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Book review

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Guarding the Client's Interests

WHAT transpired in connection with a recent engagement illustrates a type of opportunity which we have of serving clients beyond the mere routine of audit work.

On a certain balance sheet audit at December 31, 1924, certain discoveries were made in connection with the verification of bank balances, which, while proving not to indicate fraud, constituted sufficient grounds for taking the matter up with the client. About ten checks had been altered by erasure with respect to payee, or amount, or both. No attempt apparently had been made to conceal the alterations, since they were very conspicuous. All endorsements appeared to be in order, as did the related cash book entries. A number of checks which had been paid by the bank in the usual course bore only one signature, instead of two, as required. One check bore no signature whatsoever. Not less than a dozen checks, while signed with the names of responsible officers of the company, had an initial under the signatures, both names obviously having been signed by the same person, who, upon investigation, proved to be the senior bookkeeper. Inquiry at the bank developed

the fact that the bookkeeper had power of attorney to sign for the two persons referred to.

What took place following the discovery is best related in the words of the supervising accountant in reporting the incident:

"I called at the bank in the company of Mr. — (an officer of the company) and laid the facts before the cashier in the former's presence, pointing out the dangers involved and eliciting the cashier's assurance that the bank in future will insist upon thorough regularity of the company's checks which may be presented. Mr. — readily acknowledged his company's fault in the matter, and assured me that the steps recommended to protect its interests would be taken immediately."

Academic discussion at times has questioned the propriety, where accountants are engaged to make an audit, of calling the attention of the client to dangerous situations of organization, routine, and internal check. Practical experience with matters of this kind demonstrates repeatedly that clients do not resent suggestions which will protect their interests, even though according to some theory such procedure may fall without the scope of the engagement.

Book Review

Greeley, Harold Dudley. *Estate Accounting*. (New York, The Ronald Press Company, 1924. 110 p.)

Greeley's *Estate Accounting* is a small package, neatly tied up, but full of good things. Any one who has had experience with estate accounting will recognize in the content many useful bits of information beyond the usual prosaic presentation of the subject. Anyone who seeks information concerning estate accounting may approach the volume in question with assurance that it will prove valuable.

The author probably would be disap-

pointed if a reviewer failed to comment on the novelty which the book contains by reason of having the glossary introduced into the first chapter. This is a clever piece of work and doubtless will be more effective than the author modestly anticipated. Whether conscious of the fact or not, by so doing he saved himself many words of explanation in writing the text, at the same time affording readers a comprehension of the subject which is an ideal approach thereto.

Running through the book in relation to each phase of estate procedure is a parallel discussion of law and practice, current

bookkeeping, and accounting. This is one of the most valuable features of the treatise in that it aids greatly in clearing up related questions as they arise.

If there is any choice in the matter of merit, Chapter II—Outline of Administration—perhaps is the best. It gives, with brevity, a remarkably lucid idea of estate administration from the dying gasp of the decedent to the final settlement of his estate. Other chapters following are:—Issue of Letters, Inventory and Care of Assets, Systems for Current Bookkeeping, Debts, Administration Expense, and Funeral Expense, Legacies, Descent and Distribution, Intermediate and Final Accounting, Testamentary Trusts, Inheritance Taxation.

Many points, perhaps insignificant in relation to the whole subject, but none the less troublesome as practical problems when they arise, are covered by the author in a way which shows his appreciation of their annoyance to the person who does not know how to handle them. For example: "Life insurance is an asset only when payable to decedent's estate;" "Inventories usually valued at cost or market, whichever is lower, may be valued at replacement costs because the estate is selling its interest in them to the survivors;" "A demonstrative legacy is a gift of money or other property payable out of a particular fund. If the fund is insufficient, the balance becomes a general legacy;" "Stock dividends have been handled in various ways. Some courts hold that all stock dividends belong to principal and all cash dividends to income. The more general rule is to classify a dividend according to what it represents, regardless of the medium of its payment. If it is a distribution of capital it is credited to principal; if a distribution of income, to income; if it represents both it is prorated."

A dramatic critic, no doubt, would find something radically wrong with the book. To an ordinary accountant, who has had some practical accounting experience with

estate accounting, it seems to be a very clear and useful presentation of the subject.

Miss Katharine A. Reynolds, who has been librarian at the Executive Offices since November, 1923, and prior to that time from September, 1919, assistant librarian, retired from the organization February 14. The grace and dignity with which Miss Reynolds has conducted the affairs of the library have contributed much to a unit of our organization in which we have just pride. Miss Reynolds will be missed by her many friends, and leaves with the best wishes of every one who has had occasion to know her.

We have pleasure in announcing that Mr. A. C. Fullerton has been made associate manager, and Mr. J. E. Krueger assistant manager, of our San Francisco office, effective January 1, 1925.

Mr. W. E. Nissen and Mr. J. N. Casella, of our Salt Lake City office, are to be congratulated on their recent attainment of the Utah C. P. A. certificate.

Mr. R. H. Morrison and Mr. C. H. Lee, of our Chicago office, have been successful in passing the C. P. A. examination of the State of Illinois.

Mr. J. R. Fincher, of our New York Thirty-ninth Street office, recently has been admitted to membership in the American Institute of Accountants as a result of his having passed the examinations given by the Institute.

Mr. L. R. Weckerly, of our Denver office, has passed the November C. P. A. examination of the State of Colorado.

Mr. C. H. Wolf, of our Atlanta office, recently has passed the C. P. A. examination of the State of Georgia.