

1919

# Information for those desiring to become certified public accountants under the laws of the state of North Carolina

North Carolina. State Board of Accountancy

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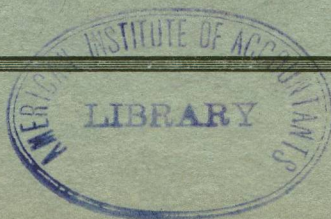
# NORTH CAROLINA STATE BOARD OF ACCOUNTANCY

INFORMATION FOR THOSE DESIRING TO BECOME  
CERTIFIED PUBLIC ACCOUNTANTS UNDER THE  
LAWS OF THE STATE OF NORTH CAROLINA



## MEMBERS OF STATE BOARD OF ACCOUNTANCY

George G. Scott, C. P. A., President, Charlotte, N. C.  
Joseph J. Bernard, C. P. A., Secy. & Treas., Raleigh, N. C.  
J. B. McCabe, C. P. A., Vice-President, Wilmington, N. C.  
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## **WHY SHOULD I BECOME A CERTIFIED PUBLIC ACCOUNTANT?**

The unprecedented development in the Commercial world today, and the multitudinous transactions incident thereto, require more scientific and intelligent systems of accounts—including charts, detailed cost records, special reports for executives, and the preparation of the analytical Federal Tax Returns; all of which demand the highest type of training in scientific accounting principles. And this specialization, both extensive and intensive, has raised the standard of Accountancy until it is now properly regarded as one of the leading professions.

No field of service offers more immediate and satisfying rewards, and the ever-increasing demands made on Certified Public Accountants are an assurance of ever-increasing practice for the man who is equal to the demands.

Because of the high standard established by the C. P. A. Boards of the various States, the business world has been attracted to the profession and has quickly given due recognition to the person who holds the degree of "C. P. A."

## **HOW TO PROCURE THE C. P. A. DEGREE**

The North Carolina C. P. A. law was enacted in the year 1913 and is recorded in the "Public Laws of North Carolina, Session 1913," Chapter 157.

It provides for a board of four members, all Certified Public Accountants, who are appointed by the Governor of the State, and who shall hold at least one examination each year for the purpose of granting C. P. A. certificates to those who may upon examination be qualified in theoretical and practical accounting, auditing and commercial law.

## **ELIGIBILITY**

Any person (male or female) who is a citizen of the United States, or who has declared his or her intention of becoming such citizen. It is not necessary to be a citizen of the State of North Carolina.

The applicant must have an education equal to a High School course. The applicant must be of good moral character and will

be required to furnish a certificate signed by three representative citizens, who, from personal knowledge of the applicant, will vouch for same.

The law also requires the applicant to have had three years' practice in accounting. This has been construed to mean, that an applicant must have completed an accounting course in a school of recognized standing, or has had three years' experience on the staff of a Certified Public Accountant, or three years' experience as a double-entry bookkeeper.

### **DATE AND WHERE EXAMINATION IS HELD**

The examination is usually held the latter part of June in each year, at Raleigh, North Carolina. For information address Maj. J. J. Bernard, Secretary and Treasurer, Raleigh, N. C. Procure application blanks from the Secretary and file with fee of \$25 at least ten days before the date set for examination.

### **RULES**

1. This Board shall be known, under the Act passed by the Legislature of 1913, as the State Board of Accountancy.

2. The Board shall organize after the members thereof have duly qualified, and shall elect a President, a Secretary and a Treasurer; Provided, however, that the office of Secretary and Treasurer may be held by one person.

3. The Board shall hold at least two meetings each year upon the call of the President or a majority of the members of the Board, at such time and place as may be designated in such call. Three members of the Board shall constitute a quorum and transact all business except as to Section No. 15 of the Act, which makes it obligatory to have the Attorney General of the State or one of his assistants present at all hearings pertaining to the revocation of a certificate.

4. Applications for examination must be made to the Secretary of the Board, accompanied by a check for the amount of the fee made payable to the Treasurer at the time of the filing of the application, and not less than ten days prior to the date of the examination. The Secretary shall notify each applicant of the time and place of examination.

