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## Solution to depreciation problem

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sary to borrow small sums the application be made to the firm.

It is undesirable that accountants become too intimate with clients and their employes. The attitude of the former should be one of dignified friendliness. Any association which requires more than this should be avoided. This does not mean that accountants may not with propriety accept reasonable entertainment. It does mean that the relations should not be carried so far as to make possible subsequent embarrassment.

Clients and other employes should not be antagonized. They should be accorded courteous, dignified treatment under all circumstances. This may at times be difficult, but is the proper position to take. The test of an accountant's calibre frequently is his ability to maintain his equanimity and dignity under trying circumstances.

**PROFESSIONAL ETHICS**

Accountants should not discuss clients, their work, or any feature thereof, with anyone, under any circumstances, except members of this organization. When it is realized that all the work of the public accountant is necessarily the private business of someone else everything which comes to his attention should be treated as strictly private and confidential.

The bookkeeping or accounting system of the client should not be criticised or discussed with the client's employes.

The business, work, or characteristics of other public accountants should not be commented upon, criticised, or discussed.

It is not considered good form to discuss with the client or his employes such matters as the length of time the accountant has been with the firm or the amount of his compensation.

It is considered unethical for a member of the staff to solicit or to arrange for employment with a client or other accounting organization without first discussing the matter with the firm.

**PROFESSIONAL REPORTS**

Accountants should obtain from the files

copies of reports which have been rendered and familiarize themselves with the form and content thereof. The working papers accompanying such reports should also be studied. The director of professional training will, if desired, make suggestions with respect to the selection of such reports.

The accountant should place his signature on the first page of the comments and each page of the exhibits and schedules of all reports and statements which he prepares. If some other accountant checks the statements, he also should sign them, indicating the fact that he has checked them.

Abbreviations should not be used and special care should be taken to see that names are legibly written.

Accountants should bear in mind the fact that their working papers frequently have to be referred to by the office, consequently such papers should be complete and clear. The name of the accountant doing the work should appear on the upper right hand corner of all working papers. As far as practicable, standard size journal and analysis paper should be used. Each statement should be properly headed with titles and dates, and, if folded, should be properly endorsed. Superseded statements should be so marked on the outside as well as across the face. The trial balance should have notes opposite each item as to its character, if not analyzed, and how verification was made. If analyses are made, they should be referred by numbers to the trial balance. All differences between book figures and figures which we are to present should be clearly set forth in journal entry supporting the working sheet. Working papers for consolidated balance sheets and income statements should show clearly in a separate column all eliminations as among component companies, and such eliminations should be supported by a detailed statement giving a description of each item eliminated.

All work connected with an engagement should be completed, as far as possible, at the office of the client.

**Solution to Depreciation Problem:**

**T**HE vessel should first be set up as of January 1, 1914, at a cost of \$60,000.00.

Date.	Dr.	Cr.
1914. Jan. 1	Cost of Property..... \$60,000.00	
	Proprietorship.....	\$60,000.00
	To record the purchase of one ship having an estimated further life of eight years.	

The amount of depreciation per year, based on the estimated life, was \$7,500.00. In the course of four years, extending from

January 1, 1914, to December 31, 1917, the amount of the reserve accumulated for depreciation should have been \$30,000.00. Instead of such amount, it appears that only \$19,000.00 had been set up in the reserve. On the basis of revaluation, the amount of depreciation chargeable up to December 31, 1917, being the difference between the cost and residual value, should have been \$50,000.00. Deducting from this the \$19,000.00 leaves \$31,000.00 as the amount to be written off. A part of this amount should be charged against surplus. Whether or not any part should be

charged against operations for the year 1917 would depend upon the composition by years of the reserve in the amount of \$19,000.00. If by any chance the amount added to the reserve in 1917 were \$7,500.00, then no part of the \$31,000.00 should be charged against the operations of that year. The whole amount rather should be charged to surplus.

There is nothing further to be done with

the problem except to set up the additional cost of putting the vessel in condition after the survey. Charging the amount involved—\$70,000.00—to the cost in the property account would give the ship a value, based on cost, of \$80,000.00, which cost, less any residual value which the vessel might have at the end of five years, should be spread over the five-year period, beginning January 1, 1918.

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## Trust Company Auditing (Continued)

**T**HERE is probably no class of work on which the accountant requires more poise and sagacity than the audit of a trust company or of a bank. On such engagements he is brought into contact with men who are smart, shrewd, critical and exacting in their estimate of what constitutes efficiency on the part of the auditor. To meet this test he must not only understand thoroughly the work on which he is engaged but be able to handle tactfully any situation which may arise during the progress of the work.

A definite program of work with the assignment of the men to the respective parts thereof, thoughtfully evolved in advance, conduces greatly to the conduct of the audit. The program may need to be changed when the work is begun, and the men may have to be shifted. This is apt to be true on a new engagement. The major portion of a well arranged plan will, however, remain unchanged. The result will be much superior to that attained where the planning is left to the resourcefulness of the man in charge when the force arrives on the scene of the engagement.

The location of the cash, securities, and the loans with their supporting collateral should be ascertained in advance. The physical surroundings should be taken into consideration. The men to have charge of counting the cash in the cages, the cash in the vault, the securities owned, and the securities supporting loans, respectively,

should be selected and their assistants assigned before proceeding to the trust company. Each assistant should know distinctly to whom he is assigned and what he is to do.

The work is started, as a rule, on Friday at the close of business. This is obviously because there is more opportunity for work on the cash and securities without interruption between Friday afternoon and Monday morning than at any other time during the week. Where the trust company has branches work should be started at the main office and branches simultaneously. If a large number of men are required for the main office, arrangements should be made so that they will arrive there at such times and in such numbers as they can be started on the work advantageously. They should not arrive all at one time and thus give the appearance of besieging the place.

Upon entering the cages of the paying and receiving tellers, the count should be taken up immediately. No person should be permitted to leave the cages while the count is in progress. The counting of the cash in the vault should also be taken up immediately.

The securities should be put under control by sealing all boxes or safes in which they are located. Tape bearing the firm name and tin seals consecutively numbered are used for the boxes. A heavier metal seal, so arranged as to go over the combi-