

1962

Day in the life of a CPA

Presley S. Ford

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 Selected Papers, 1962, p. 051-062

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.

A Day in the Life of a CPA

by PRESLEY S. FORD, JR.
Partner, Tulsa Office

Presented before the Oklahoma State University Chapter of Beta Alpha Psi, Stillwater, and the University of Tulsa Accounting Club, Tulsa—February 1962

AS A MEMBER of Beta Alpha Psi each one of you is a serious student of accounting. Within a short time each of you must choose what rôle you will play in the accounting profession. Some of you will find positions in industry, in commerce, in financial institutions, or in government. Others will choose the rôle of the certified public accountant.

My assignment this evening is to describe a day in the life of a CPA. On April 4, Mr. S. D. Williams will give a similar talk on a day in the life of a controller. These two talks, we hope, will bring into sharper focus your image of the opportunities presented by industrial accounting and public accounting, respectively. They will, we trust, help you decide which rôle in the accounting profession you are best suited to fill.

For my part, I propose to state the facts plainly. There will be no attempt to glamorize my profession, no attempt to overdramatize the inconveniences that are one of its features. As faithfully as I can, I propose to describe briefly one day in the life of each of four men associated with a national public accounting firm. For want of better designation, let's call them Matthew, Mark, Luke, and John. The names, though biblical, are entirely appropriate. Matthew, we are told, was an accountant. Mark, Luke, and John each gave us an account of the life of the Master.

MATTHEW

At 7:00 A.M. Matt sips his last cup of coffee, kisses his wife goodbye, bolts for the door of his garage apartment, and makes a Dagwood Bumstead run for the bus. At 7:30 he transfers to the bus to the factory district. At 7:55 he shows his identification badge to the guard at the gate of the Ajax Chemical Company plant. A walk across the factory grounds brings him to the factory office.

Tom, the chief factory accountant, is just unlocking the vault. Matt picks up the Haskins & Sells workbag and carries it to the two

tables where he and Luke, the Senior Accountant, work. He is just unlocking the bag when Luke arrives.

Oh, I forgot to tell you. Matt isn't really a CPA. He graduated at State University in June. He attended the H. & S. Executive Office Training Class. Now he's on his fourth audit as an Assistant Accountant.

"Matt, I want you to work on payrolls today," Luke says. "Read this work program and look over last year's analysis. Then we'll get the records you need."

Matt sits at his table and reads.

AJAX CHEMICAL CO.

WORK PROGRAM—FACTORY PAYROLL

YEAR ENDED JULY 31, 1961

- | OPERATION | INITIALS |
|--|----------|
| 1. Bring forward from last year's papers the outline of payroll procedure. Review it with the payroll clerk and note any changes that may have occurred during the year. | _____ |
| 2. Scan factory payroll totals, by semi-monthly pay periods for the year. Investigate unusual fluctuations between periods. | _____ |
| 3. Foot the net pay column of three payrolls showing increases over the preceding payrolls. Indicate payrolls tested _____, _____, _____ | _____ |
| 4. Select 100 listings at random from one payroll. Examine and check to the payroll the related canceled payrolls checks. | _____ |
| 5. Compare the signature on 20 Forms W-4, which are to be found in the personnel files, with the endorsements on the checks examined under 4. | _____ |
| 6. Test the payroll deductions on 20 checks by reference to withholding tables, insurance deduction cards, etc. | _____ |
| 7. Test the hourly rate of pay on 60 men to the rate change notices in the personnel files. | _____ |

8. On the same items tested under 7, check the regular and overtime hours per the payroll to the clock cards for the period. _____
9. On the same items tested under 7, mathematically check the gross and net pay computation. _____
10. Review the journal voucher recording the payroll distribution for one month, testing details against the related payrolls and noting departmental and functional classification of costs. _____
11. Prove computation of accrued payroll at July 31. _____

Matt reads the payroll procedure and turns to Luke.

"I'm finished."

"Good. Got any questions?"

"What about factory burden? I didn't see anything about that."

"This is a process cost system. You test the labor costs in each department whether they're direct or indirect. Later we'll test the costing of inventories. Come on. I'll introduce you to Jim. He's the payroll clerk. You can review the payroll procedure with him. Then, get the payroll binder and select the rolls to foot. Leave the investigation of fluctuations until you know the records."

At this point we can take leave of Matt. He'll spend half an hour reviewing the payroll procedure with Jim and making notations of any changes. He'll keep an adding machine "hot" for a couple of hours footing the rolls. He'll inspect checks, clock cards, rate change notices, etc., for the rest of the day.

He'll call on Luke when he "gets stuck" or finds something unusual. Luke will undoubtedly look in on him now and then to make certain he isn't "spinning his wheels" or testing more detail than he needs to.

