one kind of work. Such specialization has a tendency to get young men into a rut, with all attendant dangers of stunted development. The practical experience one gets in a small office will be of great help in securing a better position later.

Adapting Oneself to the Routine.—After securing an engagement, the next thing is to become acquainted with the working methods of the firm. Each firm has its own method of gathering information and preparing its reports. The newcomer will naturally be expected to follow the firm's usage. To some extent he must put his own ideas aside for the sake of conforming to the standards of the office. He should learn as soon as possible how the firm expects to have its working papers turned in; how each of the various accounts is treated in the statements sent to the clients. The methods employed may be vastly different from those learned at school or university. It would be unwise for the beginner to endeavor to persuade his employer that his own methods are better. As a matter of fact, situations frequently
arise that call for practical treatment rather than strict adherence to accounting theory.

In no other profession, perhaps, is attention to detail more essential to success. It is precisely this attention to detail which characterizes the proficient accountant. There is, on the other hand, danger in giving too much attention to detail in unimportant matters. How to differentiate between the important and unimportant in accounting cannot readily be indicated. It is something to be decided by that elusive quality—an accounting sense.

One of the first principles the young accountant should understand is that when set to a task he should be sure he understands fully what he is asked to do. He should not ask foolish questions, but, on the other hand, should not say that he understands when he does not. His work of adding cash books, checking postings, and so forth, is about as dull and uninteresting an occupation as can be conceived. He should remember, however, that all accountants have had to do it. He may rest assured that if he has attended faithfully to these duties he will be intrusted in due season with more important and interesting work. Later he will be asked to analyze accounts, audit vouchers and prepare simple statements.

Working Papers.—Too much stress cannot be laid upon the manner in which working papers should be prepared and turned in. If there is anything that a principal specially values, it is to have the working papers neatly and completely prepared, and arranged in the form and manner which is customary in his office. For example, working papers should always bear the proper headings, including the name of the client and the dates of the period covered by the audit or investigation, and should be arranged in systematic manner. On one occasion an accountant was sent by his employer to prepare the accounts of an involved partnership and a corporation. He spent considerable time at the offices of the client in making what he considered necessary investigation, carefully prepared his working papers, protected himself with certificates from the partners where he deemed this necessary, and in every way performed his work in a thoroughly professional and accurate manner. Subsequently he was censured by his principal for spending so much time in gathering the facts, because the client objected to the size of the bill rendered him for the work. It became necessary for the principal to enter suit against this client for payment of the fee. It happened that a year later the members of the client firm had a disagreement, and one of
the partners retained the accounting firm to support his complaint. The accountant who did the original work had by that time severed his connection with the accounting firm, but his working papers were still intact. The accounting firm hired him at a large fee to represent it in this particular engagement. Because of the completeness of the working papers, the contention of the complainant was sustained in every point of the litigation. His attorney offered only the working papers as evidence. The suit, which involved several millions of dollars, was decided favorably on this evidence.

That incident illustrates the value of thoroughness in accounting work. Nothing is more humiliating to an accountant than to be sent back to the job by the principals to secure some important details not considered in the working papers. Few will want to have this experience more than once.

**Gaining Recognition.**—The supervision of each piece of work will be delegated to one of the principals or senior accountants. It behooves a beginner to do such good work that he will create a favorable impression on the man in charge. A junior whose work is of this character is invariably noticed by the principals and soon finds himself in demand. In large offices, beginners are usually placed on temporary staffs, and the principals have to depend largely on the reports which they receive from the senior accountants for information that is to decide whether or not a man is to be placed on the permanent staff when business becomes dull. If a man is kept in the office for a long period when others are out on jobs, it is fairly certain that his services are not in great demand, and this should be a sufficient hint for him to strain every nerve to improve the quality of his work.

**Personal Bearing in the Conduct of an Engagement.**—It should be remembered that the client does not distinguish between men on the job, except in a general way. Such a distinction as seniors and juniors means nothing to him, except that he knows the services of juniors are charged at less than those of seniors. While his dealings are exclusively with the senior in charge of the job, he does not differentiate clearly between the two classes. To his mind, an accountant is an accountant, and as such, a representative of the firm. If the beginner preserves the proper bearing at all times, no one will know that he is a beginner. As an old senior smugly expressed the matter: "We are all experts." Nevertheless, all direct inquiries either from the client or from his employees are to be referred discreetly to the senior. The beginner will make no expression of opinion,
directly or indirectly, about the client's or his firm's business. To use a homely expression, the young accountant must at all times keep his mouth shut. He will thereby receive credit for having a great deal more knowledge and experience than he may really possess.

The novice need not show alarm if he finds an unusual system or if the work is new to him. He should be discreet in asking questions—remembering that he is being regarded in the light of an expert. Let him put his accounting sense to work and study out any unusual entries or tangled situations.

His conduct toward the client's clerks should be one of respect and deference. Nothing is gained by arbitrary acts, undue familiarity or frigid reserve. Let him keep both eyes and ears wide open. The most important information may not be that which appears on the books. A chance remark overheard, or information unwittingly imparted by a friendly clerk, may place him on the trail of an important discovery. It is well to cultivate the good-will of the employees without being too familiar. He should never accept gratuities or favors of any kind unless permitted to do so by his principal. He may be forced in the course of his work to criticize the giver, and to have accepted favors from him may prove embarrassing. Not infrequently will he find himself called upon to use tact of a high order.

Experience proves that dishonesty among employees in business is rare, considering the number of opportunities that are open for it. Probably 99 per cent of the transactions which appear fraudulent are capable of proper explanation. On the other hand, errors of principle are quite common. This does not mean that there should be any less vigilance in guarding against fraud, but the beginner is generally too ready to jump at the conclusion that fraud has been practised.

The beginner will usually find that senior accountants are pleasant, agreeable fellows. Once in a while, however, he will come in contact with one of the other kind. If he makes a mistake, he should accept the resulting censure in good part and should never attempt to conceal the error, since that may make things worse. We can all forgive a man who makes a mistake, but a senior accountant never forgives a man who checks over a mistake; much less will he forgive a man who, after making an error, attempts to conceal it.

Report Department.—If engaged by a large firm, the beginner's first work will probably be in the report department, checking over the reports as they come from the stenographers. This will be valuable training, as it affords an opportunity to see how the seniors turn
in their original work and also how the reports of the firm are prepared. The work of the department is extremely important, as it usually happens that not a few errors of senior accountants are discovered in this department. In fact, seniors get into the habit of relying, perhaps too much, on the thoroness of the report department's checking. Anything that appears incorrect should at once be brought to the attention of the senior in charge of that engagement, or of one of the principals.

It is an important stage in the young accountant's career when he is first sent out to take charge of an audit, even tho in the eyes of the firm it may be one of the least important engagements it has in the office. All large firms have many charity engagements—hospitals, asylums, church organizations, etc.—the work of which is done for a merely nominal fee. Naturally the work is not so exhaustive in such cases as it is in the more important engagements, since the firm cannot afford to make a complete investigation for the small fee allowed. It will not be possible, therefore, to spend very much time on the work; nevertheless, it is important that it be done well, for the way in which the young accountant handles this minor case will be an index of his efficiency and will determine whether or not he is to be allowed to undertake more important work.

**In Charge of an Engagement.**—The next important event in his career is his first engagement as senior accountant on new work. That he should throw all his energy and judgment into the work, goes without saying. Here he will have an opportunity to display his initiative. It will be his duty to apportion the work to be done by the juniors assigned him, to bring the engagement to a proper end, and to submit a report of his work to his principal. If the latter tears the report to pieces, figuratively speaking, its author must not on that account be discouraged. He should remember that the principal is bringing a fresh point of view to bear on the matter. Perhaps he has violated the rules of technique laid down by the firm. Or it may be that certain items in the statements or reports are not clear. And if they are not clear to the principal, how can they be clear to the client who perhaps knows nothing of the science of accounts?

