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University of the State of New York -- 13th accountant examination, January 28, 1903: Auditing, commercial law

New York (State)

University of the State of New York

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New York (state) University

University of the state of New York - 13th
accountant examination, January 28, 1903.

Auditing
Commercial law

UNIVERSITY OF THE STATE OF NEW YORK

13TH ACCOUNTANT EXAMINATION

AUDITING

WEDNESDAY, January 28, 1903 - 9:15 a.m. to 12:15 p.m., only

"The Regents of the University shall make rules for the examination of persons applying for certificates under this act, and may appoint a board of three examiners for the purpose..."
Laws of 1896, ch. 312, 2

Answer 10 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 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.

1. You are consulted by a manufacturing company on the question of making periodic audits of its accounts. What arguments would you advance in favor of such audits?

2. Set forth in detail and in order of importance the special instructions that should be given an assistant who has charge of the audit of the books of an electric railway, a bank or a stock-broker.

3. What is usually included in the account "organization expenses" in the books of a company? How should this account be treated? Give reasons.

4. Should the audit of a corporation include a critical examination of the minute book, and if so, why?

5. A reserve fund of \$250,000 has been set aside out of the profits of a company and invested in government securities at par. How should the fund and investment appear on the balance sheet of the company (a) if the value has increased, (b) if the value has decreased? Give reasons for your answer.

6. Comparison of "manufacturing wages cost" for successive periods shows marked variation in amounts. Explain several causes productive of this condition.

7. If called on to make audit of a set of books where defalcations were suspected, what course would you adopt?

8. State your method of verifying the bills receivable account. Does the balance of acceptances unmatured affect the bad and doubtful debts account, and if so, how? What evidence would you require of the dishonor of an acceptance?

9. In auditing the accounts of Bruce & Co. you find that a dishonored acceptance of Andrews for \$2,500 is included in the bills receivable balance. If this is not correct, state how it should have been treated.

10. Should a firm or company take credit in its profit and loss account for uncompleted work? Give reasons for your answer.

11. State in detail the successive steps that should be taken in auditing the accounts of the executor of an estate.

12. To what extent would you, as auditor, concern yourself in the matter of depreciation allowances?

13. What methods should be employed to test the prime cost of manufactured goods in order to make sure that there were no losses of raw material through dishonesty of employees?

14. Mention several transactions which, in an audit of the accounts of a village, would require inspection of the official minutes for verification.

15. The balance of cash on hand at the date of audit according to the cashbook and ledger is \$15, 906. 27; the bank pass-book on the same date shows a balance of \$16, 527.02. Which amount should appear on the balance sheet? Why?

13TH ACCOUNTANT EXAMINATION

COMMERCIAL LAW

Wednesday, January 28, 1903 - 1:15 to 4:15 p.m., only

"The Regents of the University shall make rules for the examination of persons applying for certificates under this act, and may appoint a board of three examiners for the purpose"
Laws of 1896, ch. 312, 2

Answer 10 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 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.

1. Does a "contract by specialty" require a consideration? If so, how does such a contract differ from a "simple contract" respecting the matter of consideration? What are "contracts of record? To which of these classes of contracts do judgments and recognizances belong?

2. A owes B \$100 which has been due for seven years. No payment has been made and no action has been brought. Subsequently A promises B, orally, to pay the debt. Can B recover on this promise or on any theory? Would your answer be the same if A's last promise had been in writing? Explain.

3. Distinguish between agent and servant; between agent and "independent contractor" In what relation respecting agency does a partner stand toward the firm of which he is a member? When must a contract of agency be in writing and when under seal?

4. If the seller of goods agrees to send them to the buyer, no time being specified, what is the duty of the seller as to time? If, under a contract of sale of goods which the buyer has not seen, the seller delivers goods conforming to the contract requirement to a common carrier for transportation to the buyer, when does the title to such goods pass to the buyer? Who would bear the loss of the goods were injured in transit, the carrier not being at fault?

5. When a seller ostensibly makes a present sale of goods which are not then in existence, what is the effect of the contract? Is the seller liable in damages, if he contracts to sell specific goods at a future time, and without his fault the goods perish before such time?

6. What are the main points of difference between a promissory note and a bill of exchange? How does a check differ from an ordinary bill of exchange? Give an illustration of the proper way

signing a negotiable instrument for (a) a corporation by an officer, (b) an individual or firm by an agent or attorney.

7. Under what circumstances is the taking of a debtor's note to be treated as payment of a preexisting debt? If the note is not taken as absolute payment and is afterward dishonored, must the creditor bring suit on it before returning to his original demand? Is the note of a third party, if taken at the time a debt is created (as on the sale of goods), to be treated as payment therefor?

8. Will an assignee acting in good faith be protected in his acts if the assignment be afterward set aside as fraudulent? What if the general personal liability of an assignee for damages resulting from his acts or omissions? What is the duty of an assignee as to accountings? What compensation is allowed an assignee?

9. When may an executor voluntarily present his account and ask that the same be judicially settled and the sureties on his bonds discharged? What in general are the classes of claims which may be considered on an application for such an accounting?

10. In what order, as to priority, must an executor pay the different classes of debts against his testator's estate? Must an executor pay interest to the legatee on a specific legacy? If not, is a specific legatee entitled to receive any income arising from the legacy? What is a lapsed legacy and how should a lapsed legacy be disposed of by an executor?

11. Under what conditions may a receiver for the property of a corporation be appointed? What are "receiver's certificates"? What property of the judgment debtor passes to a receiver? Is it necessary that the debtor should execute a formal assignment thereof?

12. Can the relation of partner arise between individuals in any other way than by their voluntary agreement? Is a consideration necessary to the validity of a contract of partnership? Is a contract usurious if it specifies an agreement among partners that one shall receive more than the statutory rate of interest for additional capital contributed by him for the firm's use? Give reasons.

13. What facts are necessary to give creditors the right to hold as a partner one who is in fact not a partner, but who has allowed his name to be used in the firm title? What is the statutory provision respecting the use of fictitious partnership names? How may a retiring partner protect himself from liability for debts afterward contracted by the firm? Has a partner an individual title to any of the firm's assets? If not, what is the nature of his interest in the firm property?

14. To what amount may a stockholder in a business corporation be held liable personally when sued on his stockholder's liability?

Must two or more corporations wishing to consolidate into one be engaged in the same kind of business? How would such a consolidation affect the rights of previous creditors of the constituent corporations? After the voluntary dissolution (under the statute) of a business corporation, what would be the status of a director thereof, respecting claims in favor of or against such corporation?

15. What misrepresentation respecting an insurance policy would operate to avoid the policy? Does this answer also apply to concealment of facts as well as to misrepresentation? Define "insurable interest" as to both life and fire insurance. Must the extent of the interest of the assured be set forth in the policy