5. The time and place of holding examinations shall be duly advertised for not less than three consecutive days and not less than thirty days prior to the date of examination, in at least three representative daily papers, published in the State of North Carolina.

6. Examinations shall be conducted under the following rules:

(a) All examinations shall be written.

(b) Examinations will include the following subjects:

1. Theory of Accounts.

2. Auditing.

3. Commercial Law as Affecting Accounting.

4. Practical Accounting.

5. And such other subjects as the Board may deem advisable.

7. Applicants must appear before the Board in person when so required to answer any question that will produce additional evidence required by the Board to sustain such facts as are necessary to determine the qualifications prescribed by the law, or by the rules of the Board.

8. Applicants must be citizens of the United States, or have duly declared their intention of becoming such citizen, over the age of twenty-one years, of good moral character, being a graduate of high school, or having had an equivalent education, who has had at least three years' experience in the practice of Accounting, and must be able to conform to all other requirements prescribed by the law, or rules of the Board.

9. The Board shall make special rules covering the conduct of the examination, which will be explained in detail to the candidates at the time of examination.

10. In case of failure on the part of any applicant to attend an examination, or to pass a satisfactory examination, said applicant will be entitled to take the next examination of said Board without the payment of an additional fee, or within eighteen months after having made application for same.

11. The Board will grant certificates only to those candidates who shall obtain a grade of at least seventy-five points in each subject.

12. The marking of papers shall be governed mainly by the

correctness of the answers. General appearance and expression will, however, be considered.

13. The questions prepared by the Board of Examiners do not become the property of the candidates, but will be retained by the Board, and disposed of in such a manner as they see fit.

14. The Secretary will communicate to each applicant in writing the decisions reached by the Board in his case, but in no event will any information concerning answers of candidates be given to any one, nor will any of the answers of candidates' papers be accessible for inspection at any time except to members of the Board, and answers after eighteen months will be destroyed.

15. These rules, or any part of them, may be amended or revoked by the Board at any time.

For information purposes, the following questions have been taken from the examination held during the year 1919:

# ACCOUNTING

## THEORY AND PRACTICE

### Question No. 1.

Assuming that these are the principal divisions of the expense accounts of a manufacturing business selling the product through traveling salesmen to the retail trade:

- (a) Manufacturing Expenses Division.
- (b) Selling Expenses Division.
- (c) Administration and General Expenses Division.
- (d) Profit Deduction Expenses Division.

Designate in what division you would classify each of the following accounts, by giving the number of account and the letter indicating division opposite—

1. Materials and Supplies Consumed.
2. Interest on Loans Paid.
3. Interest on Bonds Paid.
4. Postage for Correspondence.
5. Postage for Parcel Post.
6. Domestic Taxes.
7. Street Assessments for Street Improvements.
8. Federal Taxes.
9. Cash Discounts Received on Purchases.
10. Discounts Given on Sales.
11. Discounts Allowed for Prompt Payment of Accounts Receivable.
12. Exchange on Checks.
13. Revenue Stamps.
14. Bonus to Traveling Salesmen.
15. Bonus to Office Force.
16. Bonus to Factory Operatives.
17. Bonus to Superintendent of Factory.
18. Fire Insurance Premiums on Factory.
19. Fire Insurance Premiums on Office.
20. Fire Insurance Premiums on Warehouses.
21. Liability Insurance Premiums.
22. Life Insurance Premiums on Factory Operatives' Lives.
23. Credit Insurance Premiums.
24. Tornado Insurance Premiums.
25. Freight Prepaid on Shipments. (Out Freights.)



26. Claims Allowed on Sales Made.
27. Rent of Factory.
28. Rent of Office.
29. Rent of Warehouse.
30. Traveling Expenses of Superintendent to Secure Operatives.
31. Traveling Expenses of Buyer.
32. Expenses of Law Suits for Collecting Account.
33. Law Suit Expenses Defending Suit Brought by Employee for Damages.
34. Expense of Welfare Work.
35. Fines Assessed for Violation of Child Labor Laws.
36. Hedging Contract Expenses.
37. Donations to Employees.
38. Donations to Other Than Employees.
39. Freights on Purchases.
40. Claims Allowed on Merchandise Purchased.

