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Students' Department

H. P. Baumann

Students' Department

H. P. BAUMANN, *Editor*

AMERICAN INSTITUTE EXAMINATIONS

[NOTE.—The fact that these answers appear in THE JOURNAL OF ACCOUNTANCY should not cause the reader to assume that they are the official answers of the board of examiners. They represent merely the opinions of the editor of the *Students' Department.*]

EXAMINATION IN AUDITING

May 16, 1935, 9 A. M. to 12:30 P. M.

The candidate must answer all the following questions.

No. 1 (5 points):

(a) What is meant by "fixed" and "variable" overhead costs in cost accounting for a manufacturer?

(b) Give examples of each.

(c) How will increases and decreases in production affect the variable and fixed overhead in the cost per unit?

(d) Illustrate by example your answer to (c).

(e) Why should any distinction between fixed and variable costs be recognized?

Answer:

(a) Fixed overhead expenses are those expenses that are not likely to be affected greatly by changes in production; and

Variable expenses are those that are likely to increase or decrease with production.

(b) Examples of fixed overhead expenses:

Real estate taxes
Depreciation (normal) on buildings
Insurance on buildings

Examples of variable overhead expenses:

Indirect labor, and indirect material
Die and small tool costs

(c) Fixed overhead expenses per unit will decrease as production increases, and will increase as production decreases. Variable overhead expenses will not necessarily vary in exact ratio to the variation in the production. As production increases the variable expenses are likely to increase at a lower rate. Conversely, as production decreases, the variable expenses may decrease at a slower rate. A point may be reached in production whereat many of the so-called variable expenses will become fixed expenses. For instance; production may be reduced to such a low point that the only indirect labor chargeable will be a skeleton organization which it will be necessary to maintain, even though the production falls below the point whereat this group may be profitably utilized.

(d) Production (units)	*100*	*500*	*1,000*	*1,500*
Fixed expense:				
Real estate taxes:				
Amount—$1,000.				
Cost per unit.......	$10.00	$2.00	$1.00	$ .67

Variable expense:				
Indirect labor:				
Amount...........	$500.00	$500.00	$1,000.00	$1,350.00
Cost per unit.......	5.00	1.00	1.00	.90

(e) It is important for the manufacturer to recognize the distinction between fixed and variable expenses, in order that he may accurately estimate his costs at varying production levels, and that he may determine his sales and manufacturing program.

No. 2 (15 points):

A summarized balance-sheet, presented to you for examination, is stated in the following terms:

Balance-sheet as at December 31, 1933

Assets		*Liabilities*		
Current assets..........	$1,600,000	Current liabilities.......		$ 800,000
Prepaid expenses........	50,000	Contingency reserve.....		100,000
Plant account less reserve for depreciation.......	2,050,000	Preferred stock 7% Cum.		700,000
		Common stock.........		1,500,000
		Earned surplus: balance at Dec. 31, 1932	$450,000	
		Net income 1933	150,000	600,000
	$3,700,000			$3,700,000

According to the terms of the preferred-stock issue a sum of $50,000 is set aside annually "out of surplus" for the retirement of preferred stock, the instalment for each year to be deposited on March 1st of the succeeding year. At December 31, 1933, preferred stock of a par value of $300,000 had been retired through the sinking fund by purchases at par during the six years in which the fund had been in operation.

The contingency reserve was charged during the year with certain exceptionally large credit losses amounting to $100,000. When the contingency reserve of $200,000 was created by the board of directors out of surplus in 1931, it was felt that certain customers were receiving unduly long terms of credit, but it was the belief that they would eventually pay their bills. By 1933 balances to the amount of $100,000 were found to be irrecoverable, and they were written off against the contingency reserve, as stated.

Assuming that the current assets, the liabilities and the plant account have been satisfactorily verified, and that you have reviewed the operations of the company for 1933

(a) Submit your criticisms of the balance-sheet and discuss any points on which you may desire to take issue; and

(b) If you consider changes necessary, redraft the balance-sheet and present a summary of the surplus account, showing the sources of increase in 1933 and the proper distribution of the balance at December 31, 1933.

Answer:

(a) The "unduly long terms of credit" mentioned in the question indicate the possibility that certain of the receivables should not be included in the current asset classification. If the contingency reserve is still regarded as necessary to protect the company against possible credit losses, the reserve should be deducted from the receivables as a reserve for bad debts, or, added to the bad debt reserve, if the company has one.

