

GUIDE TO THE STUDY OF ACCOUNTING

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649396450

Guide to the Study of Accounting by Samuel F. Racine

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Cover @ 2017

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SAMUEL F. RACINE

**GUIDE TO THE
STUDY OF
ACCOUNTING**

Accounting Students' Series

Guide to the Study of
Accounting

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1916

08 May 1959

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***THE APPLIED THEORY OF ACCOUNTS**

BY PAUL JOSEPH ESQUERRE, C. P. A.

I. THE COPARTNERSHIP.

20. Distinguish between limited and general partnerships.

22. Define nominal partner.

24. Give a number of rules affecting the partners, in their relationship to the firm, where they have no articles of copartnership.

25. How do advances by partners to the firm rank in case of bankruptcy?

26. Is a surviving partner entitled to use the firm name of the old concern without compensating the estate of the deceased partner? Give the rule affecting the negotiation of partnership paper.

27. Under what conditions may an incoming partner become liable for the debts of the old firm?

II. THE CORPORATION—STOCK SECURITIES.

28. Define corporation.

29. Define: (a) Capital; (b) Capital stock.

30. How may preferred stock be created after the organization of the company?

32. What may be accepted in payment of capital stock?

33. When is a stock subscription binding?

34. Under what conditions may directors issue bonds against the corporation?

35. Define: (a) Collateral trust bonds; (b) Equipment bonds.

36. Define: (a) Land grant bonds; (b) Terminal

*Published by The Ronald Press Co., New York, 1914. \$3.00.

bonds; (c) General mortgage bonds; (d) Divisional bonds; (e) Income bonds; (f) Debentures.

37. Define: (a) Redeemable bonds; (b) Convertible bonds; (c) Refunding bonds.

III. THE CORPORATION—ORGANIZATION AND MANAGEMENT.

39. Who makes the corporation's by-laws?

40. How are the directors governed and what right if any have they as affecting the removal of directors, the amending of the by-laws or the articles of incorporation? What other points are mentioned in the text as being ultra vires the directors? How do the courts consider the directors in their responsibility to the stockholders or creditors?

41. What are the rights of stockholders of a corporation?

42. What officers has a corporation and what are the duties of each?

IV. THE CORPORATE RECORDS.

44. Name the books of a corporation that pertain to its stock or management. What is the purpose of the minute book and what should it contain?

PROBLEM: John Jones purchases 500 shares of Co. A stock at par, paying 10% cash, balance on call. Calls are made as follows: January 1st, 35%; February 1st, 30%; March 1st, 25%, and are paid by Jones promptly. Rule a form of stock ledger to contain this information and show the account in detail.

46. Describe a stock certificate book.

48. Describe the stock ledger referred to on this page. What difference is there in the use of form, Figure 5, and form, Figure 1?

51. What is the purpose of the stock journal?

V. ACCOUNTING SYSTEMS—SINGLE ENTRY.

54. What are the principles of single entry bookkeeping and what should the accounts show?

56. Explain the effect of debit of credit entries in single entry books.

58. What are the principal objections to single entry bookkeeping?

PROBLEM

67. John Jones' balance sheet January 1st, 1915, was as follows:

Assets:		Liabilities:	
Cash	\$ 500.00	Accounts payable.....	\$1,000.00
Accounts receivable....	800.00	Notes payable.....	500.00
Bills receivable.....	600.00	Proprietorship	2,900.00
Inventories	1,200.00		
Plant	1,300.00		
	<u>\$4,400.00</u>		<u>\$4,400.00</u>

One year previous it was as follows:

Cash	\$ 400.00	Accounts payable.....	\$ 800.00
Accounts receivable....	500.00	Notes payable.....	500.00
Bills receivable.....	800.00	Proprietorship	2,350.00
Inventories	600.00		
Plant	1,850.00		
	<u>\$3,650.00</u>		<u>\$3,650.00</u>

Prepare a statement showing his net increase during the year and also how the profit is reflected in the accounts.

