

2-1911

C. P. A. Question Department

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Virginia State Board of Accountancy

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Recommended Citation

Greendlinger, Leo; Ruark, J. F.; and Virginia State Board of Accountancy (1911) "C. P. A. Question Department," *Journal of Accountancy*. Vol. 11: Iss. 4, Article 13.

Available at: <https://egrove.olemiss.edu/jofa/vol11/iss4/13>

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C. P. A. Question Department

CONDUCTED BY LEO GREENDLINGER, M.C.S., C.P.A.

Criticism and exchange of ideas will clear many a doubt and at the same time improve shortcomings. To solve, compare and criticise C. P. A. problems and thereby to 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.

Following is a solution by Mr. J. F. Ruark, C.P.A., to problem 6 of the Virginia C. P. A. examination in Practical Accounting, held in November, 1910. (The problem appeared in the January number of THE JOURNAL.)

THE GUNSAULUS CORPORATION OPERATING STATEMENT—MINES

MINING			
Mining Labor.....		\$29,871.23	COST OF MINING CAR- RIED DOWN TO TRADING SECTION..
Machinists and Engi- neer.....	\$1,378.78		<u>\$59,715.52</u>
Smithing.....	672.10		
Foreman.....	800.00	2,850.88	
Fuel.....	297.51		
Electric Supplies.....	2,488.55		
Electric Repairs.....	467.97	3,254.03	
Props, Ties and Cars..	497.17		
Deadwork.....	47.21		
MAINTENANCE:			
Of Air.....	730.10		
Of Way.....	710.11		
Of Mine Cars.....	209.38	2,202.97	
Removal of Slate.....	551.98		
Delivery of Tipple....	3,571.28	4,123.26	
Royalty on Coal Mines		4,989.77	
COMMISSARY AND STABLES:			
Commissary Mer- chandise.....	8,427.60		
Freight to Store....	472.93		
Store Expense and Labor.....	2,472.83		
Feed and Labor Sta- bles.....	925.75		
Repairs and Ex- pense—Stables...	124.22	12,423.38	
		<u>\$59,715.52</u>	<u>\$59,715.52</u>
TRADING			
Cost of Coal Mined..		\$59,715.52	SALES:
Administrative Sala- ries and Supplies...	\$2,195.22		Coal.....
Traveling Expenses...	221.67	2,416.89	Less Allowances, etc.
			Coal to Tenants and Cartage....
			70.09
			GROSS LOSS CARRIED DOWN TO PROFIT & LOSS SECTION....
			5,418.94
		<u>\$62,132.41</u>	<u>\$62,132.41</u>
PROFIT AND LOSS			
Gross Loss on Trading.		\$5,418.94	Rental from Miners' Houses.....
Salaries and Supplies..	\$1,562.23		\$1,572.27
Taxes.....	100.00		Less Repairs.....
Insurance.....	1,271.11		171.19
Petty Expenses.....	1,649.28		NET LOSS CHARGE- ABLE TO SURPLUS..
Interest.....	125.00		9,510.48
Legal Expense.....	785.00	5,492.62	
		<u>\$10,911.56</u>	<u>\$10,911.56</u>

THE GUNSAULUS CORPORATION BALANCE SHEET—MINES

ASSETS		LIABILITIES	
FLOATING:		FLOATING:	
Petty Cash.....	\$750.00	Bills Payable.....	\$50,725.00
Accounts Receivable.....	15,180.92	Accounts Payable.....	12,790.79
Advances to New Corporation.....	1,373.27	Unclaimed Miners Wages.....	246.17
Norfolk & Western Claims.....	71.59	Advances made by the Lumber Department for Benefit of Mining Department (Per Contra).....	<u>2,099.37</u>
	<u>\$17,375.78</u>	Insurance Premiums.....	\$726.10
		Advances to New Corporation ..	<u>1,373.27</u>
FIXED:		CAPITAL:	
Plant and Equipment—Mine A..		Surplus at beginning of period..	\$98,958.44
New Plant—Mine 7.....	\$62,173.27	Deduct: Net Loss for period..	<u>9,510.48</u>
Items Chargeable to Construc- tion*.....			
Interest on Loans.....	7,226.73		
Insurance.....	937.97		
Taxes.....	313.71		
Right of Way—Legal.....	342.68		
	<u>70,994.36</u>		
Cars.....	\$6,139.78		
Railway Track and Switches.....	3,916.82		
Yardage and Tunnel Extension ..	2,743.22		
	<u>12,799.82</u>		

* Ordinarily these items would not be itemized on the balance sheet, but are given here for the sake of greater clearness with respect to this particular problem.