**Continuing His Studies.**—During the time of his service the young accountant should endeavor to review his principles of accounts and reread his text-books on the subject-matter. Every truly professional man should seek to build up a library, and with his increasing means should acquire such works on the science as are worth
while. He will find that the subject-matter of his school work will take on a new aspect and acquire a new meaning in the light of his recent practical experience.

The beginner must realize that there is a vast amount of hard work ahead of him. The work requires rugged health, for it involves a great mental strain. Moreover, much of the work today is done under excessive pressure. It follows that one needs to take excellent care of his health if he expects to continue in the work.

Accountant's Salary.—A junior accountant is usually paid from $125 to $200 a month, depending, of course, to a large extent on his own ability and the success with which he has handled his early work. A senior commands from $250 to $350 a month. Only a few receive higher salaries. In some cases senior accountants have a share in the profits of the firm. Certain firms, in establishing branch offices over which seniors are placed, allow such men a percentage of the profits from that office.

Contract and Per Diem Engagements.—A few words about the organization of an accountant's office and the books kept therein will be of service. Engagements are of two kinds—contract engagements and per diem engagements. The former class of engagements in large firms frequently includes those from charitable organizations. From other clients, too, in certain cases, accountants will take engagements under contract, and it sometimes requires ability of no mean order to estimate the cost of such work. Frequently it will be found that conditions develop during the progress of an audit that will cause a financial loss to the accountant if the work is to be properly done. In any event the work must not be slighted.

Under a per diem engagement, the usual charges to clients by first-class houses are as follows: Principals, $50 a day; Seniors, $25 a day; Juniors, $15 a day. For the services of the report department, the charges for principals vary from $25 to $50 a day; for checkers and operators they are $1 an hour. These charges are of course much higher than the salaries paid to the men employed. But when the high cost of operation is taken into consideration and also the fact that there are dull seasons in the business during which the firm has to carry its department staff, it will be admitted that the charges are reasonable enough for the character of the service rendered. The client may generally be certain that where lower rates are charged, the character of the services will be in proportion to the rate.
**RECORD SYSTEM**

*Service Journal.*—When accountants start out on engagements, they are usually advanced a certain sum for expenses, which sum is charged to their respective accounts in the accounts receivable ledger. These charges are later canceled by the expense accounts rendered. The service journal is written up from the reports turned in by accountants in charge of engagements. The service journal is divided into two sections—one for unfinished engagements and another for completed engagements. In some cases a third section for contract engagements is provided. The ledger is also divided into two or three sections corresponding to the divisions made in the service journal, viz., one section for completed engagements, one for uncompleted engagements, and one for contract engagements. As soon as an engagement has been completed, the accounts are transferred from the uncompleted section to the completed.

*Staff Reports.*—The staff reports include the expense report and the time report. From these reports the charges are made to clients; expenses and subsistence are charged to the client at cost and the services billed at the *per diem* rates. As the charges are made to the proper ledgers and to the proper accounts therein, the corresponding credits are made to the earning accounts and to the expense fund accounts in the general ledger. At the end of each month the sheets for such engagements as are finished are taken out of unfinished engagements and contract ledgers, summarized and transferred to the clients' ledgers.

*Books Required.*—The books of account ordinarily required are the following:

- General ledger
- General journal
- Cash book
- Service and expense journal
- Salary journal
- Voucher register, for purchases of stationery, supplies, mileage, as well as for books and stationery purchased for clients
- Subsidiary ledgers:
  - Clients' ledgers
  - Unfinished engagements
  - Contract engagements.
A list of accounts that might be found in the general ledger follows:

<table>
<thead>
<tr>
<th>Debits</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and fixtures</td>
<td>Completed engagements</td>
</tr>
<tr>
<td>Cash in bank</td>
<td>—accountants</td>
</tr>
<tr>
<td>Cash in office</td>
<td>Completed engagements</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>—report department</td>
</tr>
<tr>
<td>Notes receivable</td>
<td>Uncompleted engagements</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>—accountants</td>
</tr>
<tr>
<td>Expenses paid in advance</td>
<td>Uncompleted engagements</td>
</tr>
<tr>
<td>Unfinished engagements</td>
<td>—report department</td>
</tr>
<tr>
<td>Investments</td>
<td>Interest</td>
</tr>
<tr>
<td>Salaries of principals</td>
<td>Sundry creditors</td>
</tr>
<tr>
<td>Salaries of others</td>
<td>Accrued expenses</td>
</tr>
<tr>
<td>Stationery and printing</td>
<td>Reserve for uncompleted engagements</td>
</tr>
<tr>
<td>Postage</td>
<td>Reserve for doubtful accounts</td>
</tr>
<tr>
<td>Telegraph and telephone</td>
<td>Reserve for contingencies</td>
</tr>
<tr>
<td>Subsistence-staff</td>
<td>Profit and loss</td>
</tr>
<tr>
<td>Traveling-staff</td>
<td>Partners’ capital accounts</td>
</tr>
<tr>
<td>Rent</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
</tr>
<tr>
<td>Other expenses</td>
<td></td>
</tr>
<tr>
<td>Staff engagements</td>
<td></td>
</tr>
</tbody>
</table>

*Unfinished Engagements.*—It will be seen that from the firm's point of view unfinished engagements are somewhat in the nature of an investment. They are subject to loss on account of failure to complete, or subject to adjustment in order to prevent dissatisfaction on the part of the client before the bill is rendered. It is evident, however, that while the earnings on uncompleted engagements cannot be entirely taken into the accounts at the close of any month, a certain portion thereof is justly entitled to be considered earnings. If a portion of the earnings on unfinished engagements were not taken into the accounts at the monthly closing, it might happen that for several months the books would show a loss on operation and in a subsequent month an extraordinary profit. It is customary to credit to earnings from 75 per cent to 80 per cent on unfinished engagements, the balance being carried to a reserve for unfinished engagements against which subsequent adjustments would be made if necessary. Upon completion of the engagements the balance is transferred to earnings.

*Cost Records.*—On contract engagements it becomes necessary to establish cost records. Where the engagement has been taken for more than one year, it will become possible to establish comparisons
between the several years as to cost of a particular section of the work. This work is usually under the supervision of the office manager. Any unusual increase in the expense demands an accounting by the man employed on that particular part of the engagement.

**Working Schedule.**—When an engagement is taken by a firm of public accountants, the agreement is embodied in a series of letters stating what work is to be done. This correspondence is handed to the chief-of-staff or office manager who assigns the seniors and juniors who are to do the work. A conference between the chief-of-staff and the senior in charge of the engagement results in the preparation of a working schedule. The senior on arriving at the office of the client assigns portions of the work to the individual members of the crew and usually takes a record of the total time spent on each subdivision of the work for entry in the working schedule. In many cases the seniors have wide latitude in selecting their own assistants.

The senior in charge of the engagement may not devote his entire time to it; his accounting sense will tell him what work to omit because its accuracy is proved automatically, and what portion of the work requires a detailed investigation. If the work is constructive, involving suggestions as to the improvement of the system, the senior will probably devote his entire time to a study of possible improvements while his assistants are engaged in making the audit.

**System Building.**—Not the least important part of an accountant's work is system building. For this he requires a thorough knowledge of time-saving devices that can be used to advantage in the accounting department of the client's office. In some of the larger accountants' offices, mechanical devices are used for verification, calculation of percentages, etc. The young accountant should take pains to become fully familiar with such devices.

