

University of Mississippi

eGrove

Haskins and Sells Publications

Deloitte Collection

1925

Attitude of the accountant toward his report

Anonymous

Follow this and additional works at: https://egrove.olemiss.edu/dl_hs



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

Haskins & Sells Bulletin, Vol. 08, no. 02 (1925 February), p. 14-16

This Article is brought to you for free and open access by the Deloitte Collection at eGrove. It has been accepted for inclusion in Haskins and Sells Publications by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

Accounts receivable offer abundant possibilities for concealment of fraud—particularly in cases where one person controls cash records in addition to customers' accounts. Discounts or allowances may be overstated. Charges to bad debts may be excessive. Cash from customers may be used for "overlapping." The control may be forced. A certain amount of scrutiny, which may be more or less detailed, is necessary therefore to assure the auditor that the accounts are free from manipulation, as well as from error.

The accounting phases of accounts receivable involve a number of considerations. Usually it is desirable to review generally the adequacy and propriety of the accounting treatment of consigned accounts, instalment accounts, and hypothecated accounts. For balance sheet purposes it is necessary to define the term "accounts receivable" as to inclusion or exclusion. Taken by itself it usually is understood to mean current receivables which will be liquidated in the ordinary course of trade. Questions as to whether amounts due from employees, claims against railroad companies, loans to officers, etc., should fall under the general caption probably should be settled in the light of the amounts involved, due dates, possibilities of collection, and the precise nomenclature used in the balance sheet.

Where merchandise has been consigned at cost prices, the auditor must decide whether such consignments should be shown in the statements at cost. Other problems may concern the proper position of reserves for doubtful accounts, or for discounts; the correct way to reflect hypothecated accounts, etc. Some of the deciding factors may be the purpose of the report, and the effect various combinations may have on ratios.

Passing on the valuation of receivables obviously is an important, also difficult task. As to trade accounts, aging of balances due often is of assistance to the auditor in determining the adequacy of the reserve. In connection therewith should be considered the ordinary terms of sale, activities of the credit and collections departments, and policies as to allowances. General conditions in the trade are often a pertinent factor. The value of amounts due from officers, affiliated companies, and other special sources usually can be appraised only by considering the circumstances surrounding the origin of the accounts, and other special conditions.

Valuable and enlightening information frequently may be derived from considering the accounts receivable as related to other items in the balance sheet and profit and loss statement. Such may be sales, capital, and current assets particularly.

The Attitude of the Accountant Toward His Report

EVERY accountant on the staff who has anything to do with the preparation of reports has a duty to realize the importance of the report in the execution of an engagement. There are relatively few cases where the client's impression of the quality of service performed by the firm and by its representative in charge is not influenced very materially by his opinion regarding the report.

It is rather dangerous to deal in generalities with respect to the requirements of reports, but the majority of audit engagements call for the preparation of financial statements, in varying degrees of detail, and of comments designed to supplement the statements and furnish such other information as may seem appropriate in the particular case. While the content and form of reports must be governed to some

extent by the necessity for observance of sound accounting principles and of such practices as have been adopted by the organization as a result of long experience, the determination of what is appropriate to include in any report is very largely a matter of ascertaining the wishes, viewpoint, or needs of the client.

As clients seldom indicate in advance with any degree of particularity their desires concerning the composition of reports, it is incumbent upon the firm, through some of its representatives, to endeavor to ascertain each client's viewpoint in that regard and, when successful in doing so, to be governed accordingly if possible. When any information concerning the report requirements is obtained by a principal it is communicated to the accountant in charge who will prepare the report. When the accountant has no such guidance he must undertake to make whatever inquiries and observations are necessary and practicable to enable him to determine, so far as possible, the requirements of the situation.

If it is impracticable to establish the contact with the client necessary to learn his ideas concerning the report, or if, as often happens, the client is not sufficiently familiar with such matters to indicate his desires, the accountant should consider carefully all angles of the situation and bring into play his practical business ideas, to the end that the report may be designed to be lucid and helpful to the individual or group for whom it is intended. To do this the accountant must usually have a broad, practical conception of business affairs and must consistently endeavor to relegate accounting to its proper place as merely a means of expression of business facts.