If no further credit losses are expected, the contingency reserve should be restored to surplus, since the contingency for which it was provided no longer exists. As the question states that the current assets have been satisfactorily verified, it may be assumed that the receivables are all current and properly valued, and that the contingency reserve is no longer required.

The preferred stock "had been retired through the sinking fund by purchases at par." Apparently, it has not been cancelled; but is being carried in the treasury. Further, the question states "according to the terms of the preferred-stock issue a sum of $50,000 is set aside annually 'out of surplus' for the retirement of preferred stock." This statement indicates that a reserve for the retirement of the stock is necessary.

(b) BLANK CORPORATION

Balance-sheet

December 31, 1933

Assets

Current assets		$1,600,000	
Prepaid expenses		50,000	
Plant account less reserve for depreciation		2,050,000	
Total assets		$3,700,000	

Liabilities

Current liabilities			$ 800,000
Net worth:			
Capital stock:			
Preferred—7% cumulative ($50,000 to be retired annually):			
Authorized	$1,000,000		
In treasury	300,000		
Outstanding	$ 700,000		
Common	1,500,000	$2,200,000	
Reserve for retirement of preferred stock		350,000	
Surplus		350,000	2,900,000
			$3,700,000

NOTE.—The terms of the preferred stock issue provide for the retirement of the preferred stock in annual instalments of $50,000 each, to be deposited on March 1st of each succeeding year.

BLANK CORPORATION

Surplus account

December 31, 1933

Balance, December 31, 1932		$450,000
Contingency reserve restored to surplus:		
Balance of reserve, December 31, 1932	$200,000	
Less: bad debts written off	100,000	
Balance restored to surplus		100,000
Total		$550,000

Reserve for retirement of preferred stock	$300,000
Adjusted surplus, January 1, 1933	$250,000
Net income, 1933	150,000
Total	$400,000
Deduct: provision for the reserve for retirement of preferred stock for 1933	50,000
Surplus, December 31, 1933	$350,000

It should be recognized that the provisions of the statutes of the state of incorporation and the provisions of the company's charter may affect the treatment of the preferred stock "retired."

No. 3 (10 points):

While auditing an investment bank you learn that the president and treasurer hold similar positions in a savings bank in the same city and have unrestricted access to the securities of both banks.

(a) What would this situation suggest to you?

(b) How would you deal with it?

Answer:

(a) The fact that the president and treasurer of both banks have unrestricted access to the securities of both banks, would suggest the possibility of their substituting assets belonging to one bank to cover up a shortage in the other.

(b) The auditor should proceed as usual with his audit of the securities account by building up the balance to be on hand at the audit date from the purchase and sales invoices. His schedule should show, among other things, the exact name of the security, the date of issuance and maturity, the par value, the rate of interest (in the case of bonds) and, particularly, the number of the bond or certificate. This schedule should then be checked against the securities account to determine whether it is in agreement. The officers should be requested to deliver the securities owned by the investment bank for your inspection. If these securities are not kept in the company's own vaults, the auditor should request permission to accompany the officer or officers to the place of safekeeping. In his inspection the auditor should carefully note that those securities tendered to him are the identical securities shown in his schedule. If they are not, he should insist upon auditing the securities of the other bank. If they are in agreement, he should point out to the officers the possibility of criticism, and obtain their permission to perform an audit of the securities (and other relative accounts) of both institutions. In any event, the auditor should explain the situation in his report.

No. 4 (6 points):

You are making a balance-sheet audit of a concern whose business is importing and exporting. You find it has been the custom to charge to an account entitled "Freight and charges prepaid" all expenditures of that class on both incoming and outgoing shipments. At the close of each fiscal period the balance remaining in this account is written off as an operating expense.

A survey of the account for the past five years reveals the following facts:

Year	*Debits*	*Credits*	*Write-offs*
1930	$345,750	$342,000	$ 3,750
1931	298,500	294,700	3,800
1932	253,000	245,500	7,500
1933	258,750	242,000	16,750
1934	268,500	242,500	26,000

All charges are audited and approved by an "auditor," a clerk with a long record of trustworthy service, who neither handles cash nor draws cheques nor signs them.

(a) Discuss this procedure as it relates to the balance-sheet and earnings statement of the periods.

(b) In the circumstances would you consider it necessary or not to bring the matter to the attention of your client? Give your reasons.

