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American Society of Women Accountants

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the WOMAN C.P.A.



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OFFICIAL PUBLICATION

AMERICAN WOMAN'S SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN SOCIETY OF
WOMEN ACCOUNTANTS

THE WOMAN

Volume 25 August 1963 Number 5

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The ABC's of Auditing

By: Mary E. Beniteau, C.P.A.
Haskins & Sells, Dallas, Texas

"I have examined the balance sheet of the ABC Company as of December 31, 1962 and the related statements of income and retained earnings for the year then ended. My examination was made in accordance with the generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances." This is the first paragraph of the independent Certified Public Accountant's short form report which is rendered in connection with his examination of the financial statements of a company. In this paragraph, which is generally known as the scope paragraph, the independent CPA tells what was examined—the balance sheet and the statements of income and retained earnings of the ABC Company—and how his examination was made—in accordance with generally accepted auditing standards. Let us review the steps taken by the independent CPA in making his examination of the financial statements in accordance with generally accepted auditing standards.

The purpose of an audit will determine the nature of the audit to be made. The audit is made in order to report on the financial statements of a company to various interested parties—stockholders or owners, creditors, management, or governmental agencies. Generally there are two types of audits. One is a general audit in which an examination is made of the balance sheet of the company as of a given date and for the period then ended. The other type is known as an examination of financial position which covers an examination of the balance sheet only. An examination of financial position differs from a general audit in that the auditing procedures consist of an examination of the asset and liability accounts as of a certain date, and no comprehensive examination of the income and expense accounts or of the transactions during the period ended is made. In addition to these two types of audits, the independent CPA may be called upon to perform an audit of a specific account such as a cash audit or for a specific purpose such as in a case of suspected fraud. For the purpose of our discussion we shall discuss the general audit only. A general audit is usually made on

a test basis as opposed to an examination of every transaction or entry.

In the scope paragraph of his report the independent CPA states that his examination was made in accordance with generally accepted auditing standards. These standards are the underlying principles which control the nature and the extent of his examination. As published by the Committee on Auditing Procedure of the American Institute of Certified Public Accountants, these standards are:

General Standards

1. The examination is to be performed by a person or persons having adequate technical training and proficiency as an auditor.
2. In all matters relating to the assignment an independence in mental attitude is to be maintained by the auditor or auditors.
3. Due professional care is to be exercised in the performance of the examination and the preparation of the report.

Standards of Field Work

1. The work is to be adequately planned and assistants, if any, are to be properly supervised.
 2. There is to be a proper study and evaluation of the existing internal control as a basis for reliance thereon and for the determination of the resultant extent of the tests to which auditing procedures are to be restricted.
- Sufficient evidential matter is to be obtained through inspection, observation, inquiries and confirmations to afford a reasonable basis for an opinion regarding the financial statements under examination.

Standards of Reporting by the Independent Certified Public Accountant

1. The report shall state whether the financial statements are presented in accordance with generally accepted principles of accounting.
2. The report shall state whether such principles have been consistently observed in the current period in relation to the preceding period.
3. Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report.

4. The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an over-all opinion cannot be expressed, the reasons therefor shall be stated. In all cases where a CPA's name is associated with financial statements the report should contain a clear-cut indication of the character of his examination, or a statement that the financial statements have been prepared from the books without audit.

These standards determine the extent of the tests of the accounting records and what auditing procedures are to be used.

Before a general audit is started the independent CPA will make a thorough study of the system of internal control. Internal control is defined in the report "Internal Control" by the Auditing Procedure Committee of the American Institute of Certified Public Accountants as follows:

"Internal control comprises the plan of organization and all of the coordinate methods and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies."

This study is made to evaluate the effectiveness of the internal control and determine the extent of reliance that can be placed on the system. The independent CPA frequently uses a questionnaire to facilitate his evaluation of the internal control. The internal control questionnaire consists of questions dealing with the various phases of the organization and is designed so that the questions may be answered yes or no. An affirmative answer would indicate a satisfactory situation as to internal control, and a negative answer would indicate a situation where the internal control is weak. Taking cash disbursements as an example, the internal control questionnaire would include the following questions:

Preparing Checks

Checks prepared by _____

1. Is the supply of blank checks controlled?
2. Is the situation good in that the person who prepares checks does not:
 - a. Sign the checks singly?
 - b. Reconcile the bank account?
3. Are checks prepared from approved disbursement vouchers or check requisitions?