### Question No. 2.

From the following accounts, prepare a Balance Sheet that will exhibit a correct view of the Net Worth:—

Accounts receivable -----	\$ 50,000.00
Accounts payable -----	20,000.00
Bonds outstanding -----	100,000.00
Cash on hand -----	100,000.00
Common stock outstanding -----	100,000.00
Dividends on preferred stock due and unpaid -----	10,000.00
Inventories at cost -----	10,000.00
Notes receivable -----	5,000.00
Notes payable -----	213,000.00
Plant account (at cost) -----	200,000.00
Preferred stock outstanding -----	100,000.00
Profit and loss account (debit bal.)	126,000.00
Reserve for depreciation -----	30,000.00
Reserve for federal taxes -----	2,000.00
Reserve for shrinkage of inventory values -----	5,000.00
Reserve for possible loss in ac- counts receivable -----	1,000.00
Reserve for bonds past due -----	10,000.00
Treasury stock (common) -----	50,000.00
Treasury stock (preferred) -----	50,000.00

### Question No. 3.

The Superintendent of a Chair Factory maintains a record of the number of chairs manufactured.

In an audit of the books and the preparation of a cost statement, how would you prove the correctness of the number of chairs made and reported by the Superintendent?

### Question No. 4.

A Savings Bank conducted what was called a "Christmas Club" with 500 members who paid in \$1 each on the first of the week for 50 weeks. The bank returned to each member at the end of 50 weeks the amount paid in and interest computed at rate of 4 per cent. The bank earned gross at rate of 6 per cent. on the amounts paid in and it cost 1 per cent. to do business. What profits were made on the Club membership?

### Question No. 5.

State what methods you would use in cost accounting procedure to establish the inventory value of—

- (a) Materials and supplies used for manufacturing and maintenance purposes.
- (b) Merchandise purchased for resale.

### Question No. 6.

After you have audited the books and you are requested to prepare a certified balance sheet, state how you would word your certificate.

### Question No. 7.

The following is a final trial balance of a Rope Factory covering the year 1918 which began business January 1st of that year, except that the value of the inventory of the finished product at the end of year has not been ascertained and entered on the books:

	Debits	Credits
Cash -----	\$ 100,000.00	
Accounts receivable -----	275,000.00	
Cost of plant -----	300,000.00	
Office expense -----	8,000.00	
Labor and Maintenance -----	200,000.00	
Cost of power -----	10,000.00	
Machine royalty -----	4,000.00	
Salaries of officers -----	15,000.00	

Miscellaneous factory expense-----	5,000.00	
Depreciation for year -----	15,000.00	
Miscellaneous administrative ex- penses -----	5,000.00	
Discounts allowed -----	1,000.00	
Materials and supplies consumed---	500,000.00	
Interest on loans -----	2,000.00	
Accounts payable -----		15,000.00
Notes payable -----		200,000.00
Sales -----		900,000.00
Capital stock -----		200,000.00
Reserve for depreciation -----		100,000.00
Discounts received -----		3,000.00
Surplus -----		22,000.00
	<u>\$1,440,000.00</u>	<u>\$1,440,000.00</u>

The total pounds of rope manufactured during the year amounted to 1,478,000 pounds. The inventory of product at end of year amounted to 200,000 pounds. The market price of rope at end of year was 40 cents per pound.

The corporation under T D 2609 adopted the method of taking inventories at cost or market which ever is lower.

(a) Prepare a Profit and Loss Account showing the profits for the year.

(b) Prepare a Balance Sheet of the Assets and Liabilities.

#### Question No. 8.

The product of a garment factory consisted of only two grades of garments, viz.: grade "A" and grade "B."

There was no difference in the cost of materials and supplies consumed in the two grades, but there was a difference in other manufacturing expenses of which it was impossible to keep separate as to the grades. If the factory ran exclusively on grade "A" the production would amount to 2,800 garments per week; if it ran exclusively on grade "B" the weekly production would amount to 3,500. The factory, however, made both grades at same time. You were called in at the end of first month's operation to audit the books and prepare cost statement. Your cost statement showed that the average cost per garment was \$6.60, excluding materials and supplies that cost \$5.00 per garment. Monthly production Grade "A" 8,800 and Grade "B" 3200; total 12000.