Answer:

The auditor should obtain an explanation of the write-off of the balances from the person who made the entry, and then verify it with the person who has the authority to order the charge-off. It will be noticed that while the total debits and credits have been decreasing, the amount of the write-offs has been increasing; that the amount written off for the year 1934 averaged more than $2,000 per month.

It may be found that the debits to the account represent amounts expended for freight; that the credits represent collections from customers for freight charges advanced; and that the balance may be collectible from, or allowable to the customers. If allowable to the customers, the write-off is in order. If collectible from customers, the auditor should ascertain why these balances were charged off to expense, and not collected.

As a start, the transactions entered in the account for the month of December, 1934, should be analyzed by matching the debits against the credits, by shipments. If nothing is disclosed in the checking for this month, the test should be continued through November, October, etc., until the auditor has learned the reason for the differences.

He may find:

(1) that customers had not been billed for freight advanced;
(2) that there has been collusion between the "auditor" and the cashier;
(3) that some of the vouchers were false, and were entered to cover up a shortage in cash;
(4) that some of the vouchers were raised in amount after the "auditor" had approved them;
(5) that some of the collections from customers were held out by the cashier and not credited to the customers' accounts.

(a) If the write-off is not in order, the effect upon the earnings statements would be to overstate the expenses and to understate the earnings by the balances written off each year; the effect upon the balance-sheet would be to understate the net assets and surplus account by the same amount.

(b) The testing of the account, as suggested above, should be made before any discussion is had with the client. The result of the test should be disclosed to him, and an authorization to check the entire account should be requested.

No. 5 (15 points):

You are to certify the balance-sheet and income statement of the X Holding Company on a non-consolidated basis. In the course of the audit you find that its income account includes dividends from two wholly owned subsidiary companies which you do not audit. Concerning the latter you learn the following facts:

That subsidiary A had a net loss for the year but has had sufficient earned surplus since date of acquisition to cover the loss and the dividend paid; and

That subsidiary B had sufficient earned surplus at the date of acquisition to cover the dividend paid, but has suffered an earned-surplus deficit since, as well as a net loss for the year.

State in what manner, if at all, you will adjust the X Holding Company's balance-sheet or income statement, or how you will disclose the information you have obtained. Give your reasons in full.

Answer:

The best method of showing all of the facts would be to prepare a consolidated balance-sheet and a consolidated income statement, but as this method is not to be permitted, the following is suggested:

The dividend from subsidiary A was declared from surplus earned since the X Holding Company acquired this subsidiary; the dividend from subsidiary B was declared from surplus earned prior to the date of the acquisition. Hence, the dividend from A may be considered as income, but the dividend from B should be considered as a return of the investment in the stock of B.

In the income statement, I would show (after profits from operations) "Dividends received from wholly owned subsidiary A—$........" In the balance-sheet (after reducing the investment account of B by the amount of the dividend received):

"Investments in wholly owned subsidiaries (at cost):

A Company (book value $........)	$........	
B Company (book value $........)	....	$........"

In the certificate, I would state that the accounts of the two wholly owned subsidiaries were not audited or consolidated in the statements.

No. 6 (9 points):

Auditing the books of the A Corporation in behalf of the X National Bank for credit purposes you find a substantial debit balance in an account entitled "Cash-surrender values." You learn that it appertains to policies in favor of the A Corporation on the lives of the principal officers.

(a) What steps will you take to verify this account?

(b) What information on this point will you give to the bank in your report?

(c) What, in particular, is it important for the bank to know? Why is it important?

Answer:

(a) The auditor should inspect the policies and prepare a schedule showing:

(1) The number of the policy.
(2) The name of the company.
(3) The amount of insurance.
(4) The type of insurance (ordinary life, term, etc.)
(5) The amount of the premiums.
(6) The cash surrender values.
(7) The name of the person whose life is insured.
(8) The name of the beneficiary.
(9) The amount of any lien, and the nature thereof.
(10) Any other information indicated in any riders attached to the policies.

Written confirmation should be obtained directly from the insurance companies covering: the amounts of insurance, the amount and explanation of any liens against the policies, the cash surrender values of the policies at the date of the balance-sheet, the amount of any unpaid premiums, and assurance that all rights and interests are vested in the corporation.

(b) The report should include the following information:
(1) The kind of insurance.
(2) The amount.
(3) The names and offices of the insured.
(4) Any restrictions as to the payment of the proceeds of any policy held.
The balance-sheet, as a part of the report, should show the cash surrender values of the policies, and the amount of any loans obtained, or other liens.

