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The Bank Credit Man's Point of View

WE are distributing with this number of the Bulletin an article entitled "What the Accountant's Report Should Show the Banker," by Arthur L. Moler, assistant credit manager of the Union Trust Company, Cleveland, Ohio, reprinted from the February, 1922, number of Administration.

This excellent article is especially welcome because it states clearly the position taken by bank credit men generally and helps to pave the way for closer co-operation between bankers and accountants in the interest of borrowers. The accountant serves the borrower. The borrower must satisfy the banker through the accountant. Hence the accountant must know what the banker wants.

There is little comment to be made on Mr. Moler's article except perhaps to say that additional light might be thrown on certain matters by a comparative state-

ment which through increases and decreases would indicate certain tendencies not disclosed by a single set of figures. Thus, also, would be eliminated the necessity of giving in the cost of sales, details of inventories both at the beginning and end of the period.

Another thought which Mr. Moler possibly in the pressure of many other points requiring discussion has failed to bring out, is that much collateral information of use to the banker in arriving at his conclusions might be furnished by the accountant if the accountant and the banker were to be brought into contact before the engagement is undertaken. This condition if laid down by the banker would doubtless in most cases have the concurrence of the borrower, and not only contribute to the successful rendering of the service, but, as a sequel thereto, facilitate the granting of the credit.

Foot-notes

SITUATIONS calling for foot-notes in connection with accountants' reports appear to be arising with increasing frequency. This fact calls for a somewhat intensive consideration because of objection to foot-notes from some quarters and the opportunity which they afford to unscrupulous or careless individuals who are responsible for the reproduction of accountants' reports.

The necessity for more than passing care in the use of foot-notes will be evident when it is realized that notations carrying information of importance are sometimes omitted from balance sheets which are reproduced for publication. It must also be said incidentally that bank credit men view with some alarm the marked tendency toward the use of foot-notes by

accountants. This, however, is something which may not be easily overcome where a situation calls plainly for a notation of some kind respecting a certain item on the balance sheet, or some phase attaching to a certain item, which may not be otherwise expressed.

Opportunities for and occasions of fraud, and even forgery, growing out of the use of accountants' reports, should serve to enforce the greatest precaution of every sort on the part of the accountant, in the preparation of reports.

The outstanding illustrations of foot-notes are, of course, taxes, and notes receivable discounted. Other matters sometimes covered are cumulative dividend rights in connection with preferred shares; interest on income bonds; merchandise or