**Calculating Machine.**—Before recommending any type of machine, it is necessary to study the situation thoroly and ascertain what particular machine will best answer the requirements. For example, will a non-listing or a listing adding machine better serve the purpose? Few general rules can be laid down in this matter; experience and a thorough knowledge of the situation must guide the accountant in his recommendation. It may be said, however, that if it is necessary to have a record of the results for comparison or for use in checking against another verification, the listing machine undoubtedly is the better. Where, on the other hand, the work consists largely of verifying extensions or footings, or calculating discounts, the non-listing
machine is to be preferred, because more rapid work can be done on it than on a listing machine. For the purpose of verifying inventories, for example, the verification had better be made with a non-listing machine such, for example, as the Comptometer. Other machines of this class may be mentioned, such as the Ensign, Millionaire, or Brunsviga. In the first machine the calculation is made by merely pressing the keys and the results appear in totals at the top or bottom of the machine. Addition, subtraction, multiplication and division can be performed rapidly on these machines and the results verified very quickly by an independent calculation.

Listing machines are made in great variety, the best known being the Burroughs, Wales, Federal and Dalton. These machines are operated by pressing the proper keys and pulling a lever, or, in electrically driven machines, by pressing a lever. They are slower to operate than the non-listing machines, but have the advantage of recording the details and the results for future reference.

Billing Machine.—The billing machine can be installed profitably where the volume of business is large and where the loose-leaf system of journals and subsidiary ledgers is used. The best known machines of this type are the Elliot-Fisher, the Moon-Hopkins and the Underwood. They provide for a record of the sale as well as for posting to the subsidiary account and permit daily proofs of postings to be made. The advantage of such a system will appeal to any one who has ever had occasion to run down a difference in accounts receivable ledgers containing thousands of accounts. All these machines have a universal keyboard. Some of them have advantages over others in certain cases, but it is probable that the ideal machine is yet to be produced.

Tabulating Machine.—Where tabulation of statistics is desired, and the volume of business warrants its use, the Hollerith machine may be found valuable. The device consists of three parts: a separate machine which punches holes in cards properly designed to record the classification and information desired; a sorting machine with which to sort like classifications, and a tabulating machine with which to secure the totals. It can be used for various purposes, such as verifying pay-rolls, recording receipts and issues of storerooms, and classifying sales by kind as well as by zones. In many cases statistical information as to sales by classes and zones is of advantage to the manufacturer or distributor in showing the quantity sold of each article of merchandise by zones.
Slide Rule.—Many accountants are expert in the use of the slide rule. For calculating and checking percentages, it has advantages where the volume of business does not warrant the introduction of calculating machines. The use of any mechanical device requires constant practice to acquire speed and obtain accurate results. The accountant himself will not have occasion to use machines to any great extent, but he should not fail to acquaint himself with the various labor-saving devices on the market so that he will be able to recommend the proper type of machine whenever occasion calls for such recommendation. In accounting offices where these machines are in use, special operators are employed. If an accountant is called upon to verify a large inventory, he usually employs competent operators from the company selling the machine.

Future Prospects.—When the young accountant has obtained a sufficient amount of experience, he may open an office of his own and thus be master of his own business. At some time this desire possesses every man in the field. There are, however, other avenues open to the experienced accountant. He may engage in private work as auditor, treasurer or controller of a large corporation. Many accountants today hold excellent positions in private work who formerly were seniors in a firm of public accountants. Almost every experienced senior has, during the course of his service, received offers of excellent positions.

Whether or not the young accountant decides to remain permanently in the profession, the work has many compensations. There is constant novelty. Every new proposition is different from the preceding one. In fact, the absence of deadening routine uniformity is one of the pleasures experienced in the accountant’s work. The business training that he receives from his work is worth a great deal to him. He has opportunity to make an intimate study of many different lines of business, to note the methods of successful men and to gather an invaluable fund of experience. The same general principles that make for success in any field of endeavor apply in this profession.

No attempt is made in this Report to discuss the procedure that is followed in making an audit or an investigation. Such methods of procedure are discussed in the Modern Business Text. Moreover, the practical work of that nature is directed by the senior accountant in charge of the junior’s work.

In conclusion, let the young accountant remember that there is plenty of room at the top in the accounting profession as in any other
profession. Whether he is to reach the top or remain at the bottom, depends upon the man himself. If he leaves his employer, either for the purpose of forming a new connection or of engaging in practice for himself, he should carefully avoid soliciting business from the clients of his former employers. To attempt to steal their business is cheap and unprofessional, and will injure more than it will benefit the man who does it.

Bibliography.—The literature on the accountancy profession, compared with some other professions, is not yet what it should be. This condition is, however, being steadily remedied. A number of excellent books have recently appeared; others are in preparation. In Appendixes B and C will be found a carefully compiled list of many of the best books on accounting, auditing and commercial law which could be taken up to advantage after reading of the Modern Business Texts has been completed.

Preparation.—Since the C. P. A. examinations cover the theory and practice of accounting in all its phases, it is apparent that the student’s preparation should be as broad and thorough as possible. The subject of commercial law can be covered sufficiently by the study of one or two books on the subject with special emphasis on negotiable instruments. Accounting, however, as it applies to all lines of business must be covered in detail, and hence the student’s knowledge of business must be diversified. In this connection the Modern Business Course stands out strongly in that it provides the broad foundation of fundamental business principles that is essential not only to the student preparing for the tests but also to the practising accountant.

While, of course, the list of books with which every accountant should be familiar is extensive, the student preparing for examination will find the selected list of books given in Appendix B sufficiently inclusive. They are arranged in logical order and it is desirable that they be taken up in this way. Some of them overlap others to a certain extent and the reader whose time is limited may find it unnecessary to read every part of each book. A few of them might even be omitted entirely in certain cases but if possible we recommend that all of them be read carefully. Particular attention should be paid to the analyzing and the solving of all problems. Ability to do this is an important factor in passing any C. P. A. examination.
APPENDIX A

THEORY OF ACCOUNTS

(Time allowance—3 hours)

Answer 10 questions, but no more, selecting at least two questions from each group. Answers in excess of the number required will not be considered. Do not repeat questions, but write answers only, designating by number as in question paper. Check (√) the number of each one of the questions you have answered. Each complete answer will receive 10 credits. Papers entitled to 75 or more credits will be accepted.

GROUP I (Five Questions)

Question I

Is the use of debit and credit columns in journals essentially an attribute of either the single-entry or the double-entry system of bookkeeping? Give reasons based on historic development.

Question II

Can books kept under the single-entry system be made so highly analytical as to permit the preparation of financial statements? If so, how? If not, why not?

Question III

Distinguish and explain the following accounting terminology: (a) Paid Lake & Co., John Ireland paid; (b) interest accrued, accrued interest; (c) consolidation of balance sheets, consolidated balance sheet; (d) analyzing a ledger, blocking a ledger; (e) disbursements, cash disbursements.

Question IV

Describe three methods of treating accruals and state the advantage or the weakness of each method.

Question V

What rules should govern ledger explanations?

GROUP II (Five Questions)

Question VI

Is the term “Accounts Receivable” a proper general ledger caption? Give reasons.

Question VII

Name six types of “Reserves.”
Question VIII
State two methods of clearing accounts partially real and partially nominal.

Question IX
What items are included under the balance sheet caption “Deferred Credit Items” by (a) private concerns, (b) public service corporations engaged in interstate commerce?

Question X
How should credit balances appearing in a partner's drawing account and salary account be reflected on the balance sheet of the partnership?

Group III (Five Questions)

Question XI
How may a journal be utilized for recording invoices for purchases and expenses, when the number of expense accounts involved renders a columnar book unfeasible, if the chronologic recording of transactions and one monthly posting to both Creditors’ Controlling account and Purchases are permitted?

Question XII
State briefly the elements of cost appearing in the following ledger accounts: (a) Raw Materials, (b) Goods in Process, (c) Finished Goods.

Question XIII
What two essential elements are involved in the accounting of executors?

Question XIV
State the prescribed procedure in handling organization expenses by (a) the Interstate Commerce Commission, (b) the Public Service Commission of New York.

