C P. A. Question Department

Leo Greendlinger

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C P A. Question Department.

Conducted by Leo Greendlinger, M. C. S.

Criticism and exchange of ideas will clear many a doubt and at the same time improve shortcomings. To solve, compare and criticize C. P. A. problems, and thereby aid in bringing about a uniform American standard for C. P. A. examinations, is the object of this department. With the aid of suggestions and criticism from the professional brethren, it can undoubtedly be achieved. Inquiries will be cheerfully answered.

The following are extracts from the C. P. A. examination papers of the State Board of Florida and the State Board of Michigan, given July, 1909.

Michigan C. P. A. Board of Accountancy.

Commercial Law.

What is the source of the Bankruptcy Law of the United States? (b) What are the exceptions to the rule, that on the bankruptcy of a firm, and of an individual member of that firm, the joint and separate creditors cannot prove in competition with one another? (c) What is the jurisdiction and power of a referee in bankruptcy and what compensation is a referee in bankruptcy entitled to?

In what proportion to the actual paid up capital of a Michigan corporation may preferred stock be issued? (b) What must be expressed on the face of preferred stock certificates as regards their redemptions, etc.? (c) When cumulative dividends are permitted, what is the maximum rate per cent, per annum? (d) Does the preferred stock vote the same as the common stock? (e) Under what conditions would preferred stock have equal rights with the common stock in the control of a corporation? (f) Is the transfer upon the books of a corporation necessary to complete the assignee's ownership of a stock certificate? Explain fully.

In what three ways may an employee seek redress for an employer's improper breach of contract for a fixed salary payable at regular intervals?

Distinguish the difference between an open and stated account. (b) To what extent is an account stated conclusive? (c) Does the mere rendering of an account make it an account stated? (d) On what grounds may an account stated be opened? (e) Give the number of years after which the various kinds of actions are barred by the statute of limitations in Michigan on judgments, sealed notes, justices' judgments, notes receivable, and open accounts. (f) Is Michigan one of the states where the seal implies a consideration only where there is no evidence to show that there was no consideration?

What is a contract? (b) How is a contract made? (c) What are some kinds of contracts that must be under seal? (d) Which contracts, if made on Sunday, are void, and which are not void? (e) Give examples of contract which are illegal at common law. (f) Draw up a contract in legal form between a company and a branch house manager, covering the period of employment, salary, the various duties, and other terms, etc., in accordance with the following information: Salary, $5,000 per annum, payable semi-monthly, the company agreeing to allow the manager a one per cent. commission as additional compensation at the end of the year on all net business handled through the branch in excess of $500,000; further, if the expense of doing business at the branch shall be less than 10 per cent. of the gross sales, then the manager is to receive one-third of such saving in the expense of operating. This agreement may be terminated at any time upon written notice being properly served. This
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is not to be an agency arrangement. An arbitration clause in case of a dispute in settlement and any other provisions that you may deem necessary to fully protect both the company's and manager's interests. (g) What is an agreement? (h) What is the distinction between a good consideration and a valuable consideration? (i) What forms may consideration take?

(a) What is meant by the doctrine of contribution? (b) Explain the doctrine of exoneration. (c) What is the doctrine of marshalling securities?

AUDITING.

What is the average date of the following:

(a) $114.00, due April 10; $140.00, due April 26; $320.00, due May 22; $975.00, due June 6.

(b) June 3, $375.00 on 30 days' time; June 26, $420.00 on 60 days' time; July 10, $500.00 on 4 months' time; September 4, $225.00 on 90 days' time.

(c) Dr. May 16, $437.00 Cr. May 23, $400.00
Dr. May 31, $324.00 Cr. June 16, $300.00

(a) A man invests $2,000.00 in 3 per cent. stock at 84 and $5,000.00 in 4 per cent. stock at 96. After three years he sells the former at 72 and the latter at 101. What rate of interest has he received during the three years on his investment? (b) And to what extent has the value of his capital changed? Show by figures how you worked out the answer.

An American firm has an extensive trade with Spanish and English customers, to whom goods are invoiced in Spanish and English currency, and payments are accepted made by bills in those currencies. The firm's principal business is, however, in the United States. Explain in what manner you would arrange the books to be kept and the titles of any special accounts that might be necessary to keep.

