

**A CLASSIFIED SELECTION
OF PROBLEMS
IN ACCOUNTING**

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A Classified Selection of Problems in Accounting by R. G. Walker

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R. G. WALKER

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A CLASSIFIED SELECTION OF PROBLEMS
IN ACCOUNTING

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PREFACE

The primary purpose of this collection of problems is to facilitate instruction in accounting at the University of Iowa.

The problems have been selected or adapted largely from the C. P. A. examinations of Massachusetts, New York, Pennsylvania, Illinois, and Wisconsin, and from examinations given at the University of Michigan. A considerable number have been originated by the editor to develop important theoretical points in the class room. The division of the subject in accord with which the problems have been arranged is of course not intended to be exhaustive any more than entirely accurate. Nor is the brief introduction offered under each head proposed as even the barest outline of the difficulties involved. Both the arrangement and the discussions are meant to be merely suggestive.

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SECTION I. Deriving from Single Entry Records a Statement of Business Condition and a Statement of Profit and Loss.

Single entry bookkeeping has been rightly called *incomplete* entry bookkeeping. It might be defined as the keeping of memoranda records touching only particular aspects of but two or three types of business transactions. The usual accounts kept are those with cash and with customers' and creditors' balances. The shortcomings of such bookkeeping are chiefly two: failure to make periodic provision for an analysis of expenses and revenues and omission of certain important asset and liability balances. The inadequacy of its record necessitates painstaking inventorying of assets and liabilities at the end of the accounting period. No matter how carefully the inventory is taken, however, the liability always exists of overlooking some item which, if included, would materially affect the statement of financial condition. This statement, sometimes called in single entry the "statement of condition," can be nothing more than an *inventoried* balance sheet; and a balance sheet based entirely upon an inventory is usually several degrees more rough in its approximation to the truth than one which is *derived* from a well-kept ledger. And the statement of profit and loss, if possible at all with such meager records as afforded by single entry, can be constructed only upon data drawn from the cash receipts and disbursements and from the balances of the customers' and creditors' accounts outstanding at the beginning and at the end of the period of operations.

Double entry differs from single entry in the respect that it more or less automatically provides the bookkeeper with his periodic operating analysis and balance sheet. An attempt is made in double entry to show *within the system* the two-sided effect of every business transaction. At the end of the bookkeeping interval some inventorying even here is necessary, but it is reduced to a considerable minimum. And the process is expedited by the presence of a pretty complete statement of business happenings up to the end of the period. The omissions which are made in a given case are excusable on the grounds of practical expediency.

The following problems are illustrative of the difficulties presented to the accountant by single entry records.