Woman C.P.A.

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Uniform CPA Examination Grading Staff

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Several positions are open on the Advisory Grading Staff for CPAs to grade the Uniform CPA Examination at the Institute headquarters in New York City. The approximate dates for grading the November 1966 CPA Examination are November 25 through January 5.

Graders must be able to grade at least three full days a week for the entire grading period (grading may be done on Saturdays), and they are expected to make the semi-annual grading engagement a part of their practices. Graders are paid on a per diem basis.

Interested CPAs should write William C. Bruschi, Director of Examinations, American Institute of Certified Public Accountants, 666 Fifth Avenue, New York, New York 10019. All applicants under consideration will be personally interviewed.

HOW CLOSE TO BANKRUPTCY ARE YOU?

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A management without concise knowledge as to the pattern with which their individual costs vary with volume of output cannot determine with any degree of reliability at what sales volume their operations under a given capacity would break even, yield a certain amount of profit, or would produce the maximum profit possible. Their ignorance also renders them impotent in systematic attempts to control and to reduce costs and in obtaining a satisfactory net profit. Such management is worse than gamblers who at least study the laws of chance when making decisions.

Another prerequisite for successful operations is management's ability to attain and to maintain sufficient sales. This requires a powerful, well-trained sales force, a thorough knowledge of the market-demand situation, and flexible sales and production policies.

Because of lack of space, the author shall discuss only one more cause, which although only of a contributory nature, frequently accelerates the over-all deterioration process.

Inadequate Accounting Methods and Records

It is a well-known fact that smaller firms especially are likely to have lax or inadequate methods of accounting. Many owners of such small businesses are of the opinion that they cannot afford an accounting system, however elementary. Some do not wish to be bothered to keep a set of books and are convinced that their daily personal contact with the business obviates the need for accounting records.

After discussing the various causes of business failures, it seems quite obvious that adequate accounting records are an essential prerequisite for any type of intelligent and sound business decisions, and that a manager without such adequate quantitative data is much like the captain of a boat without a compass to guide him to his desired destination.

Tools for Diagnosis and Prevention of Business Failures

Since most of the before-discussed causes of business failures find their reflection in the financial statements, it is only logical to start investigations as to a company's degree of solvency, profitability and stability with a careful analysis of the financial statements.

Ratios and Percentages

The analytical measures obtained through comparison of individual statement items to each other and with corresponding ones on earlier statements, usually expressed as ratios and percentages, provide a fairly good basis for evaluating a company's ability to meet its debts as they come due, its success in earning an adequate return on its assets, and its degree of stability. Ratios and percentages become especially meaningful when compared with corresponding ones of other companies in the same or similar industry, and with industry averages.

The most commonly used ratio to indicate the degree of financial strength is the current ratio. Its purpose is to portray, by relating current assets to current liabilities, the enterprise's ability to meet current obligations. This ratio, however, does not take into account the distribution of the various items making up the current assets, and the length of time it may take to convert them into cash required to liquidate the current liabilities.

To truly test a company's solvency, another more severe test is in frequent use, the liquidity ratio or the "acid test" ratio. This ratio, by including only strictly liquid assets (cash, receivables and marketable securities) in current

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