The inventory consisted of—

Grade "A" -----	1,600 garments
Grade "B" -----	400 garments

Prepare statement showing how you would arrive at cost of inventories.

#### Question No. 9.

Under what theory or rule would you distinguish a liability reserve from a surplus allocation? Name at least three of each class.

#### Question No. 10.

A Street Railway Company made an application for increase of rates on the grounds that it was necessary to increase its rate for depreciation.

They had been charging a rate of 5 per cent. on all property subject to depreciation, but on account of conditions, the reproduction value of the property was more than 100 per cent. of its original cost, and in order to be in position to replace the property, it was necessary to increase the depreciation reserve which required a greater rate than 5 per cent., or this rate must be applied to the present value.

In your opinion, to what extent would the principles of accounting permit an increase of depreciation expense under such conditions? State fully your reasons.

#### Question No. 11.

Select three of the following named businesses and prepare an accounting chart of each, showing the accounts grouped so as to present a correct view of their economic relationship.

1. Municipality.
2. Newspaper Publisher.
3. Woolen Mill.
4. Insurance Agency.
5. Real Estate Brokers.
6. Retail Furniture Installment Dealer.
7. Suburban Land Company.
8. Wholesale Grocery Business.
9. Department Store.
10. Lumber Manufacturing Plant.
11. Cotton Mills.
12. Wholesale Shoe Business.
13. Clothing Manufacturing Business.

14. Overall Factory.
15. Automobile Dealers and Garage.
16. Street Railway Company.
17. Gas Company.
18. County.
19. Public Accountant Business.
20. Commission Business (Cotton and Woolen).
21. Brokerage Business.

**Question No. 12.**

A Building and Loan Association conducted on a mutual partnership plan and selling stock of the par value of \$100 at the rate of 25 cents per week in advance and the association is earning a profit at the rate of 6 per cent., adopts a rule to pay stockholders withdrawing, in addition to their dues paid in, the accumulated profits less 10 per cent. What would be the withdrawal value of a share of stock 39 weeks old?

**Question No. 13.**

A manufacturing business started on January 1st, 1918, and you were called in to audit the books at the close of the year. Your audit disclosed that they had sustained a loss in operation and had no surplus.

(a) In such a case would you set up depreciation on the properties that were subject to depreciation? (b) How would you show the deficit?

**Question No. 14.**

Name the principal elements of a statement of the cost of sales of a manufacturing business and prepare a form which you would use.

**Question No. 15.**

Assuming that the chief classification of expenses account of a daily newspaper are, editorial expenses, composing room expenses, press and stereotyping expenses, mailing room expenses, business office and executive expenses, materials and supplies consumed, and miscellaneous expenses, how would you apportion all of these expenses into the following divisions of cost, and give your reason:

Circulation.

City.

Suburban.

Country.

Advertising.

Local.

Foreign.

Classified.

## COMMERCIAL AND FEDERAL INCOME TAX LAWS

### Question No. 1.

What constitutes a personal service corporation?

### Question No. 2.

Name two conditions under which corporations should file consolidated returns and the requirements of evidence of affiliation.

### Question No. 3.

A corporation began business January 1st, 1918, with assets consisting of patents for which they paid \$100,000 in cash and capital stock outstanding \$100,000.

In computing the income taxes at end of year, what would be the invested capital?

### Question No. 4.

Is the invested capital of a corporation affected when it owns stock in a Building and Loan Association that is conducted on the partnership sharing profit basis?

### Question No. 5.

Under the Federal Income Tax Laws, (a) How are the profits determined in an exchange of real estate for stock of a corporation, (b) In the sale of stocks or bonds or other property, (c) In the exchange of one stock for another stock?

### Question No. 6.

A partnership was formed in 1900 for manufacturing purposes and maintained only a cash book system. In the year 1916 the business was incorporated with a nominal capital with no regard to the value of its tangible assets. How would you determine its invested capital?