Question XV
State the accounting procedure prescribed by the Interstate Commerce Commission for telephone companies when acquiring new properties, the purchase price of which exceeds the appraised value.
PRACTICAL ACCOUNTING—Part 1.

(Time allowance—3 hours)

Answer two questions, but no more. Answers in excess of the number required will not be considered. Do not repeat questions but write answers only, designating by number as in question paper. Check (V) the number of each one of the questions you have answered. Each complete answer will receive 25 credits. Papers entitled to 75 or more credits will be accepted.

1. A fire in the office of a firm of traders partly destroyed the books of account that had been fully posted in anticipation of proving their correctness. The following ledger accounts were found to be legible:

- Purchases net $23,000
- Cash discounts lost 320
- Cash discounts gained 1,150
- Sales net 18,000
- Bills receivable 11,000
- Upon inquiry the bank balance was ascertained to be 43,000
- Bills receivable had been discounted at the bank, amounting to 15,000
- An inspection of the checks paid by the bank showed amount paid creditors including $20,000 notes payable 33,000

A balance sheet prepared at the last closing of the books and containing the following items was produced by one of the partners:

- Cash $20,000
- Accounts receivable 42,000
- Loans receivable 8,000
- Real estate 30,000
- Notes receivable 14,000
- Accounts payable 10,000
- Notes payable 20,000
- Mortgages payable 12,000
- Inventory 12,000
- Capital 84,000

The firm stated that the real estate, loans receivable and mortgages payable remained as shown in the balance sheet.

An inventory of goods in storage amounted to $15,000.

With this information open a new set of books showing the position of the firm at the time of the fire.

2. The directors of a manufacturing company, before the closing and auditing of the books for the half year ending December 31, declared out of the net
earnings of the company a dividend for the half year of 4% on the preferred stock of $100,000 and 3% on the common stock of $100,000. There has been brought forward from the last half year an undivided balance of profit of $4,000, and after the audit of the books the trial balance is found to be as follows:

**Trial Balance December 31.**

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate and building</td>
<td>$32,500</td>
<td>Preferred stock</td>
<td>$100,000</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>40,000</td>
<td>Common stock</td>
<td>100,000</td>
</tr>
<tr>
<td>Patents and good-will</td>
<td>80,000</td>
<td>Sales</td>
<td>219,175</td>
</tr>
<tr>
<td>Inventory July 1</td>
<td>29,000</td>
<td>Notes payable</td>
<td>26,000</td>
</tr>
<tr>
<td>Purchases</td>
<td>82,500</td>
<td>Account payable</td>
<td>14,000</td>
</tr>
<tr>
<td>Labor</td>
<td>88,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coal</td>
<td>6,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, general</td>
<td>11,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, management</td>
<td>5,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>875</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowances</td>
<td>6,250</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freight</td>
<td>1,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discount and interest</td>
<td>750</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash in bank</td>
<td>8,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>15,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous expense</td>
<td>4,300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank debts</td>
<td>42,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pfd. stock in treasury</td>
<td>5,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repairs</td>
<td>1,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$459,175</td>
<td></td>
<td>$459,175</td>
</tr>
</tbody>
</table>

Stock on hand, $26,500. From the above prepare profit and loss and income statement and balance sheet, giving effect in accounts to depreciation at the rate of 7½% a year, on plant and machinery, and making an allowance of 5% on the book debts to provide for bad debts; also create a liability in the balance sheet for dividend as stated.

3. A. B., a commission merchant, doing business on 5% basis, hands you the following abstract of his ledger, showing his transactions for the year; furnish A. B.'s capital account, showing his original investment, a balance sheet and a detailed cash account.

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$22,500</td>
<td>$30,000</td>
<td></td>
</tr>
<tr>
<td>Freight</td>
<td>1,050</td>
<td>700</td>
<td></td>
</tr>
<tr>
<td>Claims and allowances on settled accounts</td>
<td>300</td>
<td>750</td>
<td></td>
</tr>
<tr>
<td>Expense</td>
<td>450</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers' accounts</td>
<td>30,000</td>
<td>22,500</td>
<td></td>
</tr>
<tr>
<td>Creditors' accounts</td>
<td>18,975</td>
<td>19,925</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>29,500</td>
<td>20,475</td>
<td></td>
</tr>
<tr>
<td>Discounts lost</td>
<td>200</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
TRIAL BALANCE

Sales ........................................... $22,500 $30,000
Freight ........................................... 1,050 700
Claims and allowances ...................... 300 750
Expense .......................................... 450 ...
Customers' accounts ......................... 30,000 22,500
Creditors' accounts ......................... 18,975 19,925
Cash ................................................ 29,500 20,475
Discounts lost .................................. 200 ...
Commission account, 5% on $22,500 ... 1,125 7,500
Capital ........................................... ...

$102,975 $102,975

ACCOUNT SALES RENDERED

Sales ........................................... $22,500
Charges
Freight ........................................... $700 ...
Claims and allowances ...................... 750 ...
Commission, 5% ............................... 1,125 2,575

Net proceeds credited to shipper's account ... $19,925

PRACTICAL ACCOUNTING—PART II

(Time allowance—3 hours)

Answer two questions, but no more. Answers in excess of the number required will not be considered. Do not repeat questions, but write answers only, designating by number as in question paper. Check (V) the number of each one of the questions you have answered. Each complete answer will receive 25 credits. Papers entitled to 75 or more credits will be accepted.

4. Broad, Beaver & Company, Cotton Oil brokers (members of P. E. C. Ass'n.), trade in cotton oil options for their own account.
The following transactions appear on their books for today's trading:

Purchases from Clearing House Brokers

Per 100 lb.

<table>
<thead>
<tr>
<th>Broker</th>
<th>Quantity</th>
<th>Delivery</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carpenter, Bagot &amp; Co.</td>
<td>400 bbl.</td>
<td>January</td>
<td>$7.02</td>
</tr>
<tr>
<td>Morgan, Ryan &amp; Co.</td>
<td>600</td>
<td>March</td>
<td>7.21</td>
</tr>
<tr>
<td></td>
<td>500</td>
<td>June</td>
<td>7.20</td>
</tr>
<tr>
<td>William Commission Co.</td>
<td>500</td>
<td>July</td>
<td>6.90</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td></td>
<td>6.92</td>
</tr>
</tbody>
</table>

32
Sold to Clearing House Brokers

Carpenter, Bagot & Co. .......... 400 bbl., January delivery, price $7.03
Morgan, Ryan & Co. .......... 500 " March " " 7.22
do .......... 700 " June " " 7.26
William Commission Co. .......... 100 " July " " 6.93

Clearing House Closing Prices

January ....................................................... $7.02
March ............................................................. 7.22
June ............................................................. 7.20
July ............................................................. 6.93

NOTE.—Each barrel is considered as containing 400 lb. of oil. Show transactions in all the books, and a profit and loss account, taking the inventory at closing prices.

