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Proof of cash

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Many of President Young's descendants are numbered among the leaders in business, finance, art and science to-day.

The Mormons are patriotic. They have great civic pride. They are about equal in population now in Salt Lake City with the non-Mormons. They are found in all walks of life. There is nothing to distinguish or identify them. Business, politics, and society, in Utah, appear to give no consideration to a person's religious faith.

The Mormons do not have horns or cloven hoofs. They are flesh and blood. They look, dress, and act like other persons. Theirs is a practical religion which they carry into their daily lives. They have infinite faith in it. There is no reason why they should be singled out for curious consideration. Some of them are persons of culture, refinement, and beautiful character. It is a pleasure and a privilege to number them among one's friends.

The Proof of Cash

EVIDENCE is frequently encountered that undue importance is attached to the process commonly referred to as "proving the cash." This process consists of checking the totals of cash receipts and disbursements as shown by the cash book with the deposits and checks, respectively, as shown by the bank statements—the latter reconciled in respect of checks outstanding at the beginning and end of the period.

The principle underlying this method is sound when applied to a short period—the shorter the better. It would be ideal, if practicable, to prove that the receipts of each day have been deposited, that each deposit is represented on the books as cash received, and that each item entered as a disbursement is supported by a check charged by the bank. However, it is not sufficient to check the monthly totals of a cash book in that manner, and it naturally follows that checking the annual totals (or the aggregate of monthly totals) does not constitute verification of either the items or the totals of the cash book.

It is absolutely essential in all cases to foot both sides of the cash book, and to compare the cancelled checks with the entries of disbursements.

A cash collection which has been entered

as a receipt might be misappropriated by failure to deposit it in the bank and by underfooting the receipts side of the cash book; then the total receipts as shown by the cash book would agree with the total deposits as shown by the bank. A fraudulent disbursement might be concealed by failure to enter it in the cash book, by overfooting the disbursements side, and by abstraction of the check when returned by the bank; then the total disbursements as shown by the cash book would equal the total checks as shown by the bank. This could happen even though the cancelled checks submitted to the accountant were compared with the record of disbursements, unless they were added or were checked in detail to the bank statement.

When it is said that the footing of the cash book and comparison of the checks cannot be dispensed with, it is not meant that a complete audit of these entries must be made. Intensive tests are usually sufficient unless they disclose some indication of irregularity which may call for more checking.

Some test should always be made to determine, if possible, whether the specific items entered as cash receipts have been deposited, or if this cannot be done, to determine whether certain items in the aggregate have been deposited. It is gen-

erally impracticable to determine the composition of deposits unless copies of the deposit slips are made and retained, but it is always practicable to determine whether or not bank deposits are supported by any entries of receipts.

When there is more than one bank account a test should always be made of deposits during the last days of the audit period and the following day or two. The particular purpose of this is to detect a deposit in one bank of an unrecorded check on another bank to cover up a shortage in the first bank, which check cannot reach the second bank in time to be charged by

it in the audit period and will not appear as outstanding. When there is only one bank account it is equally important that the deposits for the last two or three days be checked for the purpose of detecting any deposit by an individual to cover up a shortage.

It seems clear that nothing is added to the effectiveness of the foregoing essential steps by also preparing a so-called "proof of cash." In fact, its preparation, in nearly all cases, indicates either a faulty conception of the proper methods of auditing receipts and disbursements or an unconscionable waste of effort.

Rejoinder to Criticism of Foreign Exchange Solution

WE cannot fail to be impressed with the thoroughness and scholarly character of the criticism by our London office of our solution to the problem on Foreign Exchange, which problem and solution appeared respectively in the February and April numbers of the BULLETIN.

"We agree," runs the criticism, "that it is an excellent problem, but having considered it in the light of our experience in foreign exchange accounting, we find certain features, both in the problem itself and the solution, which do not appear to conform with actual practice." The criticism goes on to state that no instance has ever been encountered in the experience of the critic where the entries have been made concurrently in parallel columns in two kinds of currency.

In this connection, it occurs to us to point out that the experience of any one, no matter how broad or extensive, is a dangerous basis from which to draw generalizations. Various cases are known where the accounts have been kept concurrently in two kinds of currency. Thus is the argument of the critic broken down and

the use of generalizations questioned, unless they result from the examination of a sufficient number of cases to make possible statistical results.

We agree that the labor of carrying accounts in parallel columns in two kinds of currency would be great if the volume of transactions were to be large. It does seem, however, that the desirability of such practice would depend largely upon the circumstances in the case and in certain instances might be indicated.

In the concern under consideration, for example, there would seem to be no necessity for the use of figures dealing with peso currency in the New York books. Likewise, in the case of the Chilean books, there would appear to be no reason for carrying the accounts, except that with the New York office, in U. S. dollars. It does seem, however, when the account current to be rendered to the New York office is prepared, that it would facilitate the work of the latter if the entries were to be shown in both pesos and U. S. dollars.

Where there are current transactions between two houses, where foreign currency