Matt will have coffee with Jim at the morning and afternoon break. He'll learn something about the plant's products and how they are made. At lunch he'll talk with Luke about baseball, fishing, and such. Chances are, however, that Luke's conversation will drift on to the review he is making of variances under the standard cost system.

At 5:00 P.M. Luke will have Matt enter his time on the Accountant's Time Record and compare his record with the hours budgeted for payroll testing.

At home Matt, after he eats and reads the paper, will probably spend a couple of hours with his old textbooks and the H. & S. CPA Examination Study Guide preparing for the November examination.

MARK

It's cold in the house and dark outside when Mark crawls out of bed. Leaving his wife and his baby asleep, he dresses and goes to his second-hand car. As he speeds down the turnpike to Oklahoma City (at 70 MPH, no more, no less) he thinks about the coming day.

"I'm sure glad I passed the CPA examination. That's a load off my mind. Did pretty well, I guess; passed it on my second try.

"Well I wanted responsibility and I got it. Here I am a Senior Assistant Accountant and out on my own.

"I should arrive at the Beta Sales Company by 8:00 A.M. The manager should be there by then, although the store doesn't open till 9:00. I'll hand him my letter of introduction and count the cash. Let's see. I take cash register readings on all five registers and count the change funds first. That's so the cashiers can start at 9:00. Then I'll count the cash in the manager's fund and reconcile my count with his cash and sales report for yesterday. I'm glad I've got that cash reconciliation form from the office. It will help me over the 'bumps'. I'll control his deposit and get a receipted deposit slip.

"Then comes the inventory. The general office crew should be well along by the time I've counted the cash. This inventory method is a new one for me. The company uses the retail method. The inventory crew doesn't list or tag the items. They have an electric calculator mounted on a stand with rollers. One man calls off number of items and price. The machine operator punches these data into the keyboards and accumulates the retail total in an accumulation register. When one section of the store is completed, the retail total is entered on a floor lay-out sheet and the machine is cleared. I'll have a look at this sheet and see if the whole store is covered. I'll compare their section totals with last month's inventory. I'll independently count and check the retail total on one or two sections. I'll get a copy of the final inventory to use when we get to the general office.

"After the inventory I'm to make an attendance check of employees and obtain each one's signature. The payrolls are prepared at the stores and paid in currency. We'll use these signatures to compare with those on the payrolls in the general office."

Mark won't get home until after supper. Just to be safe he'll have a final look at his papers before he turns them in to the Principal. "I'm sure glad I had two-years' experience and some coaching by John (John's the Principal) before I tackled this job. That cash count was tricky. Two years ago I might have goofed."

LUKE

Luke, a Senior Accountant, and a man with six-years' experience, takes a deep drag on his cigarette and leans back in his chair. The clock on the wall says 10 o'clock. P.M. that is. Luke rubs his eyes with the back of his hand and thinks.

"I'm 'pooped', but I got to get this job finished tomorrow. The partner's coming down to review the papers."

"Mark," he calls to the Senior Assistant at the next desk, "are you about finished with that depreciation of lease equipment schedule?"

"About an hour should do it, if I can figure out the charge to the reserve on this lease the company abandoned."

"What's the problem? You credit the salvage realized to the abandonment loss account. You compute depreciation based on estimated oil reserves and production just as if the lease were retained. Then you clear the investment and accumulated reserve balance to the abandonment loss account. If the result is a gain and the lease has been held over six months it's a section 1231 gain. If a loss, it's an ordinary loss deductible in full."

"I get it. I think I can figure it out."

"Fine, let's finish it before we go home. You can have Matt check your calculations tomorrow."

Luke walks to the next room where Matt is at work on an allowable depletion schedule.

"How's it going, Matt?"

"I've got the oil and gas sales, lease operating expense, and development costs entered. I'm posting the adjusted basis depletion figures now."

"As soon as you finish we'll spread the overhead. I've worked up the allocation to departments on this schedule. You divide the total expenses allocable to producing properties by the gross income total. Carry out the decimal as far as you can. Then multiply the gross income on each property by this decimal and put the result in

the overhead column. Foot the column and tie out to my total. You may have to adjust a penny or two to make it balance.”

“Fine,” says Matt.

As Luke reenters the first office, Mark pops a question, “Say, Luke, what do I do about that carved-out oil payment they sold this year?”

“Dammit! I forgot all about that! That busts the depreciation and the adjusted basis depletion schedules wide open. You’ve got to compute the approximate number of barrels it will take to discharge the oil payment. Then you spread that figure to leases based on the estimated oil reserves and add the result to each lease’s actual production. If you don’t, the ratio between production and reserves won’t be correct.”

“OK—I’ll make the change.”