If the corporation is not the unrestricted beneficiary, the cash surrender value is not an asset of the company's and should not be shown as such. Inquiry should be made to ascertain whether there is any outside agreement (not shown in the policies, or as riders in the policies) in which it is agreed that the proceeds of any policy are to be used for some particular purpose, such as purchasing the capital stock of the company owned by the deceased. For example: assume that the corporation is paying the premiums on a policy insuring the life of the president of the company in the amount of $100,000; that the cash surrender value of the policy is $40,000; that the amount borrowed on this policy by the corporation is $35,000; and that the corporation has agreed to purchase the stock held by the president, at his death, for the full amount of the policy, $100,000. Let us further assume that the president dies at this time. The insurance company pays the net proceeds of $65,000 (face of policy less the loan) to the corporation who is bound to pay $100,000 to the estate of the deceased president. In addition to the $65,000 received from the insurance company, it must pay an additional $35,000 in cash for stock, which treasury stock reduces the net worth of the company by:

Treasury stock, at cost	$100,000	
Add—cash surrender value charged against surplus	40,000	
Total		$140,000
Less: amount received from insurance company	$ 65,000	
amount applied against loan	35,000	100,000
Net reduction of net worth		$ 40,000

Therefore, it is necessary that any such provisions should be commented upon in the report.

(c) As the bank is primarily interested in knowing whether the corporation will be able to meet its obligations as they fall due, it should be informed as to the financial condition of the company at this time, and should be aware of any possible important changes in that condition which may arise upon the death of one of the management. The cash surrender values and the loans and other liens affect the financial condition. The proceeds of any insurance policy (if unrestricted) may compensate the corporation for the loss of one of the management. If all the information discussed above is given in the report, the loaning officer will then have data to aid him in forming an opinion and making a decision regarding a loan.

No. 7 (5 points):

You have audited the accounts and certified the balance-sheet and earnings statement of the X Corporation for the year 1933. In 1934 the president of the corporation, knowing that you are suffering from lack of employment, offers you the privilege of selling a block of its stock on a commission basis. As a professional accountant will you accept the offer? Give your reasons.

Answer:

Selling the stock of a corporation for which I had recently completed an audit and rendered a certificate would be incompatible with the ethics of professional accounting. Even though the offer to sell the stock was received after the audit had been completed, prospective buyers of the stock would be skeptical of the truth that the audit report was prepared without bias. My reputation as a public accountant would be in jeopardy, and I would refuse the offer.

No. 8 (10 points):

Corporation A, a trading company, owns all the stock of Corporation B, a real-estate holding company. Corporation B owns the real estate occupied by Corporation A for business purposes, subject to a mortgage which is owned by Corporation A. For the year ended Dec. 31, 1934, Corporation A pays rent of $4,000 to Corporation B, and receives from it interest of $6,000 on the mortgage and a dividend of $2,000 (from prior earned surplus) on the stock owned. Corporation B has a current net loss for the year of $4,000.

(a) State how you will report these facts for the income taxes of both corporations, and what the tax liability will be.

(b) If the same conditions had existed in 1933, what would the tax liability have been for that year?

Answer:

(a) The corporations would be required to file individual federal income tax returns for the calendar year ended 1934, because the revenue act of 1934 limits the privilege of filing consolidated returns to railroad corporations.

Company A:	
Interest on mortgage	$6,000
Less: rent paid	4,000
Net taxable income	$2,000

The dividends of $2,000 on stock owned in Company B (a domestic corporation), are not taxable to Company A.

The tax liability would be ($2,000 × 13¾%) $275

Company B:	
Interest paid	$6,000
Less: rent received	4,000
Net loss	$2,000

There is no tax liability.

(b) Consolidated returns were permitted for the year 1933, and the two companies should file returns on that basis. If this were done, the intercompany transactions covering the rent and interest on mortgage would be eliminated, and no taxable income would result. The saving effected would be the $275 payable by Company A, under (a).

No. 9 (15 points):
(1) What is "accounting control" as distinct from mere "ledger control"?
(2) State briefly how it may be applied in relation to:
(a) Plant and equipment
(b) Inventory
(c) Liabilities
(d) Income and expenses
(3) Is it always desirable? What could take its place in a control of a varied stock of supplies or retail merchandise?