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THE GUNSAULUS CORPORATION BALANCE SHEET—MINES—Continued

ASSETS	LIABILITIES
Electric Plant.....	\$3,190.00
Betterment—Mines 3 and 4.....	2,783.42
Development—Mine I.....	
Items Chargeable to Development*	\$3,822.37
Engineering Tools.....	225.00
Engineering Salaries and Supplies.....	625.00
Building Materials.....	810.75
Interest on Loans.....	5,723.12
MISCELLANEOUS:	
Warehouse Stock.....	1,743.22
Tenant Houses.....	2,117.22
Live Stock.....	3,850.00
Office Furniture and Fixtures.....	1,459.17
Officers House Furnishing.....	513.29
DEFERRED CHARGES:	
Insurance Unexpired.....	\$726.10
Taxes Prepaid.....	78.53
	<u>\$155,309.29</u>
	<u>\$155,309.29</u>

* Ordinarily these items would not be itemized upon the balance sheet, but are given here for the sake of greater clearness with respect to this particular problem.

THE GUNSAULUS CORPORATION OPERATING STATEMENT—LUMBER
LOGGING AND MILLING

Stampage.....			
Logging Pay Roll.....	\$200.00		
Camp Pay Roll.....	1,549.75		
Commissary Mdse.....	8,642.58		
Commissary Pay Roll..	726.65	11,118.98	
R.R. Pay Roll and Exp. \$2,241.86			
Freight Logs to Saw Mill.....	1,614.40	3,856.26	
Cost of Logs laid down at Mill.....			\$22,499.50
MILLING:			
Logs on hand at beginning*	\$13,215.45		
Local Purchases.....	51.66		13,267.11
Cost of Logs used during period.....			\$35,766.61
Saw Mill Pay Roll.....	4,141.41		
Saw Mill Repairs.....	1,360.31	\$5,501.72	
Lath Mill Pay Roll.....	249.65		
Lath Mill Repairs.....	7.27	256.92	
Planing Mill Pay Roll..	2,421.95		
Planing Mill Repairs...	341.43	2,763.38	8,522.02
Insurance on Mill.....			85.30
			<u>\$44,373.93</u>
			<u>\$44,373.93</u>

* We have "split" the inventory into parts logs and part milled lumber, for the sake of completeness. No inventory is presumed to be on hand at close.

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TRADING

<p>Milled Lumber on hand: At beginning*.....\$37,638.15 Cost of Lumber Milled.....44,373.93</p> <hr/> <p>Outside Purchases.....79.20 Lighterage.....57.95</p> <hr/> <p>Yard and Shed Repairs.....</p>	<p style="text-align: right;">SALES:</p> <p>Lumber.....\$28,033.11 Less Discount.....1,931.60</p> <hr/> <p>Lath and Shingles.....2,392.45 Wood.....186.00</p> <hr/> <p>Total Net Sales.....\$28,679.96</p> <hr/> <p>GROSS LOSS TRANSFERRED TO PROFIT AND LOSS.....</p> <hr/> <p style="text-align: right;"><u>\$82,261.33</u></p>
<p>Gross Loss on Trading.....</p> <p>Chicago Office.....\$1,000.00</p> <p>Salaries.....1,021.67</p> <p>Interest and Discount.....422.09</p> <p>General Expenses.....853.80</p> <hr/> <p style="text-align: right;"><u>\$56,878.93</u></p>	<p style="text-align: right;">PROFIT AND LOSS</p> <p>\$53,581.37 MISCELLANEOUS INCOME: Rent of Dwelling, etc.</p> <p>NET LOSS CHARGEABLE TO SURPLUS</p> <hr/> <p style="text-align: right;"><u>\$278.00</u></p> <hr/> <p style="text-align: right;"><u>\$56,600.93</u></p>
	<p style="text-align: right;"><u>\$56,878.93</u></p>

* We have "split" the inventory into part logs and part milled lumber, for the sake of completeness. No inventory is presumed to be on hand at close.

THE GUNSAULUS CORPORATION BALANCE SHEET—LUMBER

ASSETS		LIABILITIES	
FLOATING:		FLOATING:	
Cash.....	\$7,436.05	Bills Payable.....	\$121,942.50
Bills Receivable.....	2,791.17	Accounts Payable.....	11,496.24
Accounts Receivable.....	61,240.99		
	<u>\$71,468.21</u>		<u>\$133,438.74</u>
FIXED:		FIXED:	
Mill Plant.....	324,982.92	Special Loan.....	35,000.00
Railroad Equipment.....	74,710.38		
Railroad Trackage.....	477,769.13	CAPITAL:	
		Capital Stock.....	\$81,500.00
Camp Equipment.....	22,192.34	Surplus at beginning of year.....	\$96,806.01
Camp B. H. Equipment.....	1,500.00	Add—Unpaid Notes Receivable.....	2,791.17
Saw Mill Machine Shop.....		Corrected Surplus at beginning.....	99,597.18
Telephone Line.....	436.56	Deduct—Net Loss for period.....	56,600.93
INVESTMENTS:			
Timber and Land.....	240,305.26		
Outside Investments.....	1,949.90		
DEFERRED CHARGES:			
Due from Mining Department..	2,099.37		
Insurance Unexpired.....	3,192.39		
	<u>\$792,934.99</u>		<u>\$792,934.99</u>

The balance sheet of the Gunsaulus Corporation after its transfer of its mines property to the Flat Top Fuel Corporation would be the same as the "Lumber Balance Sheet" given above.