### Question No. 7.

Designate the following named expenses that are allowable deductions in computing the income tax of a domestic corporation:

1. Donation to American Red Cross.

2. Donation to a Local Hospital.
3. Donation to the County Fair Association.
4. Donation to committee for paying expenses for political convention to be held in home town.
5. National Political Campaign Expenses.
6. Local Political Campaign Expenses.
7. Fine for violation of Child Labor Laws.
8. Membership fee of Chamber of Commerce.
9. Life insurance premiums on lives of officers, the corporation the beneficiary.
10. Life insurance premiums on lives of officers who are the beneficiaries.

**Question No. 8.**

A man purchased in the year 1912 100 shares of stock in a local manufacturing corporation at a cost of \$100 per share. On March 1st, 1913, the book value of the stock amounted to \$150.00 per share.

In the year 1917 its book value amounted to \$500.00 and he donated the stock to his wife. In the year 1918 there had been no change in book value and the wife sold the stock for \$500.00 per share, which constituted all her income.

What was the income tax of the wife?

**Question No. 9.**

In the case of a claim being filed by a federal taxpayer and said claim allowed under Section 214 of the 1918 Revenue Act covering the loss in the inventories, would the invested capital be affected?

**Question No. 10.**

On January 1st, 1918, three gentlemen purchased the business of a partnership, agreeing to pay \$100,000.00 more than its appraised value and in addition pay the federal income taxes of the partnership for the year preceding. The amount paid for the business amounted to \$600,000.00 and the federal income taxes paid for partnership on March 15th, 1918, amounted to \$25,000.00.

The financial statement, according to the books of the partnership on date of purchase, was as follows:

ASSETS.	LIABILITIES.		
Cash -----	\$ 10,000.00	Reserve for doubtful accounts ----	\$ 5,000.00
Acc'ts receivable--	150,000.00	Reserve for depreciation -----	30,000.00
Inventories at cost	100,000.00	Reserve for shrinkage of inventory values -----	10,000.00
Cost of plant -----	200,000.00	Capital account ---	415,000.00
	<u>          </u>		<u>          </u>
	\$460,000.00		\$460,000.00

The purchasers formed a corporation on date of purchase and issued to themselves 5,000 shares of stock of the par value of \$100 in payment of the business. They paid dividends during 1918 at the rate of \$5,000 per month beginning on first day of March.

The taxable income for 1918 amounted to \$250,000.00. Prepare a statement of the income and profits taxes, also show the amount of invested capital.

#### Question No. 11.

A widowed mother died leaving three children under 15 years of age. An unmarried uncle took charge of the children on January 1st, 1919, and supported them during the year.

The income of the uncle consisted of—

Dividends received from corporations, from surplus accumulated since January 1st, 1912, of \$1,000.00 each year -----	\$8,000.00
Interest received on \$5,000.00 Fourth Liberty Bonds--	212.50
Net income from farming operations-----	1,000.00
	<u>          </u>
Total income -----	\$9,212.50

Prepare statement showing the amount of federal tax liability.

#### Question No. 12.

The net assets of a corporation is appraised at \$200,000.00 and its books show its net worth to be \$100,000.00.

It has received an offer of purchase based upon its appraisal value, the purchase to either cover the stock outstanding or its assets.

You are called in to recommend the most advantageous



method for both purchaser and seller. State what method you would recommend, and your reasons therefor.

**Question No. 13.**

The income and excess profits taxes computed under 1917 revenue law for fiscal year ending August 31st, 1918, amounted to \$80,000.00 and the tax as computed under 1918 revenue law amounted to \$20,000.00. Total tax \$100,000.

Prepare a statement showing the effect on the invested capital of the corporation in preparing the returns for year ending August 31st, 1919.

**Question No. 14.**

A corporation owned the following bonds for one year ending December 31st, 1919, what amount of interest would be allowed as a deduction in computing its income?