Recording Checks

Cash disbursements records kept by _____

1. Is the arrangement of duties and procedures such as to safeguard against falsification of the cash disbursements record?

Signing Checks

Checks signed by _____

1. Is the situation good in that the person who signs checks does not:
 - a. Prepare the checks?
 - b. Reconcile the bank account?
2. If checks are signed mechanically, is the use of the machine and signature plate controlled?
3. Are checks accompanied by approved disbursement vouchers or check requisitions when presented for signature?
4. Are checks safeguarded against interception prior to being mailed?

Reconciling Bank Accounts

Reconcilements made by _____

1. Is the situation good in that bank accounts are reconciled by a person who does not:
 - a. Prepare the checks?
 - b. Have access to cash?
2. Is the reconciliation procedure thorough?

After the CPA performs his study of the various phases of the internal control system by means of careful inquiry of responsible officials and by observations of the procedures being used, he will come to conclusions as to the situations which are good, bad, or mixed. For example, the internal control may be considered to be good in respect to cash receipts and mixed in respect to purchases and trade payables. The conclusions reached by the CPA in his evaluation of the system of internal control will determine the extent of the tests of the accounting records and may be used as a basis for recommendations to the client for improvements that can be made. After completing the evaluation of the internal control of the client, the independent CPA is ready to proceed with the audit.

Before any detail work is performed, the CPA will prepare a complete plan or program of the work to be performed based on his knowledge of the type of business, the company's accounting policies and procedures, and his review of the system of internal control. The audit program usually takes the form of the auditing procedures to be applied to each account or type of account such as cash, accounts and notes receivable, prepaid assets, etc. The audit program also provides a place for the accountant performing the particular auditing procedures to initial upon completion of the specified work. In summary the general audit program serves as a guide in arranging

the work to be performed, as a check against possible omissions, and as a record of what work was done and who performed the work.

The independent CPA's working papers are the instrument through which he conducts his audit and records all pertinent information about the accounts under examination. They act as a basis for the conclusions to which the auditor comes and reports to the client. The "backbone" of the working papers is the general ledger trial balance which consists of a listing of the general ledger accounts, the asset accounts, the liability accounts, the capital accounts, the income and expense accounts, etc. Although the trial balance may take several forms, it usually includes the following information: account number, account name, adjusted balance of the account at the end of the preceding period, the book balance as of the period under review, any adjustments made by the CPA, the final or adjusted balance, and a reference to separate analyses or schedules of specific accounts. Ordinarily separate pages are used for each classification of account—assets, liability and capital accounts, profit and loss credits, and profit and loss debits. The net difference between the profit and loss credits and the profit and loss debits is carried forward to the capital section in order to balance the asset page to the liability and capital page. Using the trial balance as a guide, the CPA will prepare, if deemed necessary, analyses of the various asset and liability and capital accounts and will examine, or test examine, the transactions that result in the balance of these accounts.

There are two basic methods used in applying auditing procedures—examination of the balance sheet accounts by examining entries to the original records and testing transactions from the original records to the general ledger accounts. Let us first describe the audit procedures involved in the examination of the balance sheet accounts. The CPA follows the procedure of tracing from the general ledger account to the records of original entry the transactions that go to make up the balance of a particular account as of the date of examination. In this connection he will examine the source documents from which entries are made in the records of original entry—the cash receipts book, the cash disbursements book, the voucher register, the sales register, and the general journal. Let us take the general ledger cash account as an example and show the auditing procedures that may be used in the examination made by the independent CPA.

