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Book review

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Cashed checks in the hands of a custodian with an imprest fund are disposed of easily and satisfactorily, when the fund is part in hand and part in bank, by depositing the checks in bank. It may be argued that in so doing no trace is left of their cashing, and that no trace is needed, inasmuch as the custodian usually is bonded and is responsible for the amount of his fund regardless of its location.

The second point requires no argument if, in fact, the custodian is held responsible for any losses which may result from checks cashed in the exercise of his discretion. But if he is not permitted any judgment in the matter and is under definite instructions as to cashing checks for certain persons and within certain limits, his duplicate deposit slip should show the names of persons for whom he has cashed checks as well as the amounts of such checks.

The procedure best suited to the handling of cashed checks, when an imprest or petty cash fund is entirely in hand and there are insufficient currency receipts as a rule out of which to recash them, usually finds little favor because it is not as easy as recashing them at a bank. The fund should be cleared and reimbursed by a general cash check charged to the fund; the fund being credited through general cash for the amount of the cashed checks deposited. Immediately, the objection is raised that this makes too much bookkeeping. Perhaps this may be true, but if the cashing of checks makes too much bookkeeping, there is likely to be less cashing of checks. If checks are cashed, there should be a record of them in the interest of fixing responsibility and preventing irregularities from occurring.

The ease with which cashed checks may be recashed at a bank affords a strong argument in favor of the practice at the hands of those who would avoid as much bookkeeping work as possible. But the same argument may be used with much more force against the practice. Recash-

ing cashed checks at a bank is not in itself an evil, particularly if the checks are drawn to cash, or to bearer. The practice, however, does lay a ground-work which may permit of irregularities, such as the cashing of checks drawn to the company's order, and thereby make it impossible to successfully hold a bank for negligence.

Day after day John Smith, an employe, presents at the paying teller's window and receives currency in exchange therefor checks bearing the company's endorsement, some of which are drawn to cash, some to the company's order, and some to other companies or individuals, regularly endorsed. The paying teller gets into the habit of paying out currency to John Smith on checks drawn in various ways, but presumably all bearing the company's stamped endorsement.

One day John Smith presents a check drawn to the company's order and bearing the company's endorsement. To the paying teller the check, and the manner of collecting it, appear entirely regular. But the check has not been through the petty cash fund, nor, in fact, through the company's records.

In all probability any attempt to hold the bank in case of embezzlement, or other form of loss, under these circumstances would fail. The bank undoubtedly would set up, with all propriety, that the practice of cashing checks for this employe of the company had become established; that the company had become a party to the practice; and was estopped thereby from claiming negligence on the part of the bank.

Frowning on the practice of recashing checks at a bank is not so much a matter of facilitating auditing as of protecting clients against the development of a situation which may facilitate embezzlement.

Book Review

Schlatter, Charles F. *Elementary Cost Accounting*. (New York, John Wiley and Sons, Inc., 1927. 321 p.)

In this book the author has produced a volume which, accomplishing his expressed purpose, should aid materially in the teaching of the principles of cost accounting to college students. He has produced a book which treats of the fundamentals of cost accounting in very clear and understandable language. Most of the more involved refinements of the subject have been omitted so as not to confuse the student while he is attempting to grasp the general principles. The book is elementary only in regard to cost accounting. It is based on the assumption that the student has had previous instruction in general accounting.

In the first chapter Mr. Schlatter describes the use of departmental accounting for a trading concern, giving a perspective of the entire system. In the second chapter he discusses the use of general accounting for the factory and demonstrates its inadequacy. The third chapter is devoted to the purposes and advantages of cost accounting. The next three chapters describe the procedure used in process cost accounting, sequential process cost accounting, and job-lot cost accounting. Chapter VII deals with the ledgers and the flow of cost data through the accounts. The last six chapters cover statements, books of original entry, materials and supplies, accounting for labor, burden, and departmental job-lot cost accounting.

At the end of each chapter, with the exception of the third, the author presents a problem with solution, illustrating the principles covered in that chapter, and then submits a number of problems for solution by the student. The text is interspersed with numerous forms and charts showing the flow of costs through the various accounts and departments, which aid materially in making the procedure readily understandable.

Mr. Schlatter's book is not a handbook of cost accounting practice for reference by experienced cost accountants. Nevertheless, it is a distinct contribution to accounting literature, and one of value to

students and general accountants who are not familiar with the intricacies of cost accounting. It gives them a clear picture of the fundamentals of cost accounting and a good foundation on which to build their knowledge of the refinements of the subject.

News Items

Mr. Kracke returned to Europe on the S.S. *Albert Ballin* on April 21, 1928, in connection with current practice, after a three months' stay in this country. Mr. Kracke was accompanied by Mr. C. J. Gale, of the New York Broad Street practice office.

Mr. Reik also sailed for Europe, on the S.S. *Ile de France*, on April 7, 1928, to assist in the current foreign practice.

Mr. Wildman spoke before the student body of the College of Commerce of the University of Illinois, at Urbana, Illinois, on April 16, 1928, on what the accountancy profession offers the college graduate. On April 17, he addressed a joint meeting of bank credit men and Wisconsin public accountants, at Milwaukee, on "Classification of Accountancy Services."

Mr. E. W. Valensi, of our Pittsburgh office, is to be congratulated upon successfully passing the November C. P. A. examination of the State of Pennsylvania.

Mr. M. A. Kenyon, of our Newark office, also is to be congratulated upon successfully passing the C. P. A. examination of the State of New York.

Among the recent visitors to the Executive Offices were Mr. Forbes, Mr. Lawrence and Mr. Croggon.

Mr. W. L. Green, of the Executive Offices, is delivering a series of lectures at St. John's College in Brooklyn on "Accountancy as a Profession for College Graduates."