Jones & Brown are partners, sharing profits equally. Their capital, as it appears on the books of the partnership on the date they dissolve partnership, is: Jones, $2,000, and Brown, $500. The total amount owing by the firm is $5,000, which includes $1,000 due to Jones on a loan, and $500 due to Brown on a loan. The whole of the assets of the firm realize $5,000. Prepare the partners' accounts and supply details for closing up the partnership, showing the position in which the partners stand with each other.

A certain issue of $100,000 4 per cent. bonds is dated September 1, 1908, and interest begins at that date; but interest is payable on February 1 and August 1, and the principal (with four months' interest) is payable December 1, 1912. What is the value of these bonds on a 3 6/8 basis at the date of issue? What is their value at the same basis if purchased on December 1, 1908? (Note that you are interpolating into a five-month period, not a six-month, in the beginning.)

A wood dealer's business consists of the following transactions:

(a) Buying and selling for his own account; (b) receiving on consignment and selling for commission; (c) consigning to other dealers for sale for his own account. All wool received, whether purchased or consigned is charged to merchandise account, and credited to the vendors or consigners, and all wool disposed of, whether consigned or sold, is credited to merchandise account and charged to the purchasers or consignees. The prices in the pro forma invoices of consigned goods invariably differ from prices shown in the account sales rendered to consignors or received from the consignees. At the end of the year he prepares a statement, treating all wool in his possession as inventory and credits merchandise account therewith; all debit balances on account of goods sold or consigned by
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him as accounts receivable; and all credit balances on account of goods purchased or consigned to him as liabilities. The accounts are clerically correct. You are asked to audit his books and certify to the accuracy of his statement. How would you proceed to do this? Write a report thereon not exceeding two hundred words.

Theory of Accounts.

Describe in detail your understanding of and the principles underlying the following systems of wages, and their influence on the labor efficiency in a large manufacturing plant: (a) Day rates, (b) piece rates, (c) differential piece rates, (d) premium plan, (e) bonus plan, and (f) Efficiency system.

Describe how the officers or “insiders” of a corporation could “milk” the corporation to their own personal benefit, outlining the usual methods employed in such cases for the purpose of giving the stockholders and the public a wrong impression of a corporation’s condition. (b) How should money received on account of stock subscriptions and forfeited by non-payment of instalments as they mature, be treated on the books of the corporation?

What books and records are essential to the use of the double-entry system in (a) manufacturing business, (b) merchandise business, (c) insurance business, and (d) commission business? Give list of books and descriptions of their use.

If a bond reads at 4 per cent., but the amount which will be received is 1.05 of the nominal par, what is the actual percentage of cash income?

If the value of the property insured is $10,000, and the actual insurance at the time of the fire is 80 per cent., what would be the settlement if the loss was 50 per cent. of the total value? and (b) if the property value was $10,000 with an 80 per cent. co-insurance clause and the actual insurance in force at the time of the fire was $6,000, what would be the owner’s deficiency if the loss was 50 per cent. of the total value? (c) How much if the loss was only 40 per cent. of the total in question?

You are engaged to install a complete factory cost and accounting system in a large manufacturing plant. Describe the various steps in the handling of such a proposition and show by charts, the accounts (properly grouped, etc.), the departments (productive and non-productive), logically arranged, and give a list of the various forms, etc., that would be required to record the factory operations to intelligently handle them from an accounting viewpoint as an integral part of the accounting system.

Practical Accounting.

The Adams Company was organized July 1, 1905, under the laws of the state of Michigan, with an authorized capital stock of $100,000, divided into 1,000 shares of $100 each. Their operations have not been very successful. Their stock has never paid any dividends, and their capital, at present, is impaired. The stockholders at a meeting decided to reorganize the company, and for that purpose a committee was appointed to have the properties appraised and to take such measures as they would deem advisable. The condition of affairs as disclosed by the books is as follows:

Real estate and buildings .................. $35,000.00
Plant and machinery .......................... 28,000.00
Equipment and fixtures .................... 14,000.00
Tools ........................................ 3,000.00

$80,000.00

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Inventories:
Finished goods ........................................... 27,500.00
Raw material ............................................. 11,500.00
Supplies ..................................................... 5,300.00

Organization expenses ................................. 8,000.00
Less amount written off ................................. 3,000.00

Capital stock ........................................... 100,000.00
Treasury stock ........................................... 5,000.00
Bonded indebtedness .................................. 25,000.00
Treasury bonds ........................................... 5,000.00
Accounts receivable .................................. 87,700.00
Notes receivable ....................................... 17,800.00
Cash ......................................................... 5,000.00
Notes payable ........................................... 26,200.00
Accounts payable ....................................... 82,000.00
Loans payable ........................................... 26,000.00