Because of its negotiable nature, cash is usually verified promptly at the end of the period to be audited if practicable. Cash on hand and on deposit is examined concurrently

with negotiable instruments and securities in order to prevent any attempt to conceal a shortage. The verification of cash on hand generally consists of counting and listing the bills and coins as well as receipts for disbursements made from the petty cash fund. Any checks cashed out of the fund should be currently dated. Also any reimbursement checks included in the petty cash balance should have been entered as disbursements in the company's cash disbursements book. The verification of cash on deposit is made by reference to supporting documents such as bank statements, deposit slips, cancelled checks, and reconciliements prepared by the client. In addition, audit procedures usually include outside verification of the cash balance as well as any liabilities to the bank by means of an independent certificate, or bank confirmation, received directly from the bank. In order to obtain further verification that all outstanding checks and deposits in transit have been correctly recorded by the client, a cut-off bank statement or a bank statement for the subsequent month is obtained unopened by the CPA. Any checks listed as outstanding which do not clear the bank on the statement obtained by the auditor are investigated as to validity and entry in the cash disbursements book. Particular attention is also given to cash-in-transit as of the balance sheet date from an affiliated company, branch, or separate bank account. We have illustrated three types of supporting evidence used by the auditor in substantiating the records of the client: (1) externally prepared documents such as bank statements, (2) internally prepared documents such as checks, and (3) outside certifications or correspondence received directly by the CPA.

The other method used in applying auditing procedures is test checking of the original records and tracing the entry of the source documents into the original records and the posting of the original records to the general ledger. As previously stated, the independent CPA generally does not examine every transaction unless requested to do so by the client. Usually the extent of the CPA's examination of the transactions and records is determined by the effectiveness of the client's internal control system. Taking the voucher register as an example, we will illustrate the procedures used in testing the transactions and records. Generally vouchers or invoices which are prepared for disbursements by check are examined and checked to the voucher record. In connection with the voucher examination, the distribution of charges to the various accounts is tested. Attention is also given to approvals as to receipt of the goods or service, pricing, or terms. The extent to which the vouchers

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AWSCPA—ACCENT ON THE POSITIVE



Mary F. Hall, C.P.A., President 1962-1963

This has been a year of peaks and valleys for me. There have been peaks of confidence when the efforts of your capable officers and committee chairmen functioned competently to promote our objective of advancing the professional interests of women certified public accountants. And there have been valleys of impatience with myself when I have not been able to provide a maximum of leadership and guidance to further our Society's goals.

Following the aim of the 1962-63 administration to accent the positive side of the picture, we can point with pride to several substantial steps of progress that have been attained and to others that are moving toward accomplishment.

We qualify as a true growth situation this year with more than 75 new members, associates and international associates added to our roster. We started the year with a count of 525, but because of normal membership attrition close the year with just under 600 members. With newly inaugurated procedures centered at National Headquarters to insure that AWSCPA contacts every woman who passes a CPA examination in the United States, we can look forward to a continually increasing percentage of representation of all women CPAs.

Another highlight of the year was participation in New York last September by AWSCPA as one of the 8 United States sponsoring organizations in the Eighth International Congress of Accountants attended by

members of 124 accounting societies from 62 countries. Of special interest was our cooperation with the American Society of Women Accountants in maintaining a Foreign Visitors Suite during the Congress where we entertained visiting women accountants from other countries.

Our career information booklet, "Which Way, Young Lady?" published last year, has continued in the best seller category. The initial printing of 15,000 went quickly. This year a reprint of 20,000 copies has been distributed and a third printing of 20,000 copies has been run to meet the continuing demand for it.

Since the career information booklet has proved to be of growing benefit to both AWSCPA and ASWA, the two Societies have joined together this year to prepare a successor publication for similar use. The heart of this joint publication will be a statistical survey of the members of both societies aimed to provide an accurate and up-to-date picture of the woman accountant. This new pamphlet, hopefully projected for publication this fall, should prove exceptionally beneficial in our public relation activities.

Another joint effort of the two Societies is the development of a nationwide Speakers' Bureau which we can confidently believe will add much to our abilities to tell the business and professional world the story of women in accounting.

The foregoing touch only a few of the outstanding activities that contribute to the role that your society has played and will continue to play in our efforts to advance the professional interest of women accountants.

I am most grateful for the willing contributions of time and talent by officers, directors, committee chairmen and committee members. Their sincere, loyal cooperation and support is most appreciated for without it we could not point with pride to progress for the year.