First Liberty Bonds, 3½ per cent. -----	\$10,000.00
First Liberty Converted, 4 per cent. ----	10,000.00
First Liberty Converted, 4¼ per cent. --	10,000.00
Second Liberty Converted, 4¼ per cent.	10,000.00
Third Liberty Converted, 4¼ per cent.	10,000.00
Fourth Liberty, 4¼ per cent.-----	10,000.00
Victory Liberty, 3¾ per cent.-----	10,000.00
Victory Liberty, 4¾ per cent.-----	10,000.00
North Carolina State Bonds, 5 per cent.	10,000.00
City of New York Bonds, 4 per cent.---	10,000.00
County of Mecklenburg, N. C., 4½ per cent -----	10,000.00

**Question No. 15.**

The books of a Retail Installment Furniture Dealer, covering the two years, 1917 and 1918, show the following:

Assets—

	Dec. 31, 1916	Dec. 31, 1917	Dec. 31, 1918
Cash -----	\$ 8,000.00	\$ 15,000.00	\$ 20,000.00
Installment acc'ts----	25,000.00	60,000.00	120,000.00
Inventory of mdse.---	15,000.00	35,000.00	50,000.00
	<u>\$48,000.00</u>	<u>\$110,000.00</u>	<u>\$190,000.00</u>

Liabilities—

Acc'ts payable	\$ 5,000.00	\$ 10,000.00	\$ 25,000.00
Notes payable	5,000.00	35,000.00	50,000.00
Capital stock	30,000.00	30,000.00	30,000.00
Surplus	8,000.00	35,000.00	85,000.00
	<u>\$48,000.00</u>	<u>\$110,000.00</u>	<u>\$190,000.00</u>

Profit and Loss Account—

	Year ending Dec. 31, 1917	Year ending Dec. 31, 1918
Salaries to officers	\$ 2,000.00	\$ 5,000.00
Cost of merchandise sold	18,000.00	34,000.00
Salesmen's commissions	5,000.00	8,000.00
Rents	1,000.00	1,000.00
Miscellaneous expense	1,000.00	2,000.00
Profits earned	<u>27,000.00</u>	<u>50,000.00</u>
Sales	<u>\$54,000.00</u>	<u>\$100,000.00</u>

The collections in 1917 amounted to \$19,000.00 of which \$10,000.00 was 1916 accounts, and the collections in 1918 amounted to \$40,000.00 of which \$15,000.00 was 1916 accounts. The returns were made up and the income returned according to the books and you are asked to re-determine the tax, under Art. 42 of Regulations 45.

- Recast and prepare balance sheet for Dec. 31, 1917, and Dec. 31, 1918.
- Prepare Profit and Loss account for the two years, 1917 and 1918, showing taxable income.
- Prepare Journal Entries that will change the books in accordance with Art. 42.
- Submit a statement showing invested capital at Dec. 31, 1917, and Dec. 31, 1918.

Question No. 16.

A corporation owned on January 1st, 1919, assets, Accounts Receivable and Cash, \$10,000.00; Fourth Liberty Bonds, \$10,000.00; stocks in other corporations, \$10,000.00; Pennsylvania Railway bonds, \$10,000.00; plant at cost, \$10,000.00; State of Virginia bonds, \$10,000.00.

The liabilities were, capital stock paid in, \$30,000.00, and surplus paid in, \$20,000.00, and profits earned, \$10,000.00. There was no change in the investments during the year.

Submit a statement showing the invested capital for purposes of computing the income and profits taxes for 1919.

**Question No. 17.**

Define the following classes of stock:

- (a) Common Stock.
- (b) Preferred Stock.
- (c) Guaranteed Stock.
- (d) Founders' Stock.
- (e) Treasury Stock.

**Question No. 18.**

Define the following classes of bonds:

- (a) Mortgage Bonds.
- (b) Guaranteed Bonds.
- (c) Collateral Trust Bonds.
- (d) Debenture Bonds.
- (e) Income Bonds.

**Question No. 19.**

- (a) Name at least four acts of bankruptcy.
- (b) What are the preferred claims against a bankrupt.

**Question No. 20.**

- (a) What are the essential elements of a legal contract?
- (b) What are the essential elements of partnership agreement?
- (c) What are the essential elements of a negotiable instrument?

# AUDITING

## Question No. 1.

State how you would systematize your work in the conduct of your audit of the books of a department store and what would be your procedure?

## Question No. 2.

In an audit of the books you found that the inventory at the beginning of the period was taken at \$10,000.00 more than cost, how would you handle the matter in the preparation of your statements and report?

