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# Activities of the First-Year Staff Accountant in Public Accounting

by BILL S. RICHARDS  
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*Presented before the Accounting Club of the  
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WHEN Mr. Chapline invited me to speak to the members of the O.U. Accounting Club, he suggested that my talk bring out some of the activities a junior accountant would be engaged in during the first year on the staff of a public accounting firm. So, that is *my* assignment for tonight. Your assignment is to listen to my talk. I hope that you do not finish your assignment before I finish mine.

It is a pleasure to return to the O.U. campus and to have this opportunity to let you know what may be expected of a new man coming onto the staff of a CPA firm. My remarks will apply primarily to the situation as it exists in a national firm. However, before going into details, I thought that perhaps you might like to have some general idea of what is required of a CPA other than sound technical competence which, of course, is a must.

## THE CPA'S GENERAL QUALIFICATIONS

I suppose the most important single qualification required of a CPA is that he have integrity. This is not only desirable, it is essential for success in this field. The accounting profession actually is in a unique position. Although a CPA is engaged by a client to render his opinion on the fairness of the client's financial statements, third parties also rely on this opinion and they have a right to expect that the CPA does have uprightness of character and honesty. In other words, he must have integrity.

Another qualification essential for a CPA is that he must be independent. He is an independent contractor, not an employee. In taking an engagement he reserves the right to make an examination in the manner and to the extent he sees fit since he is responsible not only to his client but to third parties who also read his report and rely upon it when making their own financial plans.

A CPA must not only like people, he must enjoy dealing with them. It is surprising how much of an auditor's time during an examination is taken up in talking with various people. He works with his co-workers, the client's employees in the accounting department, production department, inventory department, engineering department—in fact, all depart-

ments. They could be the lowest-paid employees on up to the president of the corporation. The CPA also will have occasion to discuss the client's problems with bankers, lawyers, and sometimes with representatives of the Internal Revenue Service. So to repeat, he must like people.

Although a CPA is primarily known as an auditor, he does get into areas not directly related to auditing. He may specialize in taxes or management advisory services, which take him into areas of trusts and estate planning, budgets, production control, inventory control, systems installation, electronic data processing installations, and many others.

He will work with clients in various industries such as railroads, airlines, public utilities, banks, stock brokers, and manufacturers of various products, such as cars, chemicals, and machinery; and if located in the Southwest, he will become deeply interested in the oil and gas industry.

If we were to attempt to single out one word that would distinguish the work of a CPA in public practice from one in private accounting, it would have to be diversity—diversity in type of work concerned and diversity in type of industry or institution being audited.

### ACHIEVING TECHNICAL COMPETENCE

With this necessarily very brief background of the role of the CPA in our financial community, let us examine more closely the role the CPA plays during the early stages of his career. Actually, there are only a few CPAs who *enter* the public accounting profession. It works the other way around. An individual normally enters the profession first and *then* becomes a CPA. So it is obvious that a considerable amount of time will be spent by the new staff man in studying so that he may obtain the certificate permitting him to practice as a CPA. Without the certificate a person would not progress far in the field of public accounting. Any reference I may make to a CPA will also include the person concerned with acquiring this designation.

The CPA usually starts his career in public accounting as a junior accountant and for some time is primarily concerned with the field of auditing. Specializing in other areas will come later, but only after he has been well grounded in audit techniques. Before examining these techniques more closely as they apply to the work of the junior accountant, let me stress the importance of the auditor's chief tool in performing an audit—that is, his working papers. The accountant prepares audit work papers:

- To assist in carrying out audit procedures in a systematic manner,
- To have a record of the work he has performed, and
- To accumulate the information he will need for report writing.

Audit work papers must be complete and self-explanatory for they will always stand as a record of what work was done in verifying the client's financial statements. Any question that arises about whether or not the examination was made in accordance with generally accepted auditing standards must be answered by reference to the working papers. The same care should be exercised in preparing these papers that is used in writing reports. In fact, their preparation can be thought of as the training ground for report writing. The working papers prepared by the staff accountant will be read by many people. The senior on the job will review these papers; the supervising principal or partner will read them; and they could also be used as evidence in court. The junior will be evaluated to a great extent by his supervisors by the manner in which he prepares his working papers.

As already noted, the junior starts his career as an auditor and as such must develop or use certain audit techniques. These techniques can be divided into six major categories:

- Vouching
- Recomputation of arithmetical calculations
- Retracing bookkeeping procedures
- Physical examination and count
- Confirmation
- Scanning.

Although these techniques will be used by all classes of accountants, let us examine each in relation to the work performed by the junior accountant.