VI. ACCOUNTING SYSTEMS—DOUBLE ENTRY.

69. What is the purpose of double entry bookkeeping and what principles govern its operation?

70. Summarize the rules for journalizing.

75. What differences exist between single and double entry?

76. Explain how single entry books may be changed to double entry.

VII. ACCOUNTING SYSTEMS—TRIPLE AND QUADRUPLE ENTRY.

VIII. THE FINANCIAL BOOK—THE JOURNAL.

85. What steps have been taken to reduce the detail of journalizing?

90. Explain the purpose and operation of a purchase journal.

97. Refer to pages 97-98 and explain how the forms thereon are used.

99. What is the purpose of the petty cash book and how is it operated?

102. Prepare ruling of a bills receivable book and fill in three illustrative entries.

IX. THE FINANCIAL BOOKS—THE LEDGER AND VOUCHER RECORD.

111. Give the headings for a standard ledger.

113. Refer to Figure 24. Explain how it is used.

115. Prepare a dummy Special Boston Ledger as described on this page and illustrate its use with pro forma entries.

116. Explain how a private ledger is operated.

118. Refer to Figure 26 and explain its operation.

X. THE TECHNIQUE OF POSTING.

124. What is the purpose of subsidiary ledgers and how are they operated?

129. What is a self balancing ledger and how is it kept in balance?

XI. CLASSIFICATION OF ACCOUNTS.

131. Define the following: (a) Real accounts; (b) Nominal accounts.

132. What are the objections to the terms fictitious, economic, or loss and gain when applied to nominal accounts?

XIII. CASH ACCOUNT—PETTY CASH.

143. Explain how a bank account may be operated so that it will daily agree with the books of the bank.

148. How may a petty cash fund be operated?

XIV. ACCOUNTS WITH CUSTOMERS.

155. Distinguish between cash discounts and trade discounts.

156. Is it proper to include advances to agents in the Accounts Receivable account in a balance sheet? Why?

XV. NOTES AND BILLS RECEIVABLE.

158. How should Notes Receivable be treated in the accounts?

159. Must a note be presented promptly at maturity to hold the maker?

160. How should the discounting of a note be recorded in the books of account?

161. How should dishonored notes be treated?

162. Is the distinction between bills and notes receivable important? Why?

XVI. ACCOUNTS WITH GOODS.

168. Explain how a merchandise account may be operated.

171. How should goods on hand be valued? Why? Explain how a book or perpetual inventory is operated.

172. Mention a number of objections to the plan of using the average price, in the case of sales or credits to the stock, instead of the actual price of the goods as determined by having each lot or purchase, at a different price, kept separate.

173. What constitutes factory or manufacturing burden?

176. What items may properly be included in the finished goods account?

177. What is the purpose of a stock ledger and how is it arranged?

182. What are the advantages or disadvantages of the plan of apportioning oncost to; (a) labor cost; (b) machine hours.

XVII. CONSIGNMENTS—SHIPMENTS INWARD.

187. What are the consignor's duties and liabilities?

191. Give a summary of the principles which control the operation of the accounts of a consignee.

194. What entry should be made; (a) at the time goods of a consignor are sold; (b) to represent advances to or expenses paid for the principal; (c) to record allowances and rebates granted customers for the consignor's account; (d) to record the remittance forwarded to close the consignor's account.

198. What is the purpose of an account sales and what information should it contain?

205. The plan outlined on page 205 is the method in general use by commission merchants except that no record is made to represent the value of the goods received. Explain it fully.

XVIII. CONSIGNMENTS—SHIPMENTS OUTWARD.

208. Outline a desirable plan for recording the shipment of goods to a factor on consignment. Arrange for the handling of the transactions on the shipper's books in the same manner that is adopted with reference to goods sold on regular account and so that a consignment account will contain the debit to the consignee; also so that when the goods are sold it will only be necessary to reverse the first entries and thereby throw the goods back into the regular stock account or, if desired, credit the consignment account with the net proceeds of the shipment and throw the balance of the account into Profit and Loss on Shipments.