

10-1957

Accountants Need Records Too

Virginia M. O'Hern

Follow this and additional works at: <https://egrove.olemiss.edu/wcpa>



Part of the [Accounting Commons](#), and the [Women's Studies Commons](#)

Recommended Citation

O'Hern, Virginia M. (1957) "Accountants Need Records Too," *Woman C.P.A.*: Vol. 19 : Iss. 6 , Article 4.
Available at: <https://egrove.olemiss.edu/wcpa/vol19/iss6/4>

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in Woman C.P.A. by an authorized editor of eGrove. For more information, please contact egrove@olemiss.edu.

ACCOUNTANTS NEED RECORDS TOO

By VIRGINIA M. O'HERN, C.P.A., Los Angeles Chapter

Accounting firms, like other businesses, have their own problems of record keeping. In order to perform at maximum proficiency and to account for assets and liabilities and income and expense, various records are necessary—some comparable to general business, some comparable to other service organizations, and some peculiar to the accounting profession. It is the last two categories that will be discussed here.

The primary source of income in an accounting business is, of course, compensation for services rendered. How does an accountant decide how much he will bill his clients? Inasmuch as the only "product" sold is time, time becomes the basis for his charges. An accountant will first determine what rate should be charged for principal, supervisor, senior, semi-senior and junior work in order to meet expenses and have the operation result in a reasonable profit for the principals. These rates will vary depending upon the experience of the accountants performing the work and they may also be influenced by the type of work performed. If only bookkeeping services are performed, the rate used would necessarily be less than the rate used for complicated estate planning. As in any other business, the charge depends to some extent on competition, and the rates used in one part of the country would not necessarily be those used in another section for the same type of work.

After a rate is established, an accountant must have a record of time against which to apply that rate. The common practice is to have all principals and staff members prepare time sheets at regular intervals—weekly, bi-weekly, or monthly. On these time sheets will be recorded the date, the number of hours charged to each client, the type of work performed and any expense that may have been incurred in connection with that work. This information is transferred to individual billing cards which show the name and address of the client and are kept on file in alphabetical order. The cards have spaces for date, name of accountant, hours worked, type of work performed, and expense charged. At the end of each month, the total hours recorded are listed by client's name to determine the work-in-progress inventory. After a job is completed, or at appropriate intervals, the cards are recapped and billed, using the

predetermined rates. The completed cards are assigned an invoice number and become a permanent record which may be referred to frequently to determine who did what and when. The process of recording sales, receivables, etc. would not differ materially from any other type of business.

In lieu of recording routine work such as computation and review of tax returns on a time sheet, a perforated tab may be attached to the work. This tab will show the required information and, after the job is completed, may be removed and attached to the time card thus avoiding duplicate recording.

The time sheets serve several purposes besides being indispensable for billing. They are used in connection with the payroll for keeping records of reimbursed employee expenses, and as a basis for a productive hour report, which records the number of work hours performed by each accountant. This report can be very helpful to management and also may be an incentive factor for staff members.

Because profits in an accounting business result almost exclusively from the efficient use of time, careful planning is required to utilize time to the best advantage. Here again it is necessary to keep records of past time and forecast "budgets" of future time. The billing cards mentioned previously serve as the basis for past time and the program becomes the "budget". By determining how many hours of senior, semi-senior, and junior time were required for a particular audit in the past, management can approximate the time required for that job in the future—subject, of course, to change resulting from such factors as the condition of the client's records and the degree of internal control at any given time. The person preparing the program will assign accountants to the various jobs and will allow a specified amount of time. As in other budgets, there will be variances. Here, however, the variances cannot be settled by an expenditure of cash since we are dealing with time. They must instead be compensated for by more planning—substituting other work if there should be that rare instance when a job is completed in less than scheduled time or, as in the usual case, assigning more help or deferring the next scheduled work if necessary. An efficient program should be scheduled for several

months in advance and should provide a certain amount of uncheduled time to accommodate the unexpected work which arises constantly. The accumulation of these programs becomes in turn the basis for future planning.

One of the most important record keeping problems in connection with the planning of a program is the devising of a system which will preclude the possibility of overlooking recurrent work. A list should be made or a tickler file set up showing by month what work is required to be performed, whether it is tax return preparation, a fiscal year audit, an interim audit, the confirmation of accounts receivable, or the witnessing of physical inventories for example.

A separate record should be kept of non-recurring work and should not be left to the vagaries of memory. This record could be as unassuming as a note book but would show such items as work requested by a client which is not required to be done at any certain time, claims for tax refunds to be filed, tax problems depending for their solution on the outcome of court cases and so on.

Because the peak work load of most accountants occurs during the period January 1 to April 15, special effort must be made in the matter of record keeping during that time. Each accountant should be furnished with a list of the tax returns he is expected to be responsible for. From then on matters would be in a state of confusion unless some control were maintained. One suggestion would be to have a card file, maintained by client's name in alphabetical order. Different colored cards could be used to designate the type of return to be filed—corporation, partnership, fiduciary, or individual. The file would be divided into sections with appropriate headings such as "Not Started", "Data In", "In Preparation", "For Review" and "In Typing". While the maintenance of this system imposes extra work during a busy period, it pays dividends in time saving when a client wants information about his return and it becomes necessary to locate the return at once. The card file also provides information at a glance as to the stage of work completion at any time during the season. With the aid of this file, management can determine the necessity for extra hours, extra help, or redistribution of work.

This same card file can be used to record the mailing date of tax returns but it is probably more convenient to keep a separate alphabetical list showing client's name, forms prepared, and date mailed. This

list may also be used to indicate the basis used for the declaration of estimated federal income tax for individuals. Just the notation "1956" or "Under" would be sufficient to indicate which clients will need attention as the payment dates approach.

In connection with the preparation of income tax returns, there is another important record to be kept and that is the approximate number of the various tax forms which will be required. Accountants must plan in advance to obtain the many government forms necessary for their work. Besides the regular income tax returns, an accountant uses gift tax returns, estate tax returns, claims for refund, carry-back claims, extension applications, and other forms. It is important also to obtain other state forms for clients who must file income tax returns in states other than their residence state or for out of state clients.

A discussion of the records required for the control of income tax returns brings up the subject of revenue agents' reports. Some record should be made for each tax file which would show the pertinent data relating to review of returns by the Internal Revenue Service. In addition, it is helpful to maintain a current record in chronological order. This record would show initially the client's name, the name, address, and telephone number of the revenue agent, the date of the revenue agent's first contact and the taxable years involved. If a meeting is held with the agent, the record would show the date and a notation of the agent's proposed changes. Finally, the record would show whether or not a waiver form was signed, the amount of the assessment or deficiency if any and the signature of the staff member who handled the assignment.

There is one other record which might be mentioned here and that is a client contact record. Very often a prospective client will call and make inquiries concerning possible services and the cost involved. If at a later date he decides to avail himself of those services, it is a simple matter for the accountant to refer to his client contact record to refresh his memory concerning his prior conversation with the client.

All of these records are necessary for the efficient operation of an accounting and tax service. The form of the records is not so important as the fact that they be maintained in some manner. Various accountants have devised their own systems to fit their individual needs. Efficient organization and adequate record keeping result in higher profits as well as improved service to clients.