It will be seen that a great deal is expected of the accountant in the way of exercising judgment with respect to the

substance of the report. Probably it is unnecessary to inquire as to any accountant in the organization who is called upon to prepare reports whether he regards this responsibility as a burden or a privilege. As the ability and consequent value of an individual develop and increase only with the exercise of his powers, any opportunity to assume responsibility should be welcomed.

It is the policy of the organization that all reports, by whomever prepared, shall be reviewed by another before being typed and rendered to the client. This policy is based upon the common-sense principle that two heads are better than one; and it is the aim to make the review consistent with that principle. This means that the report as finally passed is the work of the originator supplemented by that of the reviewer, and not the reverse.

The persons selected to review reports are naturally those who have a peculiar aptitude in that direction and who have specialized in the necessary technique. Manifestly, such persons are usually able to improve the reports prepared by those who are not so familiar with or proficient in the various matters involved. It may be, also, that in an effort to improve a report the reviewer will employ his own personal modes of expression, but it is the aim to minimize changes in reports which constitute merely restatements in the reviewer's personal style.

It is to be regretted that many accountants seem to be deterred from putting forth their best efforts in the preparation of reports by the notion that whatever they may do, the reviewer will insist upon giving effect to his own personal ideas. Such a notion is utterly fallacious. On the contrary, the supreme desire of the report reviewer is to pass a report without change. Many accountants who early in their career were almost hopelessly discouraged by the

revision of their reports, have succeeded, through studious application and effort, in preparing reports which require little or no revision to make them very creditable to the individual and the organization.

Another feature of report procedure is that, as a precaution against possible error, all figures and references in reports are checked in the office. Occasionally it is found that accountants place too much reliance upon that verification and are not as careful as they might be with respect to the accuracy of reports. It seems hardly necessary to state that full responsibility in such matters rests upon the accountant doing the work.

The attitude of the accountant toward his report should, therefore, in all respects be that of responsibility and pride. He should aspire to such a degree of perfection that he would be glad to have the report known as his work.

Mr. A. B. Foye spoke at a luncheon meeting of the Kiwanis Club of Providence January 14, on the subject of "Federal Income Taxes."

Mr. H. J. Jumonville addressed the Accounting Division of the Junior Chamber of Commerce, New Orleans, December 4, on "Accountants and Their Value to the Business Community"; and the student body of the College of Commerce and Business Administration of Tulane University, New Orleans, December 16, on the subjects, "The Opportunities for a College of Commerce Graduate in Public Accounting," and "The Value of Accountancy to the Business Executive."

Mr. Gordon M. Hill, of our New Orleans office, addressed the students of the

Warren Easton Boys' High School, New Orleans, December 17, on "Requirements of the Accountancy Profession."

Mr. S. George Hay, manager of our Providence office, has been elected Treasurer of the Kiwanis Club of Providence for the ensuing year.

Mr. Charles R. Bowen, associate manager of our Cincinnati office, has been successful in passing the C. P. A. examinations of the State of Indiana.

We note with pleasure that in the June C. P. A. examinations in Michigan Mr. Kenneth J. MacDonald, of our Detroit office, received the second highest marks ever attained in that state, and as a result was awarded the Honor Medal of the Seymour Walton Medal Fund. We congratulate Mr. MacDonald upon this achievement.

Mr. H. W. Welsch, of our Chicago office, also has received the Indiana C. P. A. certificate.

Messrs. W. M. Wetzel, H. A. Dykes, C. W. Burton, and L. C. Knabe, all of our Baltimore office, are to be congratulated on their recent attainment of the C. P. A. certificate of the State of Maryland.

Mr. James Clarke, of our Pittsburgh office, has received the C. P. A. certificate of the State of Pennsylvania.

Mr. Walter D. Wall, also of our Pittsburgh office, has received the Massachusetts C. P. A. certificate.

Mr. Valdine Baker, of our Tulsa office, recently has passed the C. P. A. examination of the State of Missouri.