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Accounting Work Simplification

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THERE IS something magical about the words "accounting work simplification." They immediately suggest that such a thing is possible. For those persons engaged in performing accounting work, this seems to be a final recognition that the frustrating complications of their daily work can be terminated with a wave of a special kind of wand.

It is a fact, however, that accounting work simplification is necessary and possible because most accountants have themselves unduly complicated the systems they maintain or for which they are responsible. Most systems start out reasonably simple, providing only for recording essential data and producing the minimum of reporting-type statements. From that time forward, most systems are *added to* but never *subtracted from*.

One of the interesting by-products of the machine-accounting era, especially more recently in the electronic data processing period, has been the realization that most of the cost-reduction potentials discovered in an accounting-system study can be achieved without installing EDP systems or other machines. The major cost reductions usually have resulted from the elimination of duplication of effort and the elimination of unnecessary procedures.

The basic principles and methods of work simplification are the same for both large and small companies. In large organizations, many persons might specialize in this work. In the small companies, there are no systems departments, so the application of these principles becomes the responsibility of the bookkeeper, office manager, accountant, or other office personnel, usually assisted by an outside auditor.

It is first necessary for an individual approaching this system-improvement work to readjust his point of view. He must disassociate himself from the intricacies of the present methods and procedures and take the position that every accounting system is not perfect and is subject to improvement. System deficiencies become evident very rapidly when the proper critical viewpoint is achieved. There are many clues leading to suggestions for remodeling an existing system. These are usually related to changes within the business: new products are added, old ones are discontinued; the sales personnel are sectionalized into new departments; the volume of business has changed; or there is new or

more aggressive competition. Whatever the reason, accounting systems cannot be static while a business moves forward.

Some of the best and most easily understood examples of accounting work simplification may be found in methods and devices designed for use in smaller accounting systems. For the elimination or reduction of work, there are such ideas as the discontinuance of an accounts-receivable ledger or an accounts-payable ledger. There are also very satisfactory methods available that eliminate the cash-disbursements journal and check register. Duplication of effort, on the other hand, might be avoided by adopting some of the many excellent "write-it-once" methods; some of them are designed for specific industries. A considerable amount of re-writing of essential data can be eliminated by the use of multicopy forms, accounting writing boards, and statement-preparation devices, such as "Unispred."

All such methods and devices are useful, but they cannot all be used in any one business. It is necessary first to analyze a particular problem and then to search for the idea offering the greatest potential for achieving an improved result. Most accountants are capable of evaluating a method or device once it has been called to their attention. The most difficult problem, then, is the research necessary to discover ideas, especially when a person does not know where to commence. For that reason, it might be helpful in understanding work simplification to discuss some specific methods and procedures in somewhat more detail. While these particular items are by no means a complete list of possibilities, they are representative of the types of things that can be done in almost any small system to simplify the work and bring commensurate cost reduction within the accounting department. In many instances, additional information becomes available without adding any additional cost to the recording function.

ELIMINATION OF RECORDS

Let us first look at the possibilities for eliminating certain traditional records found in an accounting system, mainly the accounts-receivable and the accounts-payable ledgers.

There are many situations in which it is appropriate to eliminate the posting of each invoice to an accounts-receivable ledger. When this can be done, a considerable amount of clerical time is saved. Under this method, a file folder is maintained for each customer. Into this folder is placed a copy of all invoices for sales to that customer. A con-

trol of all customer files is maintained in the general ledger (or by use of a sales journal) by recording therein the total amount of invoices written each day that are charged to accounts receivable. As collections are made from customers, the invoices are pulled from the open accounts-receivable file, marked paid, and placed in a paid file. When there are partial payments, this amount is manually inserted on the invoice copy and the copy is left in the file for open invoices. Periodic trial balances of the open items (invoices) can be taken with an adding machine and balanced with the control account. It is important in maintaining a system of this type to make absolutely certain that no invoices are pulled from the open accounts-receivable file except by an authorized individual; otherwise, it might be difficult to maintain a proper accounts-receivable subsidiary ledger by use of unit records.