## Question No. 3.

State fully how you would test the accuracy of inventory values.

## Question No. 4.

State fully how you would verify the cash on hand (a) when all receipts were banked; (b) when the receipts were partly banked.

## Question No. 5.

How would you handle a case where you found the liability reserves were excessive or deficient?

## Question No. 6.

What evidence would you consider satisfactory for the correctness of the following expenditures:

- (a) Dividends.
- (b) Remuneration to directors.
- (c) Salary of officers.
- (d) Commissions on sale of stock.
- (e) Additions to plant.

## Question No. 7.

In an audit of the books it was disclosed that all purchases and acquisitions of capital assets had been charged to an account called "Plant Account." The depreciation charged off from year to year had been credited, also in case any machinery had been replaced and the old machinery sold, the income from the sale of same had been credited.

How would you handle the matter?

**Question No. 8.**

Name at least two methods that could be used by a book-keeper in concealing his thefts of cash, and how your audit would disclose such irregularities.

**Question No. 9.**

(a) Would you deem it necessary to check all individual postings and add every page of the cash book?

(b) In case you deem it unnecessary to check every item of posting, how would your audit disclose irregularities that were covered up in erroneous postings?

(c) In case you deem it unnecessary to add every page of the cash book, how would your audit disclose irregularities covered by erroneous additions?

**Question No. 10.**

In an audit you found that the books called for a cash balance of \$25,000.00 in banks. Your process of reconciliation was confined to taking the balances as shown by bank books and deducting the outstanding checks therefrom which produced the balance as shown by clients' books.

What irregularities could exist in such case that this process of reconciliation would not disclose?

**LIST OF CERTIFIED PUBLIC ACCOUNTANTS HOLDING  
CERTIFICATES UNDER THE LAWS OF THE STATE  
OF NORTH CAROLINA, MAY 1, 1920**

No. of Certificate.	Name.	Address.
1	George G. Scott -----	Charlotte, N. C.
2	Jos. J. Bernard -----	Raleigh, N. C.
3	J. P. Scales -----	Greensboro, N. C.
4	John B. McCabe -----	Wilmington, N. C.
5	Simon Tipperman -----	Washington, D. C.
6	D. H. McCollough -----	Charlotte, N. C.
7	George R. Wootten -----	Hickory, N. C.
8	Charles N. Goodno -----	Raleigh, N. C.
9	James M. Culbreth -----	Richmond, Va.
10	M. R. Lynch -----	High Point, N. C.
11	Arthur Lyon -----	High Point, N. C.
12	Arthur F. Bowen -----	West Raleigh, N. C.
13	Arthur D. Hammond -----	New York City
14	J. D. Hightower -----	Greensboro, N. C.
15	Walter Charnley -----	Charlotte, N. C.
16	J. L. Hoyle -----	Charlotte, N. C.
17	Thomas Meares -----	Washington, D. C.
18	George D. Moore -----	Washington, D. C.
19	Charles M. Davis -----	Morganton, N. C.
20	B. S. Mills -----	Wilmington, N. C.
21	C. M. Stoy -----	Washington, D. C.
22	W. C. Jackson -----	Atlanta, Ga.
23	John W. Todd -----	Charlotte, N. C.
23½	Ivey Foreman -----	Raleigh, N. C.
24	Russell C. Rankin -----	Washington, D. C.
25	Frank L. Jackson -----	Davidson, N. C.
25½	E. C. Craft -----	Wilmington, N. C.
26	Sherwood C. Gardner -----	Farmville, N. C.
27	James J. Scarborough -----	Ellisville, Miss.
28	William Clabaugh -----	Washington, D. C.
29	Frank A. Willison -----	Pittsburg, Pa. (Exchange)
30	F. Ernest Holman -----	Portland, Me. (Exchange)
31	Herman J. Pashen -----	Washington, D. C.