I also express my thanks to officers and directors of ASWA for their helpful cooperation. In this, the 25th year of the existence of ASWA, I think that we can also point with pride to our affiliate's stature in the community of professional accounting organizations achieved largely through dedicated leadership so well exemplified by its 1962-63 president, Erma A. Sembach.

May I thank you for the privilege of serving you as president of the American Woman's Society of Certified Public Accountants.

AWSCPA

President's Message

In the short span of thirty years, since the American Woman's Society of Certified Public Accountants was founded, there have been rapid changes in our way of life. Words like television, atom bombs, astronauts, penicillin, and super jets were not in usage in 1933. We have experienced a severe depression and a world war. New countries have come into existence and old boundaries have been changed. There has been unrest and insecurity everywhere in the world. With all these changes the purpose of AWSCPA—"to advance the professional interest of women certified public accountants"—has remained ever constant.

More and more women are taking their places in the accounting profession. In 1962, over one hundred women received their CPA certificates and an additional seventy-five women passed the examination but lacked the necessary experience requirements for a certificate. We are grateful to our predecessors, who, with vision, courage and steadfastness of purpose, have charted our course and who may claim much of the credit for this growth and success.

We cannot rest on the achievements of the past thirty years, but must strive to increase our abilities and opportunities. Continuing education is absolutely essential. Active participation in the affairs of older accounting organizations is a duty we owe our profession. May we continue to encourage and assist young women who are interested in accounting as a career. Let us also accept our responsibilities to our communities and our Country.

Your officers and directors appreciate the confidence you have shown in us and are aware of the aims and ideals of our Society which we have inherited. We will endeavor to continue to serve AWSCPA in its best interest.

I am indebted to you for the very capable officers you have chosen to serve with me—Margaret E. Lauer, First Vice President; Lucille R. Preston, Second Vice President; Joyce E. Cowman, Secretary; Dorothy M. Colton, Treasurer; and Frances D. Britt,



Grace S. Highfield, C.P.A.

Grace S. Highfield has served AWSCPA as first and second vice president and secretary. She also served ASWA as second vice president, treasurer and director.

Miss Highfield is a certified public accountant in the State of Ohio and a partner in the firm of Gattner, Price & Highfield in Columbus.

She is a charter member and one of the organizers of the Columbus Chapter of the American Society of Women Accountants. She represented both AWSCPA and ASWA at the Third Inter-American Accounting Conference held in Sao Paulo, Brazil. Other professional memberships include the American Institute of Certified Public Accountants and the Ohio Society of Certified Public Accountants.

Loretta A. Culham, Virginia B. Hollister, Julianna Royal, Directors; Mary F. Hall, immediate Past President, will serve as Director ex-officio.

With your support and cooperation, may we continue to grow in stature.

TAX FORUM

ROSEMARY HOBAN, C.P.A.

Revenue Agents' examinations, proposed investment credit regulations, final regulations on travel and entertainment expenses, the President's tax program, and what the Ways and Means Committee is doing to it currently are the items keeping tax accountants busy these days. There should be plenty in these items to provide the source for a tax column. But—the President's tax program is up in the air, there's been lots of exposure in newspapers and magazines on the travel and entertainment regulations, the investment credit regulations are much too involved for a short column, and, while the Revenue Agents' examinations take time and occasionally try our patience, in most cases they are of interest only to the taxpayers involved. So, let's find something else to write about.

An interesting Tax Court Memo decision was handed down recently in *Sidney J. Ungar et al.* (TCM 1963-159). The taxpayer's mother at the age of 90 suffered a brain hemorrhage. The doctor advised the taxpayer that his mother would need nursing care for an extended period and that she could receive better care away from a hospital and at less expense. The taxpayer then rented a small two-room apartment in the building in which he lived and engaged full-time nursing help for seven months.

The mother had been living with a daughter in another city and, when she recovered to some extent, she wanted to return to her daughter's. She continued to need the services of a nurse as well as those of the daughter. In order for the daughter to give her mother the care she needed, it was necessary to hire someone to take her place in her husband's store. The taxpayer, in order to obtain his sister's services for his mother, paid the clerk's salary of \$60 a week for six weeks. The Commissioner disallowed the deduction of the \$1,400 paid for the apartment rental and the \$360 as medical expenses.