“Fine. You’ll have to change the adjusted basis depletion schedule too. Mark, tomorrow’s a big day. I want you to follow up on Matt and wind up that allowable depletion schedule. Check his figures. Let him check yours. We can’t have a mistake. Don’t forget we need special depletion schedules for Arkansas, New Mexico, and Oklahoma. Oh, I’m not sure about New Mexico. They amended their law to conform to the Federal law this year. Take a look at the tax service and see how that change affects the allowable depletion computation.”

Luke sits down at his desk. “Tomorrow I’ve got to spread the income and deductions by states. When Mark gives me those depreciation and depletion figures I’ll have to make the simultaneous tax calculation. With luck we’ll finish the returns tomorrow night. We’ll clean up odds and ends while the Partner reviews the papers on the following day.”

An hour later Luke throws down his pencil. “Let’s lock up for the night. I need some sleep.”

The work bags are packed and locked. The records are returned to the vault and the dial on the door is turned. The lights are extinguished and the three men step out into the cold night air.

“I could use a beer before we go to bed,” says Luke.

“Fine,” say the others.

Half an hour later the trio parks the car at the motel door. “See you at 7:00,” says Luke as he enters his room.

“Goodnight,” says Matt.

“Goodnight,” says Mark.

In his room Luke shucks off his clothes, takes a hot shower, and brushes his teeth.

"Think I'll call Nora," he says to himself. "Tommy had a cold when I left. Better see how he is and let her know I'll be home day after tomorrow night."

After the phone call is ended, Luke throws himself down on the bed.

"Gotta finish those returns tomorrow. Everything's got to go right. We haven't got time for a slip. Hope I haven't overlooked anything."

Luke is in bed but his mind is back at the office.

"I'll never get to sleep this way."

In the dark room he gets up and turns on TV. Zsa Zsa Gabor is a guest on the Jack Paar show. He watches and listens, making himself comfortable stretched out on the bed. The channel signs off. Luke doesn't notice. He's sound asleep by then.

JOHN

John, who graduated at State University nine years ago and has now reached the position of Principal, enters his private office.

"Got to make the location sheet this morning. Today is Friday," he says to himself.

John as a Principal is responsible for staff assignments. He maintains work sheets where each man's work is scheduled for months in advance. On Friday he reviews the assignments for the following week, makes certain that each man knows what engagement he is assigned to, and makes a report to Executive Office.

"Look's pretty good today. Every man is assigned. Just enough work to go around," John thinks.

The telephone rings. The man on the phone is Luke.

"I need an assistant two days next week to finish here."

"I'll call you back," says John.

By phone calls to two Senior Accountants, John finally locates an assistant who can be spared. John calls Luke and all is arranged.

John turns to his table. An income tax return prepared by a Senior Accountant sits ready to be reviewed. Carefully John goes over the return, checking each schedule into the work papers and considering the proper tax treatment of each transaction. As he

checks his way through the returns he comes to the capital gains schedule.

The return is that of an oil producer. On the work sheet is a brief notation, "Overriding royalty retained."

"Oh. Oh. I wonder if he handled that transaction correctly. When you retain an override, it's a sublease not a sale. The sales proceeds are ordinary income, subject to percentage depletion."

John carefully scans the return.

"Good boy. He handled it properly."

At this moment the telephone rings. Client Smith is on the line.

"John, I traded that rental house I owned for a farm. Is that a taxable transaction?"

"Well, an exchange of urban real estate for a farm is an exchange of like property, provided both properties are held for productive use or investment. What are you going to do with the farm?"

"I'll rent it. However, there's an extra house on it. I plan to move out there and live."

"That's an angle. A residence isn't held for productive use or investment. Did you receive or pay any cash?"

"I paid out \$5,000 and took over his mortgage. He took over mine."

"Say, this deal is complicated; I'll call you back."

For thirty minutes John pores over the tax service in the office library. Then he calls Mr. Smith.

"Mr. Smith, this is the way to report your transaction. Because the residence isn't held for productive use or investment it's value is the same as boot received and the gain is taxable to that extent. You need to get an appraisal so we will know the value of the house. ... You say it's worth around \$15,000.... You mentioned the mortgages exchanged. If his mortgage is smaller than yours the difference is boot received. If his mortgage is larger than yours the difference is boot given.... You say his was \$60,000 and yours was \$20,000? And you gave him \$5,000 cash? Why, the \$5,000 plus the \$40,000 difference in mortgages is more than the value of the house. You gave boot so you don't have any gain. We'll need the appraisal anyhow to allocate the basis."

John turns back to his table. His tray is now full of morning mail so he stops to read. Among the items are the following:

1. Letter from client enclosing physical inventory plans. John

calls Matt and asks him to pick up the instructions and cover the assignment on the 31st.