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THE GUNSAULUS CORPORATION
MINES DEPARTMENT BOOKS
JOURNAL ENTRIES

The Flat Top Fuel Corporation, chartered under the laws of the State of Virginia, has this day purchased, taken over and assumed all Assets and Liabilities of the "Mines Department" of this (The Gunsaulus Corporation) and the same are hereby transferred, set over and assigned to them on the books of this company, as by the following entries will more fully appear, in consideration of the subscription to fifteen hundred shares of the preferred capital stock of the said The Flat Top Fuel Corporation of the par value of one hundred dollars each; the equity appearing in the entries below being applied as part payment on account of the Gunsaulus Corporation's subscription, the balance to be paid on call.

Flat Top Fuel Corporation.....	\$155,309.29	
To Sundry Assets (as per Mines Balance Sheet*) transferred.....		\$155,309.29
Sundry Liabilities (as per Mines Balance Sheet*) assumed.....	65,861.33	
To Flat Top Fuel Corporation.....		65,861.33
Surplus (this equity being applied as part payment on account of shares).....	89,447.96	
To Flat Top Fuel Corporation.....		89,447.96

The Balance Sheet of the Gunsaulus Corporation after foregoing entries would comprise the lumber accounts only and would be the same as "Lumber Balance Sheet" which is given on page 320.

* It is not necessary to state items in detail here for the reason that pages 316 and 317 itemize the Mines Balance Sheet.

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THE FLAT TOP FUEL CORPORATION JOURNAL ENTRIES

The Flat Top Fuel Corporation

Chartered Under The Laws Of The State Of Virginia

Having

An Authorized Capital Stock

of

\$450,000.00

Divided into \$250,000.00 Preferred,

And \$200,000.00 Common,

All Shares Being

Of The Par Value of \$100.00 Each

Gunsaulus Corporation Subscription Account . . .	\$150,000.00	
1,500 Shares Preferred at par		
A. Murphy Subscription Account	50,000.00	
500 Shares Preferred at par		
Andrew White Subscription Account	50,000.00	
500 Shares Preferred at par		
To capital Stock Preferred Account		\$250,000.00
2,500 Shares Subscribed for as above		
<hr/>		
Cash	50,000.00	
To A. Murphy Subscription Account		25,000.00
To Andrew White Subscription Account		25,000.00
Being the agreed payment to be made at once, balance subject to call.		
<hr/>		
Sundry Assets (as per "Mines Balance Sheet" of the Gunsaulus Corporation*) Transferred . .	155,309.29	
To Sundry Liabilities (as per "Mines Balance Sheet" of same Company*) Assumed		65,861.33
To Gunsaulus Corporation Subscription Account		89,447.96
Being the transfer to this (The Flat Top Fuel Corporation) company of all the assets and liabilities of the "Mines Department" of the Gunsaulus Corporation, as by reference to the formal agreement and transfer will more fully appear, the equity (Surplus) of such assets and liabilities to be applied as part payment for the subscription of the said Gunsaulus Corporation to the preferred shares of this company—balances subject to call.		

* As these items are fully detailed on pages 316 and 317, we have deemed it unnecessary to repeat in detail in these entries.

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THE GUNSAULUS CORPORATION
LUMBER DEPARTMENT BOOKS

*JOURNAL ENTRIES

The entries which follow are made in accordance with an agreement made this day by and between The General Manufacturing Co., Inc., and The Gunsaulus Corporation, and others, whereby The General Manufacturing Co., Inc., agrees to take over the lumber business of this company (with certain reservations and upon certain conditions) as by reference to the particular agreement will more fully appear:

General Manufacturing Company.....	\$469,646.81	
To Sundry Assets (transferred).....		\$469,646.81
(For details see consolidated comparative Balance Sheet)		
<hr style="width: 20%; margin: 0 auto;"/>		
Sundry Liabilities (assumed).....	11,496.24	
(For details see consolidated comparative Balance Sheet)		
To General Manufacturing Company.....		11,496.24
<hr style="width: 20%; margin: 0 auto;"/>		
Surplus.....	82,982.92	
Losses sustained and allowance made in sale of lumber business.....		
(To Sundry Assets).....		82,982.92
Allowance made from book value of Mill Plant	74,982.92	
Accounts Receivable Uncollectible.....	8,000.00	
<hr style="width: 20%; margin: 0 auto;"/>		
Deficiency.....	39,986.67	
Net excess of losses over gains.		
To Surplus.....		39,986.67
To close the latter account.		

NOTE:—The entries to be made upon the books of the General Manufacturing Co., Rock Lumber Co., Severn River Lumber Co., are not given, since they are not asked for.

* The foregoing entries are not called for in the problem, but are given so as to show the complete entries on the books of the Gunsaulus Corporation.