The Tax Court allowed the deduction of both items as medical expense. The Court commented that

"This expense (the rent) or a larger one, was unavoidable under the circumstances shown and was a medical care expense within the meaning of Section 213. It was unlike the expense of lodging during a period of convalescence and was quite similar to room rent in a hospital during an acute stage of illness.

"The \$360 was paid so that the patient could have the aid of her daughter during the final stages of convalescence and thus avoid

the larger expense of a second nurse. This too is a legitimate medical care expense which was necessary in order to avoid a larger more direct expenditure for required nursing care."

This decision may justify deduction for the payment of similar expenses necessarily incurred by a member of a family who furnishes nursing care in order to avoid a larger direct expenditure for nursing care. Whether the decision would be authority for allowing a medical deduction for a portion of residence expenses because an invalid is maintained in part of a residence remains to be seen. If there were unusual expenses which would not be incurred under ordinary circumstances, they should qualify.

This might be a good time to remind any taxpayer who suffered a casualty loss between the close of the taxable year and the due date for filing his income tax return for that year that the loss may be claimed on the return for the immediately preceding taxable year provided the loss is one incurred in an area determined by the President to warrant federal disaster assistance. This would be particularly important to taxpayers who filed their returns before the due date and then suffered such a loss. They would be entitled to amend their prior year's return, claim the loss, and obtain the refund currently. The disaster areas which qualify for 1963 are these:

<i>Disaster Areas</i>	<i>Type of Disaster</i>	<i>Disaster Beginning On Or About</i>
California	Severe storms, floods, and excessive rainfall	Jan. 30-1963
Georgia	Severe storms and flooding	Mar. 11-1963
Guam	Typhoon	Apr. 28-1963
Hawaii	Excessive rainfall and flooding	Apr. 14-1963
Idaho	Floods	Jan. 31-1963
Kentucky	Severe storms and floods	Mar. 11-1963
Nevada	Floods	Jan. 29-1963
Oregon	Floods	Jan. 31-1963
Tennessee	Severe storms and flooding	Mar. 11-1963
Trust Territory of Pacific Island	Typhoon	Apr. 29-1963
Virginia	Floods	Mar. 12-1963
Washington	Floods	Feb. 2-1963
West Virginia	Severe storms and floods	Mar. 5-1963

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Comments and Idea Exchange

JANE STRENCIWILK, C.P.A.

MANAGEMENT SERVICES IN ACTION

The purpose of this forum is to illustrate what CPAs are doing in the general area of Management Services. All practitioners are invited to contribute articles.

Management Services is intended to include those services which are designed primarily to furnish advice or assistance to management through a professional relationship with respect to planning, organizing or controlling any phase of business activity.

The following is an illustration:

A sewer contractor had an inadequate system for job cost estimating and for cost control. Estimating was based on lineal feet or cubic yards rather than on the elements of the job. The cost records accumulated labor, material and equipment charges by job number only without details as to the applicable phase of the job. The disadvantages of his existing system were (a) inability to isolate unprofitable job elements because cost estimating and reporting was not correlated nor done in sufficient detail; (b) cost summarization could not be done until completion of the job, which was too late to take corrective action; and (c) cost control by the job foreman was difficult because estimated job costs were not expressed in terms of job elements.

Accordingly, estimating and cost procedures were broken down by item number into the following cost elements: (1) prepare site; (2) excavation; (3) drive sheeting; (4) prepare forms and install; (5) pour concrete; (6) remove forms and sheeting; (7) backfill; (8) clean up site.

New estimate forms were prepared computing requirements for labor, material and equipment charges by item number. Equipment and labor time tickets and incoming material invoices or requisitions were changed to reflect both job and item number. Copies of the labor, material and equipment estimate

sheets (with dollar information deleted) were given to the foreman along with job instruction information in order to provide on-the-job cost control. Subsidiary cost ledgers were established to permit distribution of costs by job and item number and on such ledger sheets the estimated costs were recorded so that a comparison of accumulated actual costs could be made at any time.

Results:

Adoption of these recommendations provided an accurate basis for reconciling estimated costs to actual costs and permitted periodic reconciliations while jobs were in progress. Unfavorable trends could be discussed with the job foreman to determine corrective action. Supplying the foreman with copies of the estimate sheets permitted him to work to established targets.