The Baker Company is a corporation also organized under the laws of this state, and in existence for the last five years. The capital stock of this company is $150,000, divided into 1,500 shares of $100 par value. The company has paid an annual dividend of 9 per cent. since organization, and their yearly net profits were as follows:

First year .............................................. $34,500.00
Second year .............................................. 33,000.00
Third year ............................................... 35,000.00
Fourth year .............................................. 35,000.00
Fifth year ................................................. 30,500.00

Having learned of the financial embarrassment of the Adams Company, and desiring to get possession of their buildings and real estate, which are adjacent to the Baker Company's property, they propose to the committee of the Adams Company that the two corporations be amalgamated. A consolidation agreement was drawn up, containing among others, the following provisions:

(1) The charter of the Baker Company is to be amended and the name changed to that of the Consolidated Manufacturing Company, the latter to absorb the stock of the Adams and Baker Companies respectively.

(2) The current assets of the Adams Company are to be taken over at their book value, except that a reserve of 5 per cent. be deducted on notes and accounts receivable.

(3) The fixed assets are to be taken over on the following basis:
   (a) Real estate and buildings at 15 per cent. increase of book value.
   (b) Plant and machinery at 85 per cent. of book value.
   (c) Equipment fixtures at 80 per cent. of book value.
   (d) Tools at 60 per cent. of book value.
   (e) Organization expenses are not to be considered at all.

(4) The Consolidated Manufacturing Company to assume the liabilities of the Adams Company to the public, and to issue to the latter capital stock for the excess of the assets over the liabilities. If there be any fractional sum of $100 the Adams Company is to receive a full $100 share for such fractional part.

(5) The assets of the Baker Company are to be taken over at their book value, and, in addition, the company is also to be given stock for the goodwill, the latter to be based on the last three years' net profits, and is to be 60 per cent. of that total.

(6) The Consolidated Manufacturing Company is to provide for a bond issue of $100,000, with which it is to take up the outstanding bonds of the Adams Company, and to sell the balance in order to raise cash funds. The stockholders of each respective company to have the privilege of taking the bonds at 96.
The Consolidated Manufacturing Company to assume all liabilities to the public of the Baker Company.

Assuming that the last balance sheet of the Baker Company, which is taken to present the true condition of this concern, discloses the following state of affairs:

### Balance Sheet of the Baker Company as on 1908

<table>
<thead>
<tr>
<th>Current Assets</th>
<th>Current Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$11,740</td>
</tr>
<tr>
<td>Notes Receivable</td>
<td>$35,410</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>74,910</td>
</tr>
<tr>
<td>Less Reserve for Bad Debts</td>
<td>4,169</td>
</tr>
</tbody>
</table>

**Capital and Surplus:**
- Capital Stock: $150,000
- Surplus: 101,000

**Inventories:**
- Raw Material: $9,840
- Goods in Process: 8,750
- Finished Goods: 121,550
- Total of Current Assets: 231,091

**Fixed Assets:**
- Buildings: $20,000
- Less Depreciation: 1,000
- Plant and Machinery: 85,700
- Less Depreciation: 8,570
- Equipment and Fixtures: 34,600
- Less Depreciation: 3,460
- Tools (revalued): 6,360
- Total of Fixed Assets: 365,000

You are required to give: (a) Closing entries for the Adams Company. (b) Journal entries for the Consolidated Manufacturing Company covering capitalization, issue of bonds—taking for granted that the stockholders of the Adams and Baker Companies took advantage of their rights with regard to purchase of bonds—and also payments to be made to the state and county authorities. (c) Balance sheet of the Consolidated Manufacturing Company, placing the assets of Adams Company at the value as shown by the latter’s books, crediting the difference between the price paid for them and the revaluation to goodwill paid to the Baker Company.