Answer:

(1) "Accounting control" is the control of operations by means of a budget prepared from the accounting records, statistics, and estimates. "Ledger control" is the control of subsidiary ledgers by means of accounts in the general ledger in which are recorded the totals of like transactions which are entered in detail in the subsidiary ledgers.

(2) A study should be made for the purpose of estimating the amounts of the various sources of revenues which may reasonably be expected for the next period. With this as a base, an estimate should be made of the costs (including additional plant and equipment) and other expenses necessary to produce this revenue. With this information, estimated profit-and-loss statements may be prepared. From these statements, cash receipts and disbursements may be estimated and shown in a "cash-flow" statement. Monthly balance-sheets may be projected from the last actual balance-sheet, and the two estimates noted above.

(a) The plant and equipment necessary to produce the period's requirements, (b) the inventory, (c) liabilities, and (d) income and expenses are all budgeted in the above statements and, with the exception of income, may be controlled by holding the various departments to the estimates. A statement showing the actual performance, the estimates, and the differences should be prepared and placed before the management, at least once a month. Explanations of the differences should be obtained immediately, if effectual control is to be maintained.

(3) Accounting control is always desirable; management should have a plan —a par to "shoot at." Partial control of a varied stock of supplies or retail merchandise may be had by using cards indicating the maximum and minimum limits of each item. The purchasing department should be notified as soon as the stock of goods reaches the minimum limit.

No. 10 (10 points):
The A Corporation issued a million dollars face value of its own bonds at par in 1928. The terms of the bonds require the purchase of not less than 10% per annum of these bonds, which are to be deposited with a trustee and stamped "Held for sinking fund and not transferable." During 1934 the corporation purchased in the open market $100,000 par value of the bonds as follows:

$40,000 @ 98	$20,000 @ 120
30,000 @ 100	10,000 @ 130

and deposited them with the trustee.

State whether or not and to what extent, if at all, the difference between the issuing price and the purchase prices of the aggregate transactions should be reported in the corporation's federal income-tax return for 1934.

Answer:

Regulations 86, article 22 (a)—18 states in part: "Sale and purchase by corporation of its bonds.—(1) (a) If bonds are issued by a corporation at their face value, the corporation realizes no gain or loss. (b) If the corporation purchases any of such bonds at a price in excess of the issuing price or face value, the excess of the purchase price over the issuing price or face value is a deductible expense for the taxable year. (c) If, however, the corporation purchases any of such bonds at a price less than the issuing price or face value, the excess of the issuing price or face value over the purchase price is gain or income for the taxable year."

Accordingly, the following gains and losses should be reported in the corporation's federal income tax return for 1934:

	Issuing price (face value)	Purchase price	Gain or loss*
	$ 40,000	$ 39,200	$ 800
	30,000	30,000	
	20,000	24,000	4,000*
	10,000	13,000	3,000*
Totals	$100,000	$106,200	$6,200*

The net loss of $6,200 would be "deductible expense," deductible from the taxable income of the corporation, and is not subject to the limitation on capital gains and losses imposed by section 117 of the revenue act of 1934.

Examination in Accounting Theory and Practice—Part II

May 17, 1935, 1:30 P. M. to 6:30 P. M.

Editor, Students' Department:

Dear Sir: I can't quite agree with the solution of problem 2, part II of the May, 1935, C. P. A. examination that appears in the September issue of The Journal of Accountancy.

It is my opinion that the withdrawing stockholder X is overpaid. In the published solution he is paid his proportionate share of the true net worths of the companies G and H. I believe this to be in error inasmuch as the combined net assets of the two companies do not equal the sum of their true net worths. In order to try to make myself clearer; assume all stockholders wish to withdraw, obviously they could not all be paid on the basis of the true net worths—there just isn't enough assets to go around.

For the above reasons I offer for your consideration a solution which appears, at least to me, to be more equitable.

I also wish you would give me your opinion regarding the use of calculating machines by candidates in the C. P. A. examinations. Frankly, it appears to me to be quite unfair to those of us who are employed where we must use a machine practically all of the time, not to be permitted the use of these devices. We hear a great deal about raising the standards of the accounting profession and yet candidates for a C. P. A. certificate must take an examination which involves a great amount of simple arithmetic (and this while under the strain of the examination) without the use of devices which they use every day in their work and which have done so much to make the work of the accountant more of a professional nature rather than that of an expert arithmetician.