(Reprinted from the Michigan CPA, December, 1962 issue)

DEDUCTING FINANCE CHARGES AS INTEREST

By Daisy S. Lamberti, C.P.A.
San Diego Chapter

Finance charges, or carrying charges on installment purchases of furniture, automobiles or other property are deductible on Federal Income Tax Returns if they can be identified as the equivalent of interest. If these charges are separately stated, an interest deduction equal to six percent of the average unpaid monthly balance during the year is allowed. There is a short cut method one may use in figuring the six percent interest allowed on Federal Income Tax Returns. Add the monthly unpaid balances, mark off two places and divide by two. This can save much time at our busiest time of the year.

ABC's of Auditing (Continued from page 5)

are examined is determined by the effectiveness of internal control over the recording of purchases and trade accounts payable. In addition to the examination of vouchers, the voucher record should be footed on a test basis depending upon the internal control—for example, the total column for one month, the distribution columns for another month, and crossfootings for still a different month. Finally, postings from the voucher record to the general ledger accounts are checked, for instance, for three non-consecutive months. We have illustrated three types of procedures used in testing the transactions and original records: (1) checking postings, (2) footing, and (3) examination of source documents.

In connection with the examination of the asset and liability accounts and the testing of transactions and the original records work has been performed on the operating accounts. For instance, depreciation expense is examined in connection with the examination of the fixed assets and related reserves as is interest, insurance, or rent expense in connection with the examination of prepaid assets and/or accrued liabilities. Furthermore in the testing of transactions and the original records, tests of the footings and postings of all accounts, including income and expense accounts, are made. In addition to the foregoing tests and examinations, the independent CPA will also perform an analytical review of the operating accounts on a month-to-month basis as well as a comparison of the balance this period to that of the previous period. Any significant ratios and averages should be computed as well as the use of graphs for the purpose of making comparisons. Any material fluctuations noted in making these comparisons should be investigated to determine whether the item was proper.

In addition to the verification and the testing of the accounting records, the independent CPA should request a representation by the client's officials as to the correctness of inventories and as to liabilities, direct or contingent, not disclosed by the accounts, which would materially affect the financial statements. These certifications do not relieve the CPA of his responsibility to carry out the audit pro-

cedures which are necessary in the circumstances. The purpose of such representations is to assure the CPA that nothing of material importance has occurred which has not been given effect to in the financial statements. In addition to these certifications, the CPA will read the minutes of meetings of the directors and stockholders of the corporation between the balance sheet date and the date of his report and will review any subsequent happenings which might have a material effect upon the financial statements.

With the completion of the audit work, we turn to the preparation of the accountant's report to the client in which he gives his opinion regarding the client's financial statements. The report should be prepared in accordance with the "Standards of Reporting" which were reviewed previously. In the first paragraph of his report the independent CPA defines the scope of his examination, and in the second paragraph he will give his opinion which may take the following form:

"In my opinion, the accompanying balance sheet and statements of income and retained earnings present fairly the financial position of the ABC Company at December 31, 1962 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year."

In summary, the independent Certified Public Accountant has examined the financial statements of the ABC Company through the application of the generally accepted auditing standards in order to give his opinion regarding the statements.

Tax Forum (Continued from page 8)

Thus, a taxpayer who owned Hawaiian property which was damaged by the excessive rainfall and flooding on or about April 14, 1963, and who suffered a casualty loss of \$2,000 as a result of such damage could file an amended return for 1962 and claim the \$2,000 deduction if he had not claimed the loss in originally filing his return. If he does not claim the loss on his 1962 return, he may claim it on his 1963 return.

Tips for Busy Readers

S. Madonna Kabbes, C.P.A.

DIFFERENCES BETWEEN UNITED STATES AND FOREIGN REPORTING, by Dudley E. Browne. *Financial Executive*—Vol. XXXXI—No. 1, January, 1963, p. 20.

Drawing on the experiences of his own company (Lockheed Aircraft Corporation) the author outlines some of the engineering, reporting and accounting problems encountered by those corporations, who are carrying on operations in foreign countries.