II. X, Y and Z, foundrymen, unable to meet their obligations, suspend payment January 1, 1908, and appoint a trustee to realize and liquidate for the benefit of their creditors. The books showed the following assets and liabilities:
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**Assets:**
- Land and buildings: $125,000
- Machinery and tools: 75,000
- Furniture and fixtures: 10,000
- Materials and supplies: 95,000
- Notes receivable: 15,000
- Accounts receivable: 115,000
- Cash: 450

**Liabilities:**
- Mortgage on foundry premises: $100,000
- Notes payable: $135,000
- Accounts payable: $105,000
- Interest accrued on mortgage: $1,250
- Taxes accrued: $835
- Capital: $93,385

The trustee's cash receipts and payments during the year 1908 were as follows:

<table>
<thead>
<tr>
<th>Receipts</th>
<th>Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes receivable (outstanding Jan. 1, 1908): $15,000</td>
<td>Notes payable: $25,000</td>
</tr>
<tr>
<td>Accounts receivable (outstanding Jan. 1, 1908): 106,500</td>
<td>Accounts payable: 35,000</td>
</tr>
<tr>
<td>Cash sales: 5,435</td>
<td>Interest on mortgage one year at 5%: 5,000</td>
</tr>
<tr>
<td>Notes receivable (contracted during 1908): 13,500</td>
<td>Taxes for year 1907: 865</td>
</tr>
<tr>
<td>Accounts receivable (contracted during 1908): 212,000</td>
<td>Purchase of material and supplies: 98,000</td>
</tr>
<tr>
<td></td>
<td>Labor: 135,000</td>
</tr>
<tr>
<td></td>
<td>General expenses: 45,000</td>
</tr>
<tr>
<td></td>
<td>Interest on bills payable to Sept. 30, 1908 at 5%: 2,800</td>
</tr>
<tr>
<td><strong>Total receipts:</strong> $452,435</td>
<td><strong>Total payments:</strong> $346,665</td>
</tr>
</tbody>
</table>

Other transactions were as follows:
- Sales on credit: $335,000
- Bad debts written off accounts prior to Jan. 1, 1908: $8,000
- Bad debts written off accounts subsequent to Jan. 1, 1908: $2,000
- Discounts and allowances to customers' accounts prior to Jan. 1, 1908: 500
- Discounts and allowances to customers' accounts subsequent to Jan. 1, 1908: 300
- Notes received from customers: 20,000
- Notes given to creditors (110,000 being renewals): 180
- Inventory of materials, Dec. 31, 1908: 92,000

At the end of the year the business was returned to the owners, Prepare realization and liquidation accounts and balance sheet.

**Florida C. P. A. Board of Accountancy.**

**Commercial Law.**

Give illustrations of and describe the effect of the following endorsements:
- (a) Regular; (b) Qualified; (c) Restrictive; (d) Protest waived; (e) Without recourse.

Define "Treasury Stock," and give at least one illustration of the proper use of the term.

Name any difference which may exist in the law relating to Treasury Stock, as applied to banks and to other corporations.

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Define a "contract." State the essential requirements to any contract. Give some instances of valid verbal contracts.

Name the essential requirements of a "negotiable instrument," and give two examples illustrating (a) Negotiable paper; (b) Non-negotiable paper.

From what source should dividends be paid? Who is responsible, and to what extent, if dividends be improperly paid? May a dividend be legally declared if former losses have impaired the value of the stock?

Define a corporation. Describe the necessary procedure under the laws of Florida to form a corporation, and show the requirements as to (a) number of stockholders; (b) number of directors; (c) capital stock paid in; (d) periodical statements.

Auditing.

In the course of an audit, you find the following classes of security:
(1) Real estate; (2) Mortgages on real estate; (3) Chattel mortgages; (4) Stocks and bonds held as collateral security.

For each of these classes state: (a) The method of examination; (b) Special points to be examined; (c) Form of report.

In auditing a large concern, such as a mining company operating a number of distinct plants, how would you satisfy yourself that the following items were properly accounted for and safeguarded? (1) Advances on payrolls, both cash and merchandise; (2) Unclaimed wages; (3) Purchases which are made by one purchasing agent for all the plants.

In certain lines of business (e. g., real estate companies, sewing machine agencies, retail furniture houses), a large proportion of the sales are made on the installment plan, and at the close of any period a large number of such transactions may be uncompleted. How should the profits from such uncompleted sales be treated in the balance sheet?

How would you audit a set of single entry books, and how would you prepare therefrom statements showing the results obtained by the business?

State (a) how you would inform yourself as to the value; (b) how you would classify; (c) how you would report on, the following assets: (1) Loans and discounts of a bank; (2) Accounts receivable, where the number is considerable.

How would you show in your report of an audit you have made, fluctuations in the value of the following securities owned by the concern: (a) Real estate; (b) Stocks and bonds; (c) Material on hand.

In some cases, the present prices are higher; and, in some they are lower, than when the securities were bought. State your idea of the general principles governing such variations.

Theory of Accounts.