Another time-saving idea related to the accounts-receivable function is the elimination of statements to customers informing them of their outstanding balances at the end of the month. There are very few instances in which statements cannot be eliminated. It is important when invoicing a customer under this procedure to have imprinted, on the invoice, wording to the effect that this will be the only invoice submitted, that payment should be made thereon, and that no statement of monthly balances will be sent.

There are very few valid reasons for maintaining an accounts-payable ledger. In spite of this, there are still many systems that include a record card for each vendor showing all purchases and transactions with that vendor. The most simplified approach to the elimination of this ledger, and also the elimination of some other auxiliary records, is the installation of a modern voucher-check system. Under this method a multicopy set of forms is used for each payment by check. Ordinarily, the first copy in the set is the check with an attached remittance advice. The second copy is usually an accounting copy and is used as a numerical reference file to which the various documents (such as the purchase order, receiving record, and invoices) are attached. A third copy can be provided for an alphabetical file, which provides a record of all purchases from a particular vendor. One other copy can be provided for use as a check register.

Voucher systems have been adopted rather widely, but all the advantages are not utilized in every system. In the system suggested here, the work necessary to maintain an individual record for each vendor would be eliminated, and there would be no necessity for an

accounts-payable journal, since the total of the accounts payable at any month end could be ascertained by running an adding machine tape on the unpaid vouchers in the file. A complete referencing system from the ledger entry to the numerical voucher file would be adequate for all auditing and income tax purposes. The alphabetical file would permit a study of purchasing history from any vendor and would be helpful in pricing inventories at the end of a fiscal period. By using one copy of the voucher set for a check register, it would no longer be necessary to maintain a separate register of all checks written. The check copies could also be used for bank reconciliation purposes.

ELIMINATION OF DUPLICATE EFFORT

Probably the most interesting area for exploration in systems-design work is that dealing with "write-it-once" systems and accounting writing boards. These devices provide, primarily, for the positioning of multiple documents in such a manner that when an entry is made for a transaction it appears recorded properly on all documents that might be included in that type of transaction. For example, in a payroll system, the payroll check, compensation record, and payroll journal would be aligned one above the other, so that as the entry is made of each employee's name and earnings data on the check stub, a carbonized portion of the stub would cause the same entry to appear on the compensation record and, similarly, on the payroll journal, thus eliminating two writings of the identical information. This same method applies to many other accounting functions, such as accounts payable and accounts receivable. For instance, in the accounts-receivable system it would be possible to record simultaneously the information necessary to maintain an accounts-receivable ledger, a record of sales with distribution by departments or product, and, if required, a monthly statement.

It can readily be seen that methods such as these eliminate duplication of effort, reduce errors that might occur in transcription, and result in more timely posting of all items throughout the system.

There are some interesting, time-saving devices available in connection with these posting systems. Some manufacturers have provided ingenious boards permitting the documents to be positioned accurately and rapidly. Also provided are filing devices that accommodate the documents in a manner that facilitates location for use in the manual system. One form manufacturer has available a ledger card with an insert provided for the name and address and credit information of the

customer. By use of a roller device, these data recorded on the insert may be transcribed to other ledger cards and to envelopes for mailings to the customer. When document sets are printed on paper stock coated with the chemical solutions provided by the National Cash Register people, it is not necessary to use carbon paper between the forms. This eliminates the handling of carbon paper, which generally slows down the operation concerned. "No Carbon Required" paper can be obtained for almost all accounting documents.

There are many other forms that might be designed for specific purposes and that do not require the use of a peg board or any other special device. An example of this might be a cash-receipts journal that can be aligned with an overlapping deposit slip. This would permit the simultaneous production of a bank-deposit slip at the same time the entry is being made for cash receipts in the cash journal.

Another idea similar to this is the use of multicopy forms. It is possible to get good legible copies on forms within sets of up to twelve or more pages, depending on the weight of the paper in the set. Where there might be an occasional need for more copies, one of the pages in the set could be printed in hectograph ink and could be provided with a hectograph carbon. This would permit the reproduction of considerably increased numbers of documents where required. The primary reason for having these multicopy forms is to capture with one writing all the essential data necessary to carry a transaction from its inception to its completion.