5. The output of the A. B. C. Coal Company for the year ending December 31, 1899, was 1,567,833 tons, and the trial balance of that date was as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant, machinery, etc.</td>
<td>$5,000,000.00</td>
</tr>
<tr>
<td>Capital stock</td>
<td>$5,000,000.00</td>
</tr>
<tr>
<td>Construction (in process)</td>
<td>85,790.50</td>
</tr>
<tr>
<td>Bills receivable</td>
<td>63,000.00</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>21,650.29</td>
</tr>
<tr>
<td>Cash</td>
<td>98,752.31</td>
</tr>
<tr>
<td>Materials (10% inventory)</td>
<td>145,853.20</td>
</tr>
<tr>
<td>Coal on hand Jan. 1, 1899</td>
<td>12,750.36</td>
</tr>
<tr>
<td>Wages</td>
<td>1,973,376.89</td>
</tr>
<tr>
<td>Supplies (10% inventory)</td>
<td>389,402.20</td>
</tr>
<tr>
<td>Injuries to persons</td>
<td>10,000.00</td>
</tr>
<tr>
<td>Salaries</td>
<td>45,750.00</td>
</tr>
<tr>
<td>Insurance</td>
<td>20,482.00</td>
</tr>
<tr>
<td>Taxes</td>
<td>26,597.40</td>
</tr>
<tr>
<td>Office expenses</td>
<td>29,872.50</td>
</tr>
<tr>
<td>Legal expenses</td>
<td>36,731.09</td>
</tr>
<tr>
<td>Dividends</td>
<td>150,000.00</td>
</tr>
<tr>
<td>Rentals and royalties</td>
<td>262,530.20</td>
</tr>
<tr>
<td>Freight outward</td>
<td>361,951.17</td>
</tr>
<tr>
<td>Horse and wagon hire</td>
<td>109,532.10</td>
</tr>
<tr>
<td>Allowances</td>
<td>94,321.60</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>8,750.21</td>
</tr>
</tbody>
</table>

$8,947,094.02                     $8,947,094.02

Coal on hand, per inventory, $15,862.70.

From the foregoing prepare a balance sheet, and income and profit and loss account, the latter to show gross earning and net earnings.
6. The Virginia Coal Co. was originated on January 1, 1906, began operations about January 7, 1906 and kept an ordinary set of books (by double entry) but did not close their accounts at the end of any fiscal year.

After an examination and verification of all accounts stated in the trial balance they are accepted as correct, except that termed "Sinking Fund Payments" ($22,500).

The mortgage securing bonds to the amount of $200,000 contains a sinking fund clause providing that the company shall deposit semi-annually with the Sinking Fund Trustee 5c per ton on all coal mined; such payments shall be made to trustee during January and July of each year for the preceding six months' period. Money so deposited is to be applied, as soon as practicable, to purchase bonds at not exceeding 115 and accrued interest; compensation and expenses of trustee are also to be paid from the Sinking Fund. Bonds, when redeemed, cannot be canceled, but are to be held by trustee, who shall collect the semi-annual interest thereon and apply to the same purposes as the 5c per ton payments.

Bonds are dated January 1, 1906, run for 20 years, and bear interest at 6% per annum, payable January 1 and July 1 of each year.

Payments to Sinking Fund Trustees (the General Trust Co.) have been as follows:

July 27/06. Payment for 6 mo. ended 6/30/06, 5c per ton on 120,000 tons ........................................ $6,000
Jan. 28/07. Payment for 6 mo. ended 12/31/06, 5c per ton on 150,000 tons ........................................ 7,500
July 28/07. Payment for 6 mo. ended 6/30/07, 5c per ton on 180,000 tons ........................................ 9,000

$22,500

On January 30, 1908 the company paid to the General Trust Co. (S. F. Trustee) $5,500 for Sinking Fund payment for the 6 mo. ended Dec. 31, 1907, being 5c per ton on 110,000 tons.

The General Trust Co. submitted statement of receipts and disbursements for account of the Sinking Fund to date (January 31, 1908) as follows:

Cash Received to Dec. 31/07.

July 27/06. S. F. deposit for 6 mo. ended June 30, 1906, 120,000 tons at 5c ........................................... $ 6,000
Jan. 5/07. Jan./07 coupons on 5 bonds ................................. 150
Jan. 24/07. S. F. deposit for 6 mo. ended Dec. 31, 1907, 150,000 tons at 5c ........................................... 7,500
July 3/07. July /07 coupons on 12 bonds ............................. 360
July 28/07 S. F. deposit for 6 mo. ended June 30/07, 180,000 tons at 5c ........................................... 9,000

$23,010
### Cash Disbursements to Dec. 31/07

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug. 16/06</td>
<td>Bonds redeemed—5,000 at 110</td>
<td>$5,500.00</td>
</tr>
<tr>
<td></td>
<td>Commission at $\frac{1}{4}%$</td>
<td>$12.50</td>
</tr>
<tr>
<td></td>
<td>Accrued interest</td>
<td>$37.50</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>$5,550.00</strong></td>
</tr>
<tr>
<td>Feb. 15/07</td>
<td>Bonds redeemed:</td>
<td><strong>7,640.00</strong></td>
</tr>
<tr>
<td></td>
<td>4,000 at 108</td>
<td>$4,320</td>
</tr>
<tr>
<td></td>
<td>2,000 at 110</td>
<td>2,200</td>
</tr>
<tr>
<td></td>
<td>1,000 at 112</td>
<td>1,120</td>
</tr>
<tr>
<td></td>
<td>Commission</td>
<td>$17.50</td>
</tr>
<tr>
<td></td>
<td>Accrued interest</td>
<td>$52.50</td>
</tr>
<tr>
<td>Aug. 12/07</td>
<td>Bonds redeemed:</td>
<td><strong>9,420.00</strong></td>
</tr>
<tr>
<td></td>
<td>9,000 at 90</td>
<td>$8,100</td>
</tr>
<tr>
<td></td>
<td>1,000 at par</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>Commission</td>
<td>$250.00</td>
</tr>
<tr>
<td></td>
<td>Accrued interest</td>
<td>$70.00</td>
</tr>
<tr>
<td>Dec. 31/07</td>
<td>Compensation of trustee</td>
<td>$100.00</td>
</tr>
<tr>
<td></td>
<td>Advertising</td>
<td>$50.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>$150.00</strong></td>
</tr>
<tr>
<td></td>
<td>Cash balance in hands of trustees, Dec. 31/07</td>
<td>$180</td>
</tr>
</tbody>
</table>

**Total for all transactions: $22,830.00**

Received in January, 1908, viz.

- S. F. deposit for 6 mo. ended Dec. 31/07, 110,000 tons at 5c $5,500
- Jan. /08. Coupons on 22 bonds in S. F. 660
- Interest allowed on balance to 12/31/08 100 $6,260

**Total for received in January, 1908: $6,440**

Prepare entries to state properly on the books of the Virginia Coal Co. all Sinking Fund transactions.

### AUDITING

(Time Allowance—3 hours)

1. Enumerate concisely, in the order you would adopt, the procedure to be followed in a detailed cash audit of a wholesale merchandise business where the audit is to be made for the purpose of uncovering a defalcation on the part of the cashier, which is known not to extend back beyond two years.
2. In auditing the accounts of a manufacturing company for credit purposes, i.e., on instructions received from a note broker, to what points would you direct especial attention, and what information would you consider it necessary to disclose in the current assets and liabilities?

Prepare an imaginary statement of the net quick assets.

