

**PROBLEMS AND
EXERCISES
IN ACCOUNTING**

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Problems and exercises in accounting by William A. Paton & Russell A. Stevenson

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PREFACE

This book has been prepared to accompany the authors' *Principles of Accounting*.¹ The arrangement of the material in chapters follows that of the text. The problems and exercises given have been constructed to illustrate specific principles for classroom purposes, and hence no attempt has been made to represent exactly situations arising in accounting practice. Nevertheless many of the problems and exercises have been adapted from concrete situations, particularly in the chapters on financial statements.

A convenient folio of blank forms has been arranged which may be used by the student in working the problems and exercises in this book. These forms are designated by the letters A, B, C, etc. Unless a reference to a special form is made in a particular problem it is understood that Form A is to be used. These folios may be secured from the publisher.

W. A. P.

R. A. S.

September 1, 1918.

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PROBLEMS AND EXERCISES IN ACCOUNTING

I

THE NATURE AND SCOPE OF ACCOUNTING

1.

What is the unit of organization with which accounting deals?

2.

Name and contrast briefly the three principal types of private business enterprises found in the United States.

3.

Whose interests predominate in the business enterprise? Explain.

4.

State the important general characteristics of the modern industrial situation which emphasize the need for an accounting analysis of the business process.

5.

The property of enterprise A is owned outright by one individual. Enterprise B is a corporation and its ownership is represented by stockholders, bondholders and noteholders. In which case is the need for sound accounting more urgent? If the exclusive ownership of enterprise B were represented by a single issue of capital stock, how would you answer the above question?

6.

What has accounting to do with the alleviation of business disturbances? Name several important interests which may desire accounting information concerning the business enterprise.

7.

What are the important facts which the owner or investor wishes to know and which should be shown by the accountant?

8.

What is the relation between the need for proper accounting and the development of the tax on the incomes of business enterprises? Give other illustrations of the interest of the public in the observances of sound accounting principles.

9.

"It is possible for competitive enterprise to be reasonably efficient and to furnish services and commodities at reasonable prices without the use of elaborate accounting records; but with the development of public control and ownership the importance of accounting is greatly magnified." Without assuming the truth of the first clause argue for the validity of the second.

10.

What relation have increased population and the depletion of natural resources to accounting? Name some of the important problems facing the management of the typical modern enterprise which require elaborate statistical information for an adequate solution.

II

THE THEORY OF BALANCE SHEET ACCOUNTS

1.

Define an asset or property item. Make a list of the important classes of property owned by some enterprise with which you are familiar. What is the important element which all these items have in common?

2.

What is meant by the term "equities" as used in the text? Name the important types.

3.

A has some capital which he desires to invest in business. He becomes interested in a successful retail store. The records show that the property of the enterprise (stock, fixtures, etc.) is worth \$23,000, and an inventory verifies this figure. B, the present proprietor, offers to sell out to A for the above amount. Can A proceed intelligently on the basis of this information alone? Explain carefully, drawing a general conclusion.

4.

Classify the following items as assets and equities:

Store Site	\$ 8,000
Store Building	35,000
Warehouse Lease	2,500
Mortgages	12,000
Office Equipment	400
Store Equipment	2,000
A, Proprietor	16,000
Merchandise	25,600
Delivery Equipment	1,800