He lists three areas where he feels financial reporting by American industry differs materially from that of many other countries:

(1) The emphasis placed on management planning and control based upon budgets and forecasting techniques.

(2) The degree of disclosure of corporate information to investors, creditors, and the public.

(3) The relationship between the books of account and the financial statements prepared from such books and issued for public use.

Relating the first area of difference to the policies followed by his own company, a description is given of their master plan which is the long-range plan extending ten years into the future; also a series of forecasts prepared by the operating divisions and consolidated by the forecast department and projecting plans five years into the future. The third planning tool is the use of the first year of this five-year forecast as the annual management budget. The use of such forecasting methods enables management to plan and control. Actual results, as reported on the financial statements, are compared with such forecasts and a continual effort is made to improve future planning. Such tools are typical of those being used by American industry and emphasize the reliance management places on such forecasting techniques.

Full disclosure of all significant information is the goal of both the industrial and the independent public accountant in preparing and examining the reports presented by American companies to their stockholders, creditors and the regulatory agencies. While this emphasis on full disclosure has not always been true, even in America, annual reports now include the statements of financial position and the operating statement (many also include the funds statement), as well as many analyses,

graphs and charts to enable the reader to fully comprehend the data being presented. Budgets and forecasts are usually furnished only to banks and major creditors.

In America financial statements are based upon the books of account, with possibly a few reclassifications for statement purposes. In many countries the figures prepared for management, or for tax purposes, are not necessarily in agreement with those published. In the United States the various professional accounting organizations have been instrumental in bringing about the reporting of data to government agencies and others, that is based on generally accepted accounting principles.

Specific differences which the author's company found in their foreign operations included delay in furnishing annual reports, and lack of available credit and financial information in the possession of a client's banker. Another variation concerned the practice of foreign companies of including in the quoted contract price a percentage return on both the borrowed and invested capital; in the United States such return is considered a part of the profit. Many European countries do not publish sales figures; are allowed greater freedom in creating contingency reserves; and use foreign bases as tax sanctuaries in order to improve their competitive position in world markets. The report of the independent accountant often certifies the statements have been prepared "according to law" rather than "according to generally accepted accounting principles" as is true in the United States.

Certain developments indicate that greater standardization of accounting practices is evolving. Manufacturers of high speed computers often include a system for the operation of such machines designed to serve both the foreign and domestic offices of the company. More extensive listing of corporate stocks on foreign exchanges has influenced the requirement for more standardized reports. The influence of the European Common Market is bringing accounting methods of those nations closer together.

The author does not urge uniformity in accounting practice, but hopes for "improved comparability of information, greater disclosure, and better understanding of the practices in other nations."

Highlights of the Joint Annual Meeting

AWSCPA-ASWA

Hotel Radisson
Minneapolis, Minnesota

Wednesday, October 2

Registration; Board Meetings; Tour

Thursday, October 3

Professional Development Sessions
Welcome Luncheon
Joint Annual Business Meeting
Technical Session
AWSCPA Dinner

Friday, October 4

ASWA Annual Business Meeting
President's Luncheon
Technical Session
ASWA Chapter Officers' Conference
Buffet

Saturday, October 5

AWSCPA Annual Business Meeting
Technical Session
Board Meetings
Reception and Banquet

Points to Ponder from Previous Issues

I-T-S = 361

Formula for business in 1963

I is income.

T is for taxes people pay, to be subtracted from income.

S is savings, also subtracted.

Answer is 361—the total in billions of dollars (estimated) that Americans will spend for goods and services in 1963.

Figure equals nearly \$1 billion a day!

—Nation's Business

Skillful communication depends on the ability to hear what is actually being said, as well as what is left unsaid because the communicant is unwilling, or unable to express her ideas.

—December 1962

Accounting principles are a growing, constantly evolving body of knowledge of the profession which will continue to change as the economy of our country and the world changes.

—February 1963

In This Issue

"The ABC's of Auditing" has been published in the Haskins & Sells SELECTED PAPERS 1962. Miss Beniteau, the author, is a senior accountant in that firm's Dallas office. She holds a B.B.A. cum laude from Baylor University, Waco, Texas, and an M.B.A. from the University of Texas. She passed the C.P.A. examination in Texas in 1960 and is currently serving as Second Vice-President of the Dallas ASWA Chapter.