3. If you were asked to certify the earnings for a period of five years of an Oklahoma oil-producing company for the purpose of a prospectus to be issued simultaneously in New York and London for the sale of $1,000,000 of the company’s bonds and $2,000,000 of the common stock, how would you proceed? Assume the company owns 100 leases, on which are located in all, say, 200 wells, of which 150 are oil-producing and 50 are dry; that the leases have been acquired gradually at intervals throughout a five-year period, and that during this period the average price received from crude oil has fluctuated as follows:

- First year: 50c per barrel
- Second year: 60c
- Third year: 70c
- Fourth year: 50c
- Fifth year: 40c

4. In auditing the accounts of a textile manufacturing company, how would you verify the existence of, and satisfy yourself as to the values appearing in the balance sheet placed upon the following:

- Trade debtors
- Inventories of raw materials and manufactured goods
- Plant and machinery
- Real estate

5. How would you proceed to verify the revenue of—
   (a) Street railway company
   (b) Gas and electric company

6. How would you vouch the following items appearing in the books of a company you are auditing; and state specifically the papers or documents you would call for in support of the disbursement:

   a. The Rapid Typewriter Co.—
      Typewriter purchased in exchange for old one..................... $30.00
   b. Alex. Greene—
      Real estate for plant site ....................................... $7,500.00
   c. Automatic Sprinkler Co.—
      Instalment paid on sprinkler system............................. $1,000.00
   d. John Mace—
      Stumpage purchased for........................................... $625.00
   e. Safety Trust Co.—
      Par value $3,000 bonds........................................... $2,970.00
   f. Machinery constructed and erected by the company’s staff..... $10,500.00
   g. Thomas Jones, salesman—
      Traveling expenses for week....................................... $73.20
h. A. B. Company—
   Note payable discounted ........................................ 987.50

7. To what extent should an auditor hold himself responsible for the correctness of—
   (a) Inventories
   (b) Notes payable
   (c) Depreciation
   (d) Pay-rolls and salaries

8. In taking up the annual financial audit of the books of one of your clients, you are informed by the president that a balance sheet, a copy of which is handed to you, as prepared by the company’s auditor under the president's instructions, has already been issued to the company’s bankers, and that it is desired that your statement should conform thereto as far as possible. The audit is being made as of December 31, 1913, and as the work progressed the following points were developed:

   (a) Included in the item “Real Estate, Plant and Equipment” is the sum of $25,000 representing the cost of certain unimproved real estate, with interest and taxes thereon, which the company had purchased seven years previous for the purpose of building a branch factory, which project had been abandoned.

   (b) That an item of accounts receivable, which are stated at a total of $570,000, comprises the following amounts:
   
   Customers' Regular Open Accounts ........................................ $325,000.00
   Due by Officers and Employees ........................................... 30,000.00
   Due on Capital Stock Subscriptions by Employees which are being liquidated out of dividends ........................................ 175,000.00
   Advance Payments on account of Merchandise Purchased .............. 30,000.00
   Bonds of another Company taken in settlement of Accounts Receivable and maturing October 31, 1913 ................. 10,000.00
   
   $570,000.00

   (c) That the reserve for bad and doubtful accounts receivable, amounting to $10,000, is insufficient to the extent of some $15,000, and is stated on the liability side of the balance sheet among the accounts payable.

   (d) That the accounts payable amounting to $280,000 include a balance of $100,000 due to an affiliated company.
   
   State briefly how you would deal with these items in the accounts, and in which, if any, instances, you would consider it unnecessary to change the balance sheet already submitted to the bankers.

   (e) If asked to audit the circulation of a newspaper or magazine for an advertising association, state how you would proceed.

   (f) In auditing the accounts of a shipbuilding company you find that payments under the various contracts for vessels in the course of construction which require from six months to three years to build are made on the completion of certain specified portions of the work, the balance at fixed dates after the delivery of the vessels. How far would you consider the company was justi-
fied in taking up the profits on contracts in process or including in the work in progress interest on the portions uncompleted?

(g) State briefly the duties of an auditor appointed by the beneficiaries under a will to examine the accounts submitted by the executors, and the form in which you recommend the accounts should be submitted.

(h) In examining the accounts of a corporation, you will find that no depreciation has been provided for the year in respect to buildings, machinery and equipment, on the grounds advanced by the directors that such depreciation is fully offset by an increase in the value of the real estate which has not been taken up on the books.

Discuss the merits of this contention.

COMMERCIAL LAW

(Time Allowance—4 Hours)

1. What are the tests by which it may be determined whether the parties have entered into a partnership?

2. What is the nature of a partner's interest in partnership property?

3. What are the rights of—
   1. Creditors of a partnership.
   2. Creditors of an individual member of a partnership in the property of—
   3. The partnership.
   4. The individual members of the partnership in the event of bankruptcy of—
   5. The partnership.
   6. An individual member of the partnership.

This question may be more simply stated as follows: What are the relative rights of firm and individual creditors in firm and individual property in the event of the bankruptcy or insolvency of the firm or a member thereof?

4. (a) Comment on the ways by which shares of stock may be acquired.
   (b) Explain the terms capital and capital stock as applied to corporations.
   (c) Define a share of stock.
   (d) What remedies has a corporation on subscription to capital stock?

5. (a) Discuss the effect of a transfer of shares in a corporation.
   (b) Discuss the right of stockholders to examine the books of a corporation, the limitation of that right, and how it may be enforced.
   (c) Discuss the right of stockholders to share in the profits of a corporation's business.

6. Define: (1) common stock; (2) preferred stock; (3) cumulative preferred stock; (4) treasury stock.
   (b) Discuss preferred shareholders' right to recover from corporation when dividend is earned but not declared.

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7. Mr. Doe, being sued upon his subscription to stock of a corporation, de­
­fended that he had been induced to subscribe by fraudulent representa­
tions made by corporation agent.
(a) In order that he may prevail what must he show in respect to the
character of such representation?
(b) What must be shown in respect to his diligence in repudiating his
subscription?
(c) Suppose corporation becomes insolvent before he repudiates, would
this have any bearing upon his rights? Give reasons for your
answers to (a), (b) and (c).

8. (a) Name the essentials of a negotiable bill or note.
(b) Name the different kinds of indorsements.
(c) What is an accommodation party to a negotiable instrument, and
what is his liability?
(d) What is “acceptance” and what is its effect?

9. (a) When will an alteration avoid an instrument? What alterations are
by a qualified indorsement only?
(b) What is warranted by one who indorses an instrument without qualifi­
cation, to all subsequent holders in due course?

10. (a) What will operate to discharge a negotiable instrument?
(b) What will operate to discharge a person secondarily liable on a nego­tiable instrument?

11. (a) What must the note or memorandum (in Statute of Frauds) contain?
(b) When should the memorandum be made and what should be its form?
(c) What are the requisites of the signing of the memorandum?

12. (a) When does a title pass under a conditional sale?
(b) When does title pass under a sale “on trial” or “on approval”?

13. (a) What are the essentials of the contract of guaranty; or suretyship?
(b) What does the Statute of Frauds provide as to such contracts?
(c) How does a surety differ from a guarantor?

14. (a) What rights has the creditor in securities given by the debtor to the
surety?
(b) What acts will discharge the surety or guarantor?
(c) Can a surety who pays the debt of the principal recover indemnity?

15. (a) When does the guarantor of the collectability of an instrument become
liable?
(b) Will the discharge in bankruptcy of a surety release him from con­
tribution to a co-surety who subsequently pays the debt?

16. (a) What are the essentials of a valid contract?
(b) What is a warranty and what a representation in the law of contracts?
(c) What effect has a breach of warranty or false representation upon
the contract?
17. (a) In what ways does an assignment of contract take place by operation of law?
   (b) What are the principal rules for the interpretation of contracts?
   (c) In what ways may a contract be discharged?

18. (a) What amounts to an insurable interest?
   (b) What representations are material.
   (c) What is a concealment and when must it take place in order to avoid the policy?

19. (a) What is a mortgage?
   (b) Explain foreclosure. State the different kinds.
   (c) What is an easement and how are they acquired?
   (d) Name the four most common easements.
   (e) Define dower.

20. (a) What is a chattel mortgage?
   (b) How does a chattel mortgage differ from a conditional sale with a right to repurchase?

21. (a) What is a trade-mark?
   (b) What is a judgment and when does it transfer title?

22. (a) What are the duties of an agent to his principal?
   (b) What is a bank's liability with reference to negotiable paper left with it for collection?

23. (a) In what cases is an agent personally liable to third persons?
   (b) When will the principal be bound by notice to his agent?

24. What is the doctrine of marshaling assets?

25. (a) When has equity jurisdiction in cases of account?
   (b) Distinguish between legal and equitable assets.

26. Distinguish insolvency from bankruptcy.

27. Give the grounds for refusing discharge in bankruptcy.

28. (a) How may a claim having priority differ from a secured claim?
   (b) What is the provision of the Bankruptcy Act as to the bankrupt's offering a composition to creditors?