Some wholesale houses send goods to their branches and charge them at selling price, while others charge such goods at a price representing the cost and an arbitrary amount added for expenses. Which, in your opinions, is the better plan from the point of view: (1) Of the General Office; (2) of the Branch Office?

Define and differentiate between income, revenue, receipts. In the case of a concern lending money on mortgage, state to which class or classes the interest on those mortgages belongs, and give details of the manner of entering it on the books.

A Receiver is appointed for a manufacturing concern, and puts you in charge of all the accounting work of his receivership. State the work you would first do on taking over the books: (1) If the books were in balance and a trial balance furnished when the Receiver was appointed. (2) If the books were out of balance or defective. (3) Is it better for the Receiver to continue the old books or to open new ones? Give reasons for your answer.
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A company is organized under the laws of Florida to purchase a patent and to manufacture and sell the patented article. The patent is paid for by the entire issue of stock, and the patentee gives back to the company 49 per cent. of the entire stock, to be used for developing purposes. Describe the formalities which must be complied with, and draw the opening entries in the books, stating what books are required.

Define "Merchandise Account," and outline two methods of keeping it, giving your opinion as to which is the better, and your reasons therefor.

A manufacturing concern, owning lands, buildings, engines, boilers, and machinery, has been in operation for ten years, but has made no allowance for depreciation, current repairs having been charged to "operating expenses," and new machinery bought having been charged to "plant account." You are given carte blanche in the matter of arranging for such depreciation at the time of the audit, and also in the matter of providing for it in the future. State the steps you would take and the entries you would direct for both cases, using your own figures.

Practical Accounting. Part I.

The Alpha Company is organized for the purpose of acquiring a tract of land and forming an amusement resort. Its capital is $50,000. This stock is practically all issued in exchange for deeds for parts of said tract and to long term leases covering the remainder of tract, these leases containing, in all cases, clauses giving the Beta Company, or its assigns, the right to purchase at prices named in the leases and aggregating $74,620.00, on which six per cent. is to be paid as rental; taxes to be paid by the Alpha Company.

The Alpha Company made a deed of trust for $150,000 on all its equities to secure bonds, and issued $72,000 of such bonds in April, 1906. It made a further issue of similar bonds to the amount of $34,000 in April, 1907. With the proceeds of such bonds it improved its property and erected a number of buildings at a cost of $110,000.

In April, 1907, it entered into an agreement with the Beta Company to take charge of the grounds, arrange entertainments, etc. This necessitated further improvements, which were to be paid for by the Beta Company; this company, however, had no money, so the Alpha Company advanced $10,000 to Beta Company, taking therefor the note of the latter company.

The Beta Company finally failed with no assets, and its stockholders disappeared (except the buildings it had erected on the Alpha Company’s land, and still owing Alpha Company for the said note), besides owing many other creditors.

The Alpha Company now operated the amusement park on its own account. This involved further loss; and its balance sheet on the 30th of June, 1907, showed as follows:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>Capital stock</td>
</tr>
<tr>
<td>Real estate</td>
<td>$100,000</td>
</tr>
<tr>
<td>Note of Beta Co.</td>
<td>Bonds—1st issue</td>
</tr>
<tr>
<td>Equities on leases valued at</td>
<td>Bonds—2d issue</td>
</tr>
<tr>
<td>Loss</td>
<td>Due on leases</td>
</tr>
<tr>
<td></td>
<td>Mortgage interest, overdue</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
|                               | $270,620                        | $270,620
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The Alpha Company then concluded negotiations with the Gamma Company, an electric car line company, whose line afforded the chief means of access to the property in question. This company had an authorized capital stock of $50,000, all being issued.

The Alpha Company admitted its solvency, and a majority of its stockholders agreed to surrender and cancel their stock, and to exchange their bonds in the Alpha Company for stock in the Gamma Company.

All the property of the Alpha Company was to be transferred to the Gamma Company, which was to assume all its liabilities, and was to increase its authorized capital to $150,000, and to issue bonds on all its property for $100,000, and, out of the proceeds of these bonds to take up the bonds of the Alpha Company and pay off all indebtedness of Alpha Company, and to pay off its own indebtedness and develop the combined enterprises.

The Gamma Company owned an exclusive franchise for its car line, which, owing to local conditions, was safe from competitors. This line, with equipment, cost $50,000. The yearly net profits were $30,000, and were likely to increase. It valued its franchise at $250,000. It had the real estate owned by the Alpha Company appraised by six independent real estate experts, the lowest valuation being $600,000, and the highest $700,000. Gamma Company had outstanding accounts payable amounting to $15,000.