No. of Certificate.	Name.	Address.
32	John M. Dressler	Washington, D. C.
33	R. M. Farror	Washington, D. C.
34	Benjamin Maher	Washington, D. C.
35	Jean Paul Muller	Washington, D. C.
36	John W. Roberts	New York City
37	Lawrence O. Manly	Washington, D. C.
38	Harold W. Osterbout	Washington, D. C.
39	Richard J. Clark	Washington, D. C.
40	George H. Newlove	Washington, D. C.
41	J. R. Spear	Pittsburg, Pa.
42	Martin W. Cookerow	Washington, D. C.
43	James Cunning	Washington, D. C.
44	Jay H. Bowker	Washington, D. C.
45	James C. Herring	Washington, D. C.
46	Herman T. Warshaw	Washington, D. C.
47	William C. Wood	Washington, D. C.
48	Edward M. Tyler	Washington, D. C.
49	Miss Nettie A. Trail	Washington, D. C.
50	Artis T. Salmon	Washington, D. C.
51	John Pritzker	Washington, D. C.
52	Frederick Newburgh	Washington, D. C.
53	George T. McNichols	Washington, D. C.
54	Jefferson D. Millsaps	Alexandria, Va.
55	Michael S. Lobenthal	Washington, D. C.
56	Leo. S. Leonard	Washington, D. C.
57	Louis Kurzman	Washington, D. C.
58	Adrien C. Humphreys	Washington, D. C.
59	William E. Fink	Washington, D. C.
60	William L. Newsom	Washington, D. C.
61	Edwin R. Eckenroth	Washington, D. C.
62	E. J. Dowling	Washington, D. C.
63	Morton S. Conrad	Washington, D. C.
64	Frank D. Byrne	Washington, D. C.
65	John S. Biggs	Washington, D. C.
66	Ambrose C. Brady	Washington, D. C.
67	John W. Alexander	Washington, D. C.

No. of Certificate.	Name.	Address.
68	Morris Metz	New York City
69	George D. Huncke	New York City
70	James J. Clarke	New York City
71	Jacob Behrens	New York City
72	Oscar Moskowitz	Brooklyn, N. Y.
73	Jay Warren Cohen	Brooklyn, N. Y.
74	Walter W. Sheldon	Winnebogo, Ill.
75	William A. Patton	Chicago, Ill.
76	C. S. Vestal	Charlotte, N. C.
77	George H. Adams	Charlotte, N. C.
78	A. R. Harrison	Charlotte, N. C.
79	William E. Baer	Washington, D. C.
80	Frank E. Barth, Jr.	New York City
81	Harold B. Barnett	Washington, D. C.
82	Lewis F. Bond	Washington, D. C.
83	E. L. Barette	New York City
84	James D. Butler	New York City
85	Leonard B. Campbell	Washington, D. C.
86	Alfred L. Cantamessner	Washington, D. C.
87	Frank L. Clute	Washington, D. C.
88	Joseph B. Costello	Washington, D. C.
89	William A. Garlick	Washington, D. C.
90	Dan. B. Gilliland	Washington, D. C.
91	Urban S. Greene	Washington, D. C.
92	Paul P. Gwyn	Washington, D. C.
93	G. C. Hammond	Washington, D. C.
94	Richard A. Hartz	Washington, D. C.
95	Bernard D. Hathcock	Washington, D. C.
96	Clarence A. Hemphill	Washington, D. C.
97	A. J. Heriger	Newark, N. J.
98	John A. Hinderlong	Washington, D. C.
99	Miss A. Mayre Huber	Washington, D. C.
100	Edward F. Kuester	Chicago, Ill.
101	Joseph R. Little	Washington, D. C.
102	Joseph K. Moyer	Washington, D. C.
103	Frederick L. Pearce	Takoma Park, D. C.



No. of Certificate.	Name.	Address.
104	Robert B. Rodgers	Sommerville, Mass.
105	A. Thomas Schooley	Washington, D. C.
106	George H. Schutte	New Brunswick, N. J.
107	George F. Stackhouse, Jr.	East Orange, N. J.
108	W. Q. Sharpe	Jackson, Miss.
109	Edward White	Washington, D. C.
110	Frank S. Chappell	Washington, D. C.
111	Charles Frost	Riverdale, Md.
112	Paul D. Helfrich	Washington, D. C.
113	Ernest L. Riley	Washington, D. C.
114	Benjamin Robin	Washington, D. C.
115	Robert Hamilton Smith	Washington, D. C.