29. (a) Give rule as to estate inventories, and state what they must contain.
   (b) What is an executor's or administrator's account, and what should it contain?

30. (a) In what order are the debts of the deceased usually paid?
   (b) When are book accounts of deceased admissible to prove items therein stated?
APPENDIX B

SELECTED READING LIST

Accounting Theory and Practice, Vols. I and II .......................... Kester ........ Ronald
Applied Theory of Accounts ........................................... Esquerre ..... ”
Corporation Accounting ................................................. Bennett ..... ”
Cost Accounting Theory and Practice ................................... Jordan and Harris... ”
Cost Accounting ........................................................... Nicholson and Rohrbach ”
Accounting Theory and Practice, Vol. III ...................... Kester .......... ”
Consolidated Statements ................................................. Finney .... Prentice-Hall
Mathematics of Accounting and Finance .............. Walton and Finney .......... ”
Accountancy of Investment ............................................. Sprague and Perrine ”
Wall Street Accounting ............................................... Todman .......... ”
Real Estate Accounts .................................................. Mucklow .......... ”
Municipal Accounting .................................................... Eggleston .......... ”
Street Railway Accounting ............................................. May .......... ”
American Railway Accounting ........................ Adams .......... Holt
American Mine Accounting ........................................... Charlton .......... McGraw-Hill
System Building and Constructive Accounting ............... Willard .......... McGraw-Hill
Practical Accounting Problems ....................................... Esquerre .......... Ronald
Income Tax Procedure .................................................. Montgomery .......... ”
Business Law, Vols. I and II ........................................ Conyngham .......... ”
C. P. A. Problems and Solutions 1915 .........................

APPENDIX C

SUPPLEMENTARY READING LIST

Accountants' Hand Book ............................................... Saliers .......... Ronald
Accountants' Working Papers ........................................ Palmer-Bell .......... ”
Advanced Accounting ................................................... Dicksee .......... Gee & Co. London 3rd
Accountancy Problems, Vols. I and II ....................... Greendlinger .......... Ronald
American Business Law with Legal Forms ........ Sullivan .......... Appleton
Audit Working Papers ............................................... Jackson .......... American Institute of Accountants
Budgetary Control ................................................. McKinsey .......... Ronald
Business Costs ............................................................ Eggleston .......... ”
Corporate Procedure, Law Finance, Accounting ........ Conyngham-Bennett-Pinkerton .......... ”
Cost Accounting and Burden Application ..................... Scovell .......... Appleton
Elements of Business Law ......................................... Huffcut .......... Ginn
Financial and Operating Ratios in Management ................. Bliss .......... Ronald
Fundamentals of Accounting ..................................... Cole .......... Mifflin
Journal of Accountancy ............................................... Journal of Accountancy
Law of Bankruptcy ................................................. Gerstenberg .......... Prentice-Hall
Partnership Relations ............................................. Conyngham .......... Ronald
Philosophy of Accounts ............................................ Sprague .......... ”
Principles of Depreciation .......................................... Saliers .......... ”

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This outline will show at a glance the statutory requirements for the practice of certified public accounting throughout the United States. There are four distinct lines of statutory requirements: (1) preliminary education; (2) professional training; (3) licensing test; (4) registry. These four items are given uniformly in this synopsis. If there are no statutory requirements the word "none" covers the item. This digest was drawn from Handbook 14 published by the University of the State of New York.

Alabama.—(1) Rules require a high school education or its equivalent. (2) Rules require three years' experience in general accounting or at least one year's practice as public accountant. (3) Examination or a certificate of registration from another state having equal requirements and granting like privileges to licensees of this board. (4) With the board.

Arizona.—(1) Graduation from a four-year high school course or the equivalent. (2) At least three years' practical experience as professional public accountant. (3) Examination or three years' continuous reputable practice or certificate of another state having equal requirements and granting similar registration. (4) With the secretary of State.

Arkansas.—(1) Graduation from a four-year high school course or its equivalent. (2) Three years' practical experience in accounting. (3) Examination or prior to October 1, 1915, three years continuous practice as a public accountant or five years' employment, immediately preceding the passage of this act, with a reputable firm of accountants, one year of which must have been in the state. (4) With the board.

California.—(1) Rules of the board require graduation from an accredited high school or the equivalent. (2) Rules of the board require at least three years' accounting experience, two of which must have been in the office of a certified public accountant. (3) Examination or certificate from another state board or foreign government having equal standards and extending like privileges to licensees of this board. (4) With the board, annually.

Colorado.—(1) Graduation from a high school or an equivalent education. (2) Three years' experience in the practice of public accounting, the last one of which must be in Colorado. (3) Examination or certificate from another state board having equivalent standards, providing such board extends similar privileges to a C. P. A. of this board. (4) With the board.

Connecticut.—(1) Four-year high school course or its equivalent. (2) Two years' practical experience in bookkeeping with such training in public accounting as the board may require. (3) Examination or certificate from another state board, providing such board extends similar privileges to a C. P. A. of this board, together with five years' experience in public accounting one of which must have been in this state. (4) With the board.
Delaware.—(1) Prescribed by the board. (2) Three years’ experience as assistant in the office of a public accountant. (3) Examination or certificate from another state board or from the government of some foreign country whose requirements are equal to those of this board. (4) With the board.

District of Columbia.—(1) Graduation from a four-year high school course or its equivalent or “sufficient commercial experience in accounting.” (2) Diploma from a recognized school of accountancy with one year’s experience under a practising certified public accountant, or three years’ experience in the employ of a practising certified public accountant; examination or, at the discretion of the board, a certificate from the board of another state or country having equal requirements and granting equal privileges to licensees of this board, or three years’ consecutive practice as a public accountant in the District. (4) With the board.

Florida.—(1) Four-year high school course or its equivalent. (2) Rules of the board require at least one year in the office of a practising public accountant or one year’s approved practical experience. (3) Examination or certificate from another state board if such board used the questions and conforms to the requirements of the American Institute of Accountants, provided the state issuing them accords the same privileges to holders of Florida certificates. (4) With the board.

Georgia.—(1) None. (2) None. (3) Examination. (4) In the office of the secretary of state.

Idaho.—(1) High school education or its equivalent. (2) Three years of practical experience in accountancy. (3) Examination or a certificate from another state having an equal standard and recognizing the certificates of this state. (4) With the Department of Law Enforcement, annually.

Illinois.—(1) Four-year high school course or its equivalent. (2) None. (3) Examination by the University of Illinois or, at the option of the University, five years’ practice outside the state next prior to the passage of this act (1903) having passed an examination equivalent to that of this board. (4) With the university.

Indiana.—(1) Graduation from a high school or an equivalent education. (2) At least three years’ experience in the practice of accounting. (3) Examination or certificate from another state board having an equal standard or a valid certificate as a member of a generally accredited, official, national organization of professional public accountants with whom twenty or more states are affiliated in holding examinations. (4) With the board.

Iowa.—(1) Graduation from a four-year high school course or its equivalent or the passing of a preliminary examination set by the board. (2) Three years’ practical accounting, at least one year of which shall have been in the employ of a public accountant. (3) Examination or, at the discretion of the board, a certificate from another state whose standard equals that of this state and which extends similar privileges to licentiates of this board. (4) With the board.

Kansas.—(1) Rules of the board require graduation from a four-year high school course or the equivalent. (2) Rules of the board require not less than four years’ experience and study one of which shall have been in the office of a public accountant. (3) Examination or, at the discretion of the board, three years’ reputable practice as a public accountant or five years' continuous employ-
ment in accountancy and a certificate issued by another state board having an equal standard and granting equal privileges to licentiates of this board. (4) With the University of Kansas.

