

**EXAMINATION QUESTIONS PREPARED
BY THE BOARD OF EXAMINERS OF THE
AMERICAN INSTITUTE
OF ACCOUNTANTS FOR THE
EXAMINATIONS CONDUCTED FROM
JUNE, 1917, TO MAY, 1921 INCLUSIVE**

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Examination Questions Prepared by the Board of Examiners of the American Institute of Accountants for the Examinations Conducted from June, 1917, to May, 1921 Inclusive by A. P. Richardson

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A. P. RICHARDSON

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UNIV. OF
CALIFORNIA

BOARD OF EXAMINERS

AMERICAN INSTITUTE OF ACCOUNTANTS

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INTRODUCTORY NOTE

The Board of Examiners of the American Institute of Accountants has received a great number of requests for a reproduction in book form of the examination questions which have been set by the Board since its creation in 1916. From the beginning it has been the practice of the Board to reprint in pamphlet form the questions of each examination. It has been impossible, however, to foresee the extent of demand and many of the sets of questions are out of print. It is felt therefore that the request for a complete collection of questions should be granted, especially in view of the fact that at this date thirty-five states of the Union are coöperating with the American Institute of Accountants in the conduct of examinations and the number of candidates for certified public accountants' certificate ensures a heavy demand for questions of past examinations.

The Board of Examiners has never made known its official answers and solutions. This book contains merely the questions arranged in chronological order and an index which should be of much assistance to students and prospective applicants.

At the first examinations conducted by the Institute two sets of questions in accounting were prepared—one for applicants for membership and one for applicants for admission as associates. Since that time the examinations for both classes of membership have been

468390

identical, but every applicant for admission as member has been required to prepare a thesis on one of a group of subjects designated by the Board of Examiners.

The Board hopes and believes that publication of these questions in book form will be helpful to all who are preparing for the Institute's examinations or for certified public accountant examinations in any state using the Institute's questions.

A. P. RICHARDSON, *Secretary.*

May, 1921.

AMERICAN INSTITUTE OF ACCOUNTANTS

BOARD OF EXAMINERS

Examinations of June, 1917

Auditing*

JUNE 14, 1917, 9 A. M. TO 12.30 P. M.

The candidate is required to answer all the following questions:

1. What do you understand to be meant by a balance-sheet audit? What is its scope?
2. The officers of a company of which you are the auditor elected by the stockholders submit to you for audit a balance-sheet in which the following item appears:

Miscellaneous reserves (including premium on stock) \$248,000.00

On investigation you find the item is made up as follows:

General reserve	\$88,000.00
Operating reserves	6,000.00
Provision for plant depreciation...	46,000.00
Provision for amortization of leaseholds	40,000.00
Provision for bad debts	36,000.00
Premium on capital stock sold ...	84,000.00

\$248,000.00

* Questions in auditing were the same for both classes of applicants.

- What recommendation would you make to the officers and what course would you take if your recommendation were not followed?
3. In auditing the accounts of a corporation, for the first year of its existence, what records and documents should be examined in addition to the books of accounts and the vouchers?
 4. What steps should an auditor take to ensure, as far as possible, that accounts presented to him for audit contain all the liabilities of the company?
 5. You are appointed auditor of a charitable institution supported by annual subscriptions and other gifts. What steps would you take to verify the accounts submitted to you? Draft a certificate such as you would give if the results of your audit were entirely satisfactory.
 6. To what extent do you think it is necessary to verify the outstanding capital stock of a corporation and what procedure would you follow in such verification?
 7. State what you consider to be the most important special problems arising in one of the following classes of audits and how you would deal with such problems:
 - (a) Stock brokers.
 - (b) Moving-picture producers.
 - (c) Breweries.
 - (d) Clubs and institutions.
 - (e) Retail stores.
 - (f) Land companies.
 - (g) Executorship accounts.

AUDITING

8. What steps should be taken to verify the cash balance appearing on a balance-sheet of a company in whose cash book bank and cash transactions are kept together where the auditor has not had the opportunity of making the verification on the date of the balance-sheet? To what points should special attention be given?
9. What is meant by a qualified certificate? Give an illustration of a case in which a qualified certificate might properly be given and draft a qualification applicable to that case.
10. An inventory is submitted to you certified by the manager of a business. Mention some of the principal steps you would take to confirm the correctness of the inventory figure appearing in the balance-sheet.