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ACCOUNTANTS—WHAT CAN YOU DO TO HELP MANAGEMENT

By **SIMON ROSENBAUM, C.P.A.**

Mr. Rosenbaum, a resident partner of the firm of Berman, Weisbard & Hirsch, a Grand Rapids firm of Certified Public Accountants, is a graduate of the University of Michigan. He wrote this article especially for the Grand Rapids Chapter of ASWA.

Can accountants take any steps to make their services more valuable to management? This problem is of interest to all accountants and of particular significance to those who are desirous of making progress in their field. The answer to this question is, of course, "yes" and this article will point out various steps which can be followed to accomplish this purpose.

Reliability of Reports:

It is an accepted fact that the most important function of accounting is to provide management with reliable reports of operations. Reliability does not only mean that the operating statements have been prepared from figures which have been taken from the books of account and that these books are in balance. It has a much wider implication. Reliability also means that income has been properly matched with expenses. Ordinarily there is no difficulty encountered in matching sales with cost of sales. Some of the more common pitfalls are the following:

- Failure to write off prepayments.
- Failure to set up accruals.
- Failure to provide sufficient depreciation.
- Failure to write off uncollectible accounts receivable.

It can not be emphasized too strongly that expenses must be assigned to the period in which they properly belong. If the accountant does not realize the importance of this fact, he is certain to prepare unreliable statements. A frequent complaint of management today is that the auditors' year end adjustments will result in profits being considerably less than previously determined. Over conservative reports are only slightly less undesirable. It is the accountant's responsibility to furnish at all times a dependable guide to operating results.

It is essential that federal income tax considerations should not be allowed to interfere with accepted accounting principles

and, as a consequence, give rise to a distorted picture. An example of this distortion is a substantial overstatement of expenses as the result of failure to properly capitalize certain expenditures. Expenses are similarly excessive when depreciation provisions are based on rates which are higher than the facts warrant. Obviously, lessening of the tax impact is highly desirable. However, only too often the income statement has only a limited value because of the obsession for tax avoidance. It is the accountant's duty to encourage management to put taxes in their proper proportion.

Timeliness of Reports:

Too much emphasis can not be placed upon the importance of having the report in the hands of management shortly after the close of the accounting period. Obviously the value of a report lessens with each additional day's delay in its completion. A stale report is comparable to yesterday's newspaper! Experience has proven that in almost every situation the preparation of operating reports can be accelerated. Perhaps the solution may be found in the adoption of expense control accounts which would give management an operating statement in which expenses are summarized on a departmental basis. The detailed postings to individual expense accounts can be completed subsequently and the breakdown of the costs by department can then be prepared.

Another cause of delay in submitting reports to management is occasioned by not closing the voucher register until all invoices have been received. Where costs of sales are determined by reference to sales, it is unnecessary to put off the closing since recording of additional invoices has no effect on the income statement. It also is unnecessary to wait for the monthly utility bills. Such expenses can be reasonably estimated based on experience.

Supplementary Reports:

Of great aid to management are supplementary reports. Some of the more important in this category are the cost of sales analysis, the comparative statement of income, both on a monthly and year to date basis, and the application of funds statement. The information contained in these schedules is invaluable as a guide in making decisions.

Suggestions and Recommendations:

The accountant should always be on the alert for suggestions and recommendations to make to management. Perhaps consideration could well be given to the adoption of a business budget. This could be a valuable tool to help effect more profitable operations. Attention might be directed to the adoption of a fiscal year by the enterprise. Where the activities of the business are at their lowest point at a date other than December 31, such date is the end of its natural business year. If the books were closed as of that date, inventory taking would be greatly facilitated, many year end adjustments could be eliminated and it is

safe to predict that more reliable financial statements would result.

Continuous Education Necessary:

Admittedly, this article can only serve as a brief outline of what the accountant can accomplish. Some of you may wish to know how to become better informed about these matters. The answer lies in continual education. You must not permit yourself to be satisfied with your present capabilities. You should affiliate yourself with professional accounting societies where you will reap the advantages afforded by an interchange of ideas and by opportunity to hear technical lectures by qualified speakers. You should read articles on accounting in textbooks and in monthly publications. You will undoubtedly be amazed at the amount of material available in your library.

Conclusion:

As indicated, there are numerous ways in which the accountant can be of inestimable value to management. The reward will not only be in increased remuneration but in the satisfaction of a "job well done".

COAST-TO-COAST

By MARY C. TONNA, CPA, San Francisco, Calif.

Atlanta: Ethleen Lasseter, CPA, spoke on "Europe Through a Banker's Eye." Allen Post, Attorney with Moise, Post and Gardner, discussed "Pension Trusts." New members are Joyce Sims, Winnie Davis, Laura Ruth McNeil, and Elizabeth B. Wall. **Buffalo:** At a joint meeting held with the Institute of Internal Auditors, Dr. Ann Douglas, Professor of Psychology and Industrial Relations at the University of Buffalo, spoke on the "Aspects of Human Relations in Business Organization." New members are Doris L. Abrahamson, Marjorie E. Meyer, Evelyn R. Arrigo, and Pearl A. Hunevan. Transfer from District of Columbia chapter: Caroline Bilsky. **Chicago:** Congratulations to the Chicago chapter, the committees, and the national officers for making a grand success of the National Convention. Helen McGillicuddy, CPA, is a partner in the newly-formed law firm of Rosenthal & McGillicuddy. One student at the University of Chicago and one at Northwestern University received scholarships from the Chicago chapter. **Cincinnati:** Member Wilma Loichinger spoke on "Institutional Accounting." The study group enjoyed a tour of an I.B.M. plant and a talk on "I.B.M. for the Accountant." Rosemary F. Rogers won the Phi Kappa Epsilon key awarded by the University of Cincinnati evening division. New members: Katharine C. Strange, Bertha E. Tozzer, Bertha Kuhn, Marge Pressler, and Cora Mae Herrle. **Cleveland:** Mrs. Everett Randall, Executive Secretary of the Occupational Planning Committee of the Welfare Federation of Cleveland, addressed the chapter on "Supervisory Problems" and "Your Future after 35." Olga Warak has been elected Treasurer of Women's Forum of Greater Cleveland. Elsie Bohdal has been elected Recording Secretary of the Inter-Club Council. **Columbus:** John A. Eckler, former assistant to Senator John W. Bricker, spoke on the "Bricker Amendment." Dorothy Monahan and Marie Conard represented Columbus chapter on Station WHKC on the "Date for Debate" program. New members are Helen T. Jergens, Florence L. Oliver, and Ruth Nielson.