Members of 8th International Accounting Conference held last year in New York will be refreshed by our review of "Differences

between United States and Foreign Accounting" by Dudley E. Brown.

An ASWA Chapter member makes a suggestion for saving time and an illustration of management services, reprinted from the Michigan C.P.A., appears in the Comments and Idea Exchange column.

Another unusual recent Tax Court memo decision is summarized by the tax editor.

This issue contains the names and addresses of the 1963-1964 ASWA Chapter Presidents. This information will not be repeated in forthcoming 1963-1964 issues.

Editorial Staff and Board

The new national officers and directors of both AWSCPA and ASWA have formulated their plans for the 1963-1964 administrative years of the two national women's accounting organizations. ASWA chapters have begun a new year. And THE WOMAN CPA presents to you its staff and editorial board as presently constituted:

Mary J. McCann, C.P.A., will serve as Associate Editor. Miss McCann is a manager with the Kansas City office of Touche, Ross, Bailey & Smart. She was President of AWSCPA during 1958-1959.

Rosemary Hoban, C.P.A., is manager in the Tax Department of Touche, Ross, Bailey & Smart, Detroit, Michigan. She will continue to serve as Tax Editor for the remainder of the current calendar year.

The comments and Idea Exchange Editor is Jane Strenciwilk, C.P.A., of Detroit, Michigan. She is employed by Laurence Scudder & Co. and was the 1962-1963 Editor of the AWSCPA News.

Marilynn G. Winborne, Ph.D., C.P.A., and

Assistant Professor of Accounting at Arlington (Texas) State College has agreed to act as Literary Editor. Her first column will appear in the October 1963 issue.

Editorial Board members, who review and evaluate manuscripts submitted for publication, will be: Catherine E. Miles, Ph.D. of Atlanta, Georgia; Katherine E. Pfeifer, C.P.A. of Cleveland, Ohio; Patricia Perry, Portland, Oregon; Doris Parks, C.P.A., Chicago, Illinois; Virginia M. O'Hern, C.P.A. of Fullerton, California, and Dorris Michalske, C.P.A. of Cleveland, Ohio.

We thank retiring editors, S. Madonna Kabbes, C.P.A. (whose last column appears in this issue) and Marion E. Davis, as well as Erma L. Adams, C.P.A. and Edith Moore, C.P.A., both of whom are completing their terms as members of the Editorial Board.

Will you, the members of AWSCPA and ASWA and the readers of THE WOMAN CPA, join us as authors and contributors to forthcoming issues?

ANNUAL MEETING

AMERICAN WOMAN'S SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Notice is hereby given that the regular annual meeting of the American Woman's Society of Certified Public Accountants will be held on Saturday, October 5, 1963, at the Hotel Radisson, Minneapolis, Minnesota, at 9:00 a.m.

Lucille R. Preston
Secretary 1962-1963

Appreciation

Marguerite Reimers, immediate past Editor of THE WOMAN CPA, wrote, in the August 1957 issue, of the challenge to the new editor to continue the high standards and to work for the continued improvement of the publication. After serving as editor for 36 issues of THE WOMAN CPA, Miss Reimers, in the June, 1963 issue, expressed gratitude for the opportunity afforded her to widen her horizons and thanked the Societies for a "memorable experience."

As we endeavor to get our first copy in the hands of the printer, we realize, perhaps more than ever before, how deeply indebted the members of both AWSCPA and ASWA are to Miss Reimers. Not only has she contributed much to the progress of the Societies in the past six years, but she has also found time for other civic and community activities.

In addition to conducting her own accounting practice in Seattle (she now has two ASWA members on her staff), she served one year as president of the Seattle First Business and Professional Women's Club. At that time, she was also Secretary of the Washington State Federation of Business & Professional Clubs. For the past three years she has served as chairman of the audit committee of the Municipal League of Seattle and King County.

As she retires from the editorship, she expects to have more time and filing space available so that she can substantially increase her billings in the future! In addition, she promises to contribute manuscripts to THE WOMAN CPA!

A sincere thank you to Miss Reimers for a job well done.

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A CORRESPONDENCE SCHOOL SINCE 1903

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