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That the client may profit

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forged endorsements on regular checks six times, made a dozen false entries in the cash book, and was detected by certified public accountants before he had stolen more than twenty-five per cent. of the amount for which he was bonded. Fate doomed him to early discovery by the auditors, but the tentacles of the system would have involved him and revealed his thefts within a short time in any event.

System of the right kind is not a network of red tape. It provides nothing more than is required. Every specification must be supported by a reason. Filigree work has no place. Fads and fancies are not necessary. Frequently a little thought and purposeful planning will accomplish wonders. System of the right kind is a form of protection the business man can ill afford to be without.

That the Client May Profit

AS industry becomes more complex and competition in business grows keener, it becomes increasingly necessary that safeguards against embezzlement be adopted, that all possible economies consonant with efficiency be effected, and that all business leaks be stopped. Also, those who are charged with the management of business enterprises are realizing as never before the necessity for having their finger continually on the pulse of the business so as to detect its trend. Not to do so is to solicit failure.

The manager who is to succeed must be supplied promptly with reliable information as to the resources, commitments, and operations of his business—all procured, moreover, with the minimum of expense. The competent manager also realizes the necessity of guarding against the great danger of cash irregularities.

In order to obtain accurate information and safeguard properly the cash and other resources, there must be an adequate system of accounting which is suited to the requirements of the business and is properly administered.

Little can be said in this article regarding the specific benefits to be derived from a good accounting system by the great variety of business concerns and other organizations. However, they all may be summed up, for any organization, by saying that a good system, properly administered, will furnish promptly information regarding financial condition and operations, analyzed and classified in such man-

ner as may be necessary to show strong and weak points; in addition to showing past performances and present conditions, will keep the administration informed as to future commitments and prospects; will exercise control over property of various kinds and guard against loss of revenue; will facilitate auditing the accounts; and will do all these things with the least possible expense.

Many business concerns have outgrown their accounting system. Few business executives have the time or inclination to inquire into this feature of the operations, with the result, oftentimes, that leaks and inefficiencies develop which may seriously affect the business. Every business of any magnitude, as well as nearly every small one, needs to have its system surveyed occasionally in order to test its adequacy and efficiency. The professional accountant, in view of his knowledge and experience derived from the study of many businesses, should be best qualified to make such a survey.

A system must, of course, be based upon correct accounting principles. Every step in the accounting procedure must be directed—in as straight a line as possible—toward the ultimate preparation of sound financial statements and statistics. Therefore, it follows that the devising or revising of a system is essentially an accounting problem, to be undertaken by an accountant. However, a knowledge of the principles of accounting is not sufficient equipment for the system specialist. It

is equally important that he be familiar with business methods generally and with the particular workings and problems of the business for which the system is to be devised.

With the possible exception of some forms of business analysis and advice, system work calls for the greatest skill and judgment possessed by the professional accountant. While technical skill in this work is essential, the emphasis perhaps should be placed upon the necessity for good judgment. Many systems which have been marvels of technique have fallen by the wayside because, in one respect or another, the best of judgment has not been exercised in meeting the needs of the particular situation.

Any system worth the name is practical. No business can afford to spend two dollars, or even one, in order to be sure of not losing one dollar. There are situations where it is better to sacrifice absolute control over income or expense than to spend the money necessary to maintain such control, when reasonable assurance may be had with much less expenditure.

It is very seldom that the same system, in its entirety, can be used for two business concerns. A common fault with systematizers is that they attempt to make the business fit the system instead of installing a system appropriate to the business. Every peculiarity of the business must be taken into consideration. Also, it is necessary to recognize the personal inclinations of the executives, and perhaps of the other personnel. One executive may be eager for detailed information and another may regard its preparation as a waste of money. The first may be in a highly competitive business and the other not.

One of the outstanding reasons for the failure of systems is lack of tact in their installation. The dislike of change is proverbial, and therefore it is of the utmost importance that the accountant who installs a system endeavor to win the cooperation of everyone concerned. To

accomplish this it is necessary to convince everyone of the merit of the system, and the best way to do that is to let them have a hand in the work. Manifestly, all persons who are to be charged with the operation of a system must be made to understand their part of it.

It is of the utmost importance that a system be installed by the individual who has devised it, and its operation supervised for a time. Notwithstanding the studious care with which a system may be devised, it is almost certain that some features will have to be modified in the early stages of its operation. And even after that, it may be no serious cause for criticism of a system that it requires change from time to time. Many good systems have been discarded because they did not provide for some developments that could not reasonably have been foreseen at the time of installation, whereas with little trouble they might have been adapted to the changed conditions. This serves to emphasize the importance of frequent surveys in order to determine whether the system continues to be adequate and the maximum benefits are being derived from it.

Not the least important feature of an accounting system is the scheme of office organization and physical layout. The personnel must, of course, also be considered. No system is automatic, and all these matters must be carefully regulated if good results are to be obtained.

Of particular interest in these times are prevention of fraud and the disclosure of any irregularity that may have been committed. A good system, with proper assignment and rotation of duties, is the most effectual preventive of fraud and is more than likely to furnish the means of revealing any that has been perpetrated. Of course, under any but the ideal conditions of office organization and procedure, nothing can take the place of an independent audit in discovering fraud, but internal auditing can be provided for in an office of any size with very little,

if any, extra expense or duplication of work. In this connection, a word may be said on the fallacy of regarding fidelity bonds as full security against fraud. While such bonds are necessary, they should be regarded in the same manner as other insurance; that is, every precaution should be taken against the necessity of collecting on them. Further, what good can a bond do unless it is known whether a cause for collection exists?

In all cases where it is economical to do so, mechanical devices should be used as an aid in the compilation and recording of various data required. But they should be understood to constitute an aid to system and not be regarded as the system itself. A hundred million dollars or more are being spent every year in the purchase of mechanical office devices. Much of this equipment is being bought in a hit-or-miss fashion, without a careful study of the economy thereof or of its relation to the general system, or without a careful study of the many devices for sale that may serve the purpose. The result of these hit-or-miss decisions is that much time, effort and money are wasted.

To acquire familiarity with the many devices offered for sale and the use thereof is quite a task, requiring more time and money than it would be profitable for any but the larger corporations to expend. Advice on this subject may well constitute one of the functions of accountancy; but the public accountant, to be in a position properly to advise his clients, must have

available complete information on these subjects.

Having in mind the growing need for system service to clients, there recently has been organized in the technical procedure department of our executive offices a systems division under the direction of a specialist in that field. This division is undertaking to correlate the system efforts of the organization and thereby to serve the system needs of our clients at a minimum of time and expense to them through the practice offices by:

Furnishing advice on problems of system and organization;

Supplying system specialists familiar with the individual problem of the client to render such service as he may require;

Studying the functions of all mechanical devices used in an office, issuing bulletins thereon, and gathering catalogues from the makers thereof, so that this information will always be available to our clients.

Gathering continually from the practice offices new ideas and developments pertaining to system, which are available to clients through the system specialists in the various practice offices;

Keeping clients advised of new developments in the field of labor-saving devices.

Tearing Up Spoiled Checks

THE American Bankers Association, through a protective department which interests itself in the prevention of loss from crime, recently issued a code of rules containing advice as to the proper preparation and use of checks. One of the rules is stated as follows: "Don't erase. Errors should be corrected by writing a new check and destroying those incorrectly written."

There can be no question that the practice of attempting to correct errors made in checks already written is a pernicious one. The correction of an error made in writing a check, either by erasing or by drawing a line through the part erroneously written, offers an excellent opportunity for further alteration by any person who subsequently may come into possession of the check. The only really safe