State the steps required to legalize the transfer of the business of the Alpha Company to the Gamma Company.

Prepare the balance sheet of Gamma Company after the transfer had been made, criticizing any items calling for special attention.

**Practical Accounting. Part II.**

You have audited a set of books of a wholesale grocery corporation, for the year ending June 30, 1909, and find the trial balance to be as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Dr.</th>
<th>Cr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td></td>
<td>$17,100</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>$23,500</td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>4,300</td>
<td></td>
</tr>
<tr>
<td>Bills payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bills receivable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings (cost five years ago, no depreciation allowed heretofore)</td>
<td>18,500</td>
<td></td>
</tr>
<tr>
<td>Cash in bank</td>
<td>8,900</td>
<td></td>
</tr>
<tr>
<td>Capital stock</td>
<td></td>
<td>30,000</td>
</tr>
<tr>
<td>Drawage</td>
<td>1,100</td>
<td></td>
</tr>
<tr>
<td>Discounts</td>
<td></td>
<td>350</td>
</tr>
<tr>
<td>Expense</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td>Freight account (all in-freight)</td>
<td>2,800</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>2,600</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>800</td>
<td></td>
</tr>
<tr>
<td>Mortgage interest</td>
<td>800</td>
<td></td>
</tr>
<tr>
<td>Mortgages</td>
<td></td>
<td>10,000</td>
</tr>
<tr>
<td>Mules and vehicles</td>
<td></td>
<td>700</td>
</tr>
<tr>
<td>Office furniture and fixtures</td>
<td>2,300</td>
<td></td>
</tr>
<tr>
<td>Petty cash</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Purchases</td>
<td>175,000</td>
<td></td>
</tr>
<tr>
<td>Cr.</td>
<td>3,000</td>
<td>172,000</td>
</tr>
<tr>
<td>Real estate</td>
<td></td>
<td>20,000</td>
</tr>
<tr>
<td>Rent</td>
<td>2,400</td>
<td></td>
</tr>
<tr>
<td>Repairs</td>
<td>3,500</td>
<td></td>
</tr>
<tr>
<td>Sales—Cr</td>
<td>210,000</td>
<td></td>
</tr>
<tr>
<td>Dr.</td>
<td>5,000</td>
<td>215,000</td>
</tr>
</tbody>
</table>

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Stationery and printing ........................................... 500
Profit and loss account............................................ 5,700
Salaries................................................................. 5,400
Travelling expenses ............................................... 1,800
Wages........................................................................... 1,600
Taxes, 1908..................................................................... 500

$283,350

30th June, 1909

INVENTORY................................................................. $24,000

The ACCOUNTS RECEIVABLE are as follows:

Over 1 year old ..................................................... 1,200
1 year old ............................................................... 2,500
½ year old ................................................................. 3,000
Current ........................................................................ 16,800

$23,500

Prepare such statements as you consider necessary to close the books, to show the results of the business and to show the present value of the business.

Suggest proper treatment of Real Estate, Furniture and Fixtures. These accounts represent actual cost of investment from commencement of business, 6 years ago, to date, repairs having always been charged to P/L A/C. Buildings are of brick. Insurance expires one-half on September 30, and one-half on December 31.

Comments.

The Michigan Board allowed four hours for the Commercial Law and Theory of Accounts papers respectively. In each examination the candidate was asked to answer ten questions. The six questions printed are representative ones. In the examination in Auditing the Board allowed five hours for ten questions. In Practical Accounting the candidates were asked to solve the first and second problems, printed herewith, and two of the others: time allowance, five hours.

In the papers on Theory of Accounts, Auditing and Commercial Law, the Florida Board gave fifteen questions on each, from which ten were to be selected. The first five questions on each paper, printed herewith, were compulsory, the other five elective. The Board allowed four and a half hours on the paper in Theory of Accounts, four hours on the paper in Auditing, and four and a half hours on the paper in Commercial Law. In the case of Practical Accounting the examination was divided into two parts—in the case of the first part four and a half hours, and in the case of the second part three and a half hours was allowed. The first three questions were compulsory in each case, the other two elective. It will be seen that this Board follows somewhat the policy of the Pennsylvania Board in including under Practical Accounting not a long-worded, two-sheet problem, but questions which require an outline of the work rather than the actual performance of it. Members of State Boards will find the paper of the Florida Board quite helpful, and we regret that space does not permit us to print it in full.