**Kentucky.**—(1) Graduation from a four-year high school course or its equivalent. (2) Three years' experience in the practice of accounting, at least one year of which shall have been in the office of a practising accountant or in individual practice as public accountant. (3) Examination, or a certificate from another state or foreign country having a standard equal to that of this board. (4) With the board.

**Louisiana.**—(1) Rules of the board require the completion of a high school course of study or its equivalent. (2) Rules of the board require at least one year's satisfactory practical experience or one year in the office of a practising public accountant. (3) Examination or certificate from another state board granting like privileges to licentiates of this board. (4) With the board.

**Maine.**—(1) None. (2) Rules of the board require two years' continuous experience in the office of a practising public accountant or one year's continuous experience in the office of a practising public accountant and one year of practice on the applicant's own account, or an equivalent experience. (3) Examination or at the discretion of the board a certificate from another state board or foreign government which extends similar privileges to a C. P. A. of this board. (4) With the board.

**Maryland.**—(1) High school education or its equivalent. (2) Graduation from a school of accountancy having at least a two-year course, or continuous service for at least one year as an assistant or in the employ of a certified public accountant, or two years' practice as a public accountant. (3) Examination or a certificate from the board of another state or foreign country having equal requirements and granting like privileges to licentiates of this board. (4) With the board.

**Massachusetts.**—(1) Rules of the board require the equivalent of a recognized high school education. (2) At least two years' practical experience in accounting. (3) Examination. (4) With the bank commissioner of the commonwealth.

**Michigan.**—(1) High school course or its equivalent. (2) At least two years’ practical experience in accounting. (3) Examination or certificate from another state board if such board extends similar privileges to a C. P. A. of this board. (4) With the board.

**Minnesota.**—(1) Rules of the board require a high school education or its equivalent. (2) Three years' experience in accounting. (3) Examination or a certificate from another board having an equal standard with this board and granting like privileges to its licentiates. (4) With the board.

**Mississippi.**—(1) None. (2) None. (3) Examination or a license from another state board having equal requirements and giving like privileges to licensees of this board. (4) With the board.

**Missouri.**—(1) Graduation from a four-year high school course or the equivalent. (2) Three years' experience in public accounting. (3) Examination—a certificate of registration from another board having an equal standard may
be accepted in lieu of examination. (4) With the secretary of state who will issue the certificate.

Montana.—(1) Graduation from an accredited high school or equivalent education. (2) At least one year's practical experience in accounting. (3) Examination or certificate from another state or country having equal requirements and extending like privileges to licentiates of this board. (4) With the State University of Montana.

Nebraska.—(1) Rules of the board require high school graduation or the equivalent. (2) Rules of the board require three years in the office of a practising public accountant. (3) Examination. (4) None—certificates issued by the governor.

Nevada.—(1) Rules of the board require a high school education or its equivalent. (2) None. (3) Examination by American Institute of Accountants. (4) With the board, annually.

New Hampshire.—(1) High school course or its equivalent. (2) At least four years' accounting experience or instruction. (3) Examination. (4) With the bank commissioners, annually, and with the secretary of state.

New Jersey.—(1) Rules of the board require high school or equivalent education, certified by an academic certificate from the department of public instruction. (2) Three years' service in the office of a practising public accountant acceptable to the board or four years in an established place of business engaged exclusively in public accounting. (3) Examination or certificate from another state board if such board extends similar privileges to a C. P. A. of this state. (4) With the board.

New York.—(1) Regents regulations require the completion of a four-year high school course or the Regents academic diploma or the qualifying certificate. (2) Five years' satisfactory experience in accounting at least two of which must be in the employ of a New York certified public accountant and three must have been completed prior to the licensing examination. (3) Examination or at the discretion of the Regents of the University three years' experience as a certified public accountant in another state having an equal standard and granting like privileges to this board. (4) None.

North Carolina.—(1) Graduation from a high school or an equivalent education. (2) Three years' experience in practical accounting. (3) Examination or at the discretion of the board a license from the board of another state, territory or foreign country having an equal standard and granting like privileges to licensees of this board. (4) With the board.

North Dakota.—(1) Rules of the state board require a four-year high school education or the equivalent. (2) Rules require three years' experience as an accountant. (3) Examination. (4) With the board.

Ohio.—(1) Graduation from a high school or an equivalent education. (2) Three years' experience in accounting. (3) Examination or certificate from the board of another state or country having equal requirements. (4) With the board.

Oklahoma.—(1) None. (2) None. (3) Examination or, at the pleasure of the board, graduation from a four-year high school course and the degree of C. P. A. held for at least three years and conferred by another state board having equal
requirements and granting equal privileges to licensees of this board. (4) Not specified.

Oregon.—(1) Prescribed by the board. (2) Prescribed by the board. (3) Examination or certificate from another state having an equal standard and granting like privileges. (4) With the board, annually.

Pennsylvania.—(1) Rules of the board require a recognized high school course or its equivalent. (2) Rules require registration with the board of two years' experience as an assistant or five years' experience as a public accountant. (3) Examination or five years' continuous practice in another state. (4) With the secretary of internal affairs.

Rhode Island.—(1) Rules of the board require a high school education or its equivalent. (2) One year in office of public accountant or in public practice for himself. (3) Examination or certificate from another state board if such board extends similar privileges to a C. P. A. of this board. (4) With the board.

South Carolina.—(1) None. (2) None. (3) Examination or a license from another board having a standard equal to that of this board. (4) With the board annually and with the clerk of the Circuit Court of the county of residence.

South Dakota.—(1) Graduation from a four-year high school course or the equivalent. (2) Three years' practical experience in accounting. (3) Examination or a license from another board having equal requirements and granting like privileges to this board or from some foreign country having equal requirements. (4) With the board.

Tennessee.—(1) Graduation from the highest grade high school of the state or the equivalent. (2) One year's practice as a public accountant or continuous employment as assistant for two years, or as chief bookkeeper for three years in the office of a public accountant. (3) Examination or license from another board having an equal standard and granting like privileges to this board or from some foreign government having equal requirements. (4) With the board.

Texas.—(1) Equivalent of a high school education. (2) One year's study and practice in accountancy. (3) Examination, or certificate of another state board having equal standards and granting equal privileges to licensees of this board. (4) With the board.

Utah.—(1) Rules of the board require a high school education or its equivalent. (2) Rules of the board require one year's successful experience in public accounting. (3) Examination or a certificate from another state board having an equal standard. (4) With the board.

Vermont.—(1) Graduation from a high school or its equivalent. (2) None. (3) Examination—the board may adopt the examinations of the American Institute of Accountants—or certificate from another state board of accountancy certifying to competency and good morals. (4) With the board.

Virginia.—(1) Equivalent of a high school course of recognized standing. (2) One year's practice as public accountant or two years as assistant in the office of a public accountant or three years' employment as bookkeeper. (3) Examination—the certificate of another board having equal requirements and granting like privileges to licensees of this board or the degree of certified or chartered
accountant conferred by a foreign government having equal requirements may be accepted in lieu of examination. (4) None.

Washington.—(1) None. (2) None. (3) Examination in accountancy. (4) With the department, annually.

West Virginia.—(1) Rules of the board require high school graduation or its equivalent. (2) Rules of the board require three years' experience as an independent public accountant or with a certified public accountant. (3) Examination. (4) With the secretary of state.

Wisconsin.—(1) Rules of the board require high school graduation or its equivalent. (2) More than two years' experience as a public accountant. (3) Examination or at the discretion of the board, a certificate secured by examination from another state board or a foreign government whose requirements are equal to those of this board. (4) With the board.

Wyoming.—(1) Graduation from a high school or its equivalent. (2) Three years' experience in accounting. (3) Examination. (4) With the board.

Note: If you desire a more detailed discussion of any particular phase of this Report your inquiry will receive prompt attention in our Service Department.