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forced on you gratis, as a matter of advertising, every time you purchase a package of cigarettes. But go to Italy and see if you can find a free match anywhere, even in the smoking room of a first class hotel. The ashtrays are there, but the place which holds the matches is strangely empty. The generation of good-will through anything given away is unknown in Europe.

One of the surprises and disappointments to visitors who go to Italy is the lack of good fruit. "Yes! We have no bananas" applies with full force to the land which Garibaldi came from. Peaches and pears, beautiful in color but harder than rocks, are served in the restaurants and negotiated about once by the courageous traveler. And even many of the grapes, which abound everywhere and delight the eye as they hang from vines in luscious looking bunches, are insipid and disappointing to the taste.

No servitor in Italy is ever satisfied with the tip he receives, regardless of its size. Most of the hotels have now adopted the policy of adding a percentage to the bill for service, but bus-driver, bell-hop, luggage-porter, chamber-maid, chamber-man, head-waiter, table-waiter, bus-boy, elevator-man, hall-porter, and his various assistants all stand with their hands out as of yore.

Italy has been pulled together, so to speak, by Mr. Mussolini, who is both sagacious and sturdy. He takes his dinner nearly every night alone in a private room of a small restaurant on the Pincio hill, where he sits in front of an open window overlooking the ancient and honorable City of Rome. That he is not surrounded by henchmen or spending his time in entertaining and merry-making augurs well for the continued success of his unique position and administration. Unemployment has almost disappeared. The mental attitude of the people has been completely changed. The country is prosperous and they give the credit to Mussolini.

Any critical note in this article should not be taken too seriously. Scribbling in the lighter vein one is apt to dwell on things more amusing than consequential. For, after all, the educational advantages of travel may not be had without some of the peculiarities of new environment, which shifts as a person travels from place to place. First-hand information is more convincing than books. It is enlightening to see how other people, especially in older countries, live and do things. We acquire thereby a basis of comparison. America suffers only mildly in the process. She is long on free matches.

Kiting

A RECENT case in our experience presents some very interesting features in connection with the verification of bank balances. The principle involved is old, but the practice in this case was rather novel.

A cashier had misappropriated a considerable amount of cash. The method of doing so is not germane to the present discussion. He had made no attempt to falsify the accounts, but was merely short in his bank balance. There were active

accounts in two local banks. Being informed that an audit of his accounts would be made at the end of a month, he proceeded to cover up the shortage in a very ingenious manner.

On the last day of the month he drew two checks, one on each bank to the order of the other bank, for half the amount of the shortage, taking the checks from the back of the check books. He had these two checks signed by two different officers, with the explanation in each case that it was

necessary to transfer funds. As such transfers were not unusual, no suspicion was aroused. These checks were deposited with the payee banks so late in the day that they would not be presented to the drawee banks until the next day. No record of the checks was made in the cash book or check register.

It will be seen that the ultimate effect of each of these checks was to nullify the other, but at the close of business on the end of the month both had been credited by the payee banks and neither had been charged by the drawee bank, resulting in an overstatement of the balance in each bank, so that in the aggregate the shortage was concealed. The cashier believed that this concealment would be effective as no record of the checks had been made, and the auditor would therefore be ignorant of the fact that the checks were actually outstanding and should be deducted from the balances shown by the banks. It was his purpose to destroy the checks when they were returned by the banks.

The cashier, however, failed to take into consideration the auditing principle, with which it is believed all members of the organization are familiar, that in accounting for any asset as shown by the books care must be exercised not to count anything that has not been actually charged to the asset account. This applies alike to cash, securities, negotiable instruments, merchandise, unexpired insurance, and perhaps other items.

This principle, as has been said, is undoubtedly recognized in theory, and it is hoped in practice, by every accountant who is entrusted with the verification of cash balances, but experiences, such as the one related above, serve as mental stimuli. They remind us forcibly that in the performance of any auditing task we must constantly be on the alert to discover means of making the process actually effective, and that there can be no situation where

the auditing may be assumed to be a matter of mechanical routine, to be undertaken without due consideration of any possibilities, however apparently remote, which should be guarded against.