A good example of a multicopy form presently being used very successfully consists of all the documents necessary to process a sales order. This form consists of an initial order placed by a broker, a copy for confirming the sale, a shipping order, an invoice copy, a brokerage copy, and an accounting copy. The procedures designed for processing this deck of forms have resulted in the simplification of a sales-order processing system that was once extremely complex. It also has permitted a substantial cost reduction.

One of the most significant developments in the area of work simplification has been the design of accounting systems for specific industries. These systems have been designed by systems engineers and are printed by some of the largest forms-printing firms in the country. In general, they are the culmination of the thinking of many people who are experts in a particular field. The end product, therefore, provides a package from which a systems designer can select those materials that

he feels most appropriate for his accounting problems. Package systems are available for many of the special fields, such as insurance agents, attorneys, doctors, hospitals, auto dealers.

One forms-printing company developed within the past few years a very complete accounting system for nursing homes. This is an excellent example of specialization as well as simplification of the recording process. The package provided by this manufacturer contains a chart of accounts, formats of reports for management, "write-it-once" type of ledgers for recording charges, departmental charge slips, payrolls, etc. In fact, the package contains everything to start a bookkeeper or accountant on the right methods for maintenance of all records within a nursing home.

Another forms-printing manufacturer provides all the forms necessary for trucking companies in a package similar to that described for the nursing home. Inasmuch as there are now package systems designed for practically all specialties, even including bowling alleys, it is a prudent first step in systems design to investigate the possibility within this area.

MANAGEMENT REPORTS

There is no doubt but what the most difficult area for work simplification is that concerned with reporting accounting and financial information to management. Here the field is so broad, because of personal preferences, that it is difficult not to be too general in discussing this subject. However, it might be interesting to examine some devices that have been developed to aid in reporting to management.

No matter what report format is used, almost every financial report to management includes comparative data, so that yardsticks are present for measuring the trends of the company's affairs or the degree of control exercised by lower management. Whenever comparisons are made with historical data, it is necessary to type onto current reports the same information that appeared on prior reports. One printer of business forms has produced a simple device eliminating the necessity for retyping the financial information for past periods. This ingenious device is so constructed that the reports containing current data are fastened to the reports for prior periods in a manner that permits the extending of all the reports either to the right or to the left of a binding device; the columns of figures for prior periods are thus exposed. This device called "Unispred" is relatively inexpensive and results in the

elimination of a considerable amount of report-typing time, especially when all account descriptions are preprinted on the form.

Whenever financial statements are used comparing actual results with a budget or with a plan, rather than with past history, some additional aids should be considered. Since the budget or plan is known in advance, it has been found to be quite time-saving to have the work sheets for monthly reports prepared in advance. These work sheets could consist of anything from the hand-written report drafts to an off-set printing master. These work sheets become the basis for the statements to be produced each month. Accordingly, there would be as many work sheets prepared as there are reports to be submitted during the year. For example, there would generally be twelve report work sheets prepared in this manner.

Under this procedure, each work sheet would contain the budgetary information applicable to that particular month, as well as the total plan for the year. In many instances, there might also be included historical data from prior periods. Since all these data are generally available before the start of a year, all report work sheets should be prepared at the beginning of a year, with a saving of considerable clerical effort, especially at times of peak work load each month.

SUMMARY

These are some of the ways in which a person can approach the problem of accounting work simplification. It can be seen that most of the procedures in themselves are very simple. However, this simplicity is often very difficult to achieve. A great deal of time and thought is necessary in every procedure or system change. Each new form designed should be drafted in a temporary manner and used for a reasonable period before it is accepted as final. Package procedures should be studied in depth and used on a "dry-run" basis prior to installation within a particular business or profession.

Above all else, in pursuing the elusive idea necessary to simplify your accounting system, it is necessary only to remember that the harder you work at the problem the more magic there will be in the results.