*Vouching.* This process is the verification of entries by examination of the original documents on which the entries are based—an audit step that is not just the comparing of an amount on a document with an amount in a ledger or journal. The things the junior accountant will look for when he pulls a voucher from the files for examination under a typical work program would probably include the following:

- • A check on the posting of the items to the voucher register and voucher distribution register, noting whether the distribution is proper.
- • A check for evidence of the receipt of goods or services by examining receiving reports, approvals, etc.
- • A check for evidence of internal audit, that is, whether prices and terms have been approved, footings and extensions verified, and the voucher itself approved for payment.
- • A check for authorization of purchase through the examination of purchase orders or their equivalent.

- • A test recapitulation of the invoices within the voucher.
- • Ascertaining that the invoice is original, is issued to the client, and is currently dated.
- • A check for discounts.
- • A check for evidence of alteration.

While this process is a routine part of a junior's work, it is far from being a mere mechanical operation.

*Recomputation of Arithmetical Calculations.* The second audit technique that will take up a considerable amount of time of the junior is the recomputation of arithmetical calculations to determine their accuracy. Arithmetic is used in so many ways in accounting and bookkeeping that errors do take place—often innocently but sometimes by design. The accountant must constantly be alert to any type of arithmetical error. He will foot the cash books, check extensions and footings on inventories, and check or compute provisions for depreciation and depletion. Since most of these operations are done on a test basis, care should be taken in performing them, for many figures will not actually be checked. Any errors noted will have to be related to the transactions for the entire year. Are the errors noted only isolated errors or are they indicative of a weakness in the internal control of the whole accounting function of the client? Here again the operations are not merely mechanical.

*Retracing Bookkeeping Procedures.* The audit technique relating to the retracing of bookkeeping procedures will bring the junior accountant into the area of tracing postings. He will trace to subsidiary ledgers items on trial balances prepared by the client, recheck bank reconciliations prepared by the client, and sometimes prepare the bank reconciliation.

*Physical Examination and Count.* Not only will the auditor refer to documents and records in verifying the reasonableness of the client's financial statements, he will also be called upon to examine physically and count certain tangible assets said to belong to the company under examination. During the audit the junior accountant will count cash funds representing petty cash funds, undeposited receipts, etc. One of the major assets normally found in the financial statements is inventories. In addition to verifying that the inventory is correctly priced, extended, and footed, the accountant must observe the physical count made by the client and have any test counts he thinks necessary made under his observation. The primary purpose of this test quite obviously is to ascertain the physical existence of what is purported to be owned as represented on the balance sheet. Not only must the accountant satisfy himself about the quantities on hand, he must determine that the goods are in a salable

condition and that they are not obsolete. These things the junior accountant will learn to do during his first year in public accounting.

The junior will also probably be called upon to count various securities that the client might own. This could run all the way from inspecting and counting a few stocks and bonds to engagements requiring a hundred men to count and list the securities such as would be encountered in an audit of a major stock broker.

*Confirmation.* The use of the confirmation procedure, as an audit technique and insofar as it relates to accounts receivable, is mandatory under generally accepted auditing standards. That is, it is mandatory if the client wishes that no qualification appear in the CPA's report. The junior will spend quite some time in selecting, preparing, and mailing confirmation requests of the balances owed by the client's trade customers, and will also seek confirmation of such items as inventories held by outsiders, securities held by banks for safekeeping, and cash on deposit with banks. Invariably a portion of these confirmations will be returned with the notation that the balance shown thereon is in error. At this point the junior must concern himself with resolving these exceptions. Do they represent isolated errors made by the client's bookkeeping personnel? Do they represent price adjustments agreed upon by the client and customer that have not yet been reflected on the books? Are they errors otherwise explainable or do they possibly indicate that a fraudulent transaction has taken place? Any exception noted has to be brought to a satisfactory conclusion.

*Scanning.* The last audit technique that the junior will be concerned with is what we call scanning. This is not a separate and distinct function performed at a given time during the audit but rather a continual process that takes place throughout the examination. Scanning is nothing more than the process of determining that everything the accountant looks at appears reasonable. Does the footing at the bottom of a column of figures appear reasonable? Does the purchase of certain types of goods or services appear to be appropriate for the particular client? This part of auditing actually requires a high degree of mental alertness and judgment.

## **IN CONCLUSION**

All of what I have said up to this point indicates that while there may be assignments that are repetitious, there is nothing that can be classified as merely a mechanical or routine job. Just remember that all phases of an audit have been carefully thought out by outstanding men in the profession, and that they are all designed for a specific purpose; so care in executing each assignment is a must.

The skills necessary for performing these audit techniques are acquired by the junior accountant in many ways. The basic knowledge of the field of accounting is being acquired by you now, here in the Accounting Department of the University. As you progress in the field of accounting, you will perfect these auditing skills through on-the-job training where the senior accountant will act as your mentor. You will receive further training through formal staff-training sessions within your firm. It is expected that a great deal of your continuing education will be derived through your own initiative by keeping abreast of the changes and advances in the field of taxes and accounting.

So may I say that if you are looking for challenges, variety, financial reward, and a sense of accomplishment in your work, the field of public accounting is open to you.