In the specific application to the verification of bank balances of the principle with which we are concerned at present, the point to be considered is the possibility of deposits being made which are not charged on the books as increasing the balance to be accounted for. The possibility of abstracting checks from the back of the check book, and making no record of them, is a matter for very serious consideration, but is secondary to the deposit of unrecorded receipts or transfers so far as the verification of a bank balance is concerned.

No one would think of undertaking to verify a cash fund consisting partly of undeposited receipts without satisfying himself as well as possible regarding the amount which had actually been received and should be accounted for. In doing so, he would investigate any checks on hand to see whether or not they were entered as receipts. By the same reasoning, when a bank states that it has received certain amounts, resulting in a certain balance, it is necessary to determine whether or not the amounts which have been deposited have been taken up on the books as cash receipts. This means that a certain number of deposits, as shown by the bank statement, must be checked against the receipts as shown by the books.

As a rule, this feature is satisfactorily covered by selecting a few days in the audit period, including the last two or three days. It is not satisfactory merely to compare the total deposits and receipts for a month unless the record of receipts is footed.

If practicable, the receipts should be checked against the deposits, not only in total but in detail, as shown by the duplicate deposit slips or other record of the

composition of deposits. The purpose of the detailed examination is to detect any possible temporary misappropriation of receipts which is later covered by the misapplication of other receipts.

A New Angle

ODDITIES relating to capital stock having no par value are not uncommon. Queer conditions attaching to offerings of such stock have been so frequent that one is no longer startled by peculiar provisions surrounding them, no matter how absurd such provisions may be. There was noted recently, however, a somewhat original restriction attaching to what may be called old line preferred stock. In a statement of the preferences, rights, privileges, and restrictions or limitations attaching to the six per cent. cumulative, participating preferred stock of a certain utility company, the following appeared:

"In case any stockholder of preferred stock shall at any time desire to sell or otherwise dispose of any such preferred stock, he shall give written notice thereof to the company at its main office; and the company shall have the right within thirty days after the receipt by it of such written notice to purchase the preferred stock described in such notice, upon the payment of an amount equivalent to the par value thereof and the amount of any unpaid dividends accumulated thereon to the date of purchase plus a premium equivalent to 5 per cent. of such par value if dividends of not exceeding 6 per cent. in the aggregate shall have been paid on the preferred stock during the period of twelve consecutive calendar months next preceding the purchase thereof, * * *. No preferred stock shall at any time be transferable by any stockholder unless he shall have first given the said written notice to the company, nor unless the company shall have either consented in writing to such transfer, or shall have failed to exercise its right to purchase the said stock within thirty days after the receipt by it of the said written notice."

In justice to the company, it should be said that this stock is provided largely

with the idea of offering it to consumers of the company's product. The point involved is the effect which the provision will have on the transferability of the shares. It is apparent that such stock will never be traded in freely, and doubtful if it could be listed on stock exchanges.

Book Review

Sanders, Thomas Henry. *Problems in Industrial Accounting*. (Chicago, A. W. Shaw Company, 1923. 643 p.)

As might be expected, this book deals largely with the subject of costs. It gives a good idea of the various cost problems which arise in connection with manufacturing operations, and contains a vast amount of illustrative material having to do with cost accounting methods and technique. Most of the problems have been collected by the Harvard Bureau of Business Research, which has spent large sums in research work.

The book in question is essentially a case book, and should be found especially valuable for teaching purposes. The text, in so far as it covers the theory of cost accounting, is rather meager, but the problems are clearly stated and furnish an excellent basis for study. Not the least value of the book is that it sets forth the problems of various lines of industry as well as groups the problems under classified headings corresponding to cost factors.

Among the industries covered are mining and lumbering, hardware and metals, machinery and tools, food products and chemicals, textiles, and rubber and leather. The bibliography furnished is extensive and well selected.

Mr. W. H. Bell has been appointed a member of the Committee of the New York State Society of Certified Public Accountants on Co-operation with Bankers, of which Mr. John B. Niven is Chairman.