I hope I don't sound too "sour" in the above paragraph. This matter rather "burns" me up.

I also hope we can have more articles in The Journal similar to "Financial Statements and the Uncertain Dollar" in the September issue.

Very truly yours,

(Signed) J. H. S.

Portland, Oregon.

True net worth of Co. G	$1,026,223.91
" " " " " H	185,329.86
	$1,211,553.82
Net assets of Co. G other than stock in Co. H	$1,024,000.00
" " " " H " " " " " G	48,500.00
	$1,072,500.00

The ratio of the sum of the true net worths to the sum of the net assets = $\dfrac{\$1,211,553.82}{\$1,072,500} = \$1.12965391$

Co. G's share of net assets = $\dfrac{\$1,026,223.91}{\$1.12965391} = \$\ \ 908,441.00$

Co. H's " " " " = $\dfrac{\$\ 185,329.86}{\$1.12965391} = \$\ \ 164,059.00$

Total net assets	$1,072,500.00

Thus the value per share of stock is:

Co. G . . . . . $\dfrac{\$908,441.00}{6,000 \text{ shares}} = \$151.406833$

Co. H . . . . . $\dfrac{\$164,059.00}{10,000 \text{ shares}} = \$16.4059$

Then there is due to stockholder X:

100 shares Co. G at $151.406833 =	$15,140.68
2,000 shares Co. H at $16.4059 =	32,811.80
	$47,952.48
239 shares Co. K stock at $200.00	47,800.00
Balance to be paid in cash	$ 152.48

Likewise there would be due to Co.'s G and H for distribution to their stockholders:

Co. G—5,900 shares at $151.406833	$893,300.32
8,933 shares Co. J stock	893,300.00
Balance to be paid in cash	$ .32
Co. H—8,000 shares at $16.4059	$131,247.20
1,312 shares Co. J stock	131,200.00
Balance to be paid in cash	$ 47.20

Balance-sheet

Assets		*Liabilities*	
Cash	$ 17,300	Accounts payable	$ 15,000
Accounts receivable	33,000	Capital stock	1,024,500
Securities	37,000		
Investment in Co. K	952,200		
	$1,039,500		$1,039,500

Reply:

The statement shown on page 231 of the September issue shows the combined net assets of the two companies after eliminating the intercompany stockholdings. While it is true that these net assets total only $1,072,500, these net assets are available only to the "outside" stockholdings. However, the companies own, not only the assets shown in the statement on page 231, but also stock in each other. Every stockholder (outside and intercompany) has an interest in all of the assets underlying their respective shares.

The true value of all of the assets of the companies is shown on page 232 as $1,211,553.82. The difference between this figure and $1,072,500 is $139,053.82, the value assigned to the intercompany holdings.

I can not agree with you that on the assumption that all stockholders wish to withdraw that it is obvious that they could not all be paid on the basis of the true net worths. From the computation on page 232 we obtain:

Actual worth	$1,211,553.82
Deduct: intercompany investments	139,053.82
Remainder, applicable to all stock	$1,072,500.00
Amount paid to X	54,169.70
Balance applicable to stock exchanged	$1,018,330.30
Accounted for as follows:	
Stock issued	$1,018,300.00
Cash	30.30
Total	$1,018,330.30

Another method to prove that X was not overpaid would be to compute the value per share applicable to the stock exchanged and the stock purchased from X. This computation follows:

	G	H
Authorized capital stock	6,000	10,000
Less: intercompany holdings	800	120
Held by X	100	2,000
Total	900	2,120
Balance exchanged for stock of new company	5,100	7,880

The values assigned to these shares exchanged for stock of the new company are shown on page 232 as: $872,290.37 and $146,039.93, respectively.

The following statement shows that if all of the remaining stockholders who had exchanged their stock had demanded liquidation (assuming that the assets could be realized upon and the liabilities liquidated at 100%), they would have received the same amount per share as was paid to X.

	G	H
Book values	$872,290.37	$146,039.93
Number of shares	5,100	7,880
Book value per share	$171.037	$18.532
Book value per share of stock bought from X:		
100 shares of G for $17,103.73	$171.037	
2,000 shares of H for $37,065.97		$18.532

I can appreciate your feelings in the matter of using calculating machines in the examination, but I can also see many objections. Can you imagine the clatter which might prevail at that time when concentration was most important, in a room in which some 280 or 300 candidates were operating machines?