2. Engagement memo from another office advising of branches to be audited in Spring. John notes these on his assignment sheet.
3. Letter from Executive Office relating to insurance on staff members' cars. John notes that the Partner has prepared a bulletin board notice.
4. Release for H. & S. Technical Procedure Manual regarding the handling of Securities Act engagements. "Good staff training material," John thinks. "We'll use that at a staff meeting soon."
5. Tax service releases for Federal, State, Oil and Gas, and Inheritance tax services. John scans these for significant new developments and items of interest to clients.
6. Notice of Tulsa Chamber of Commerce luncheon. John notes the date on his calendar. The speaker is president of a local industry. He should be good.

At this point John turns back to the return he was reviewing earlier. As he does so, he glances at his watch.

"Time for lunch. I've got to go to the Tulsa Tax Club today."

As he is leaving the office the telephone rings. Mark is on the phone.

"Can you come over this afternoon. I'm about through. The client is in a hurry for his report."

"Be there at 2:00," says John.

At the Tulsa Tax Club John hears a local attorney discuss stock redemption problems and the attribution rules. Other attorneys and CPAs around the table join in the informal discussion.

At two John is in the office of the Deep Drilling Company. He drops in for a brief visit with the controller and then goes to see Mark. The latter has arranged a desk. The work-paper folder lies ready for John who sits down and starts his review. First he reads the report draft to orient himself. Later he will check it out. Then he turns to the general-ledger trial balance. Methodically he reads and initials each analysis, checking the same against the related figures on the trial balance.

He comes in time to the analysis of drilling contracts in process at the balance-sheet date. He studies it and turns to Mark.

"Say, Mark, were these contracts completed at a gain or loss?"

"Haven't found out. The well cost records aren't posted yet."

"You'd better go talk to the vice president. If they had trouble on any of these wells, he'd know. We'll soon find out if we need a loss reserve."

All through the afternoon John scrutinizes the staff men's work, asking questions, studying the work program, considering the adequacy of tests, noting items to be completed, probing for any possible flaw in the work. On Saturday morning he will complete his review and meet with the Partner for concurring review. They will iron out details of report presentation and discuss debatable questions of accounting principle. On Monday the two will meet with the client's president and review the draft. The report then will be typed, signed by the Partner, and rendered.

CONCLUSION

So ends our little drama, "A Day in the Life of a CPA." Now let's sum up what through these episodes I have tried to say about a career as a CPA.

1. *The CPA does varied work.* The conduct of independent audits is the primary service our profession performs. Such work brings the auditor close to the pulsebeat of business. He encounters many kinds of enterprises. He sees many types of accounting systems. He learns to devise appropriate auditing techniques for every situation. In the process he comes to know business executives. He has an opportunity to observe management techniques.

Tax practice is the second broad area in which the CPA serves. He prepares Federal and state income tax returns, estate and gift tax returns, franchise and payroll tax returns, any return in fact that his clients are not equipped to prepare for themselves. He represents clients in settling their taxes when their returns are examined by the Internal Revenue Service or the state taxing authorities. He helps clients arrange proposed business transactions so as to minimize the burden of tax.

In recent years the CPA has increasingly found opportunity to work in what we call management advisory services. This area involves such services as budget design and financial planning, data

processing and accounting-machine installation, internal-check and management-control techniques.

2. *The CPA does responsible work.* Investors, creditors, regulatory authorities, and the general public rely on financial statements when the CPA's opinion, based on independent audit, accompanies them. Tax work, well done, saves the client dollars and cents and upholds the democratic principle of voluntary compliance with our revenue laws. The presence or absence of sound financial controls may spell the difference between life and death for a business. Responsibility is not solely the Partner's concern: It falls on the shoulders of the young CPA from the very day he enters the profession.

3. *The CPA does challenging work.* A CPA's education is only begun in college. Passing the CPA examination merely marks a beginning. All his life he must read and study to keep abreast of developments, to serve his clients, to sharpen his skills. As a technician he may become a specialist in taxes, in systems, in SEC, or in the problems of some particular industry. Yet, the Partner or Principal in an accounting firm plays other rôles. Staff recruiting, training, business promotion, production planning, billing, credits and collections; all of these are part of his job.

4. *The CPA works on a team.* The lines which distinguish Partner from Principal, Principal from Senior Accountant, and Senior Accountant from Senior Assistant Accountant and Assistant Accountant are most inconspicuous. There's a job to be done and we all put our hands to the wheel. What distinguishes one man from another in an accounting firm is no more than the responsibility he carries for the performance of other men. The Assistant Accountant does what he is instructed to do: He deals mainly with the checking of records. As he learns and demonstrates skill, he moves on to more responsible assignments calling for an intimate knowledge of tax laws, of auditing procedures, of accounting theory and practice. What is more important, he learns to deal with the client's executives, to lay out work and supervise other men. In the process he acquires practical know-how and judgment. The process is slow and a decade may pass before he is equipped to supervise a staff as a Partner or Principal. Even then he must continue to learn; even then he is one of the team.

I would be less than frank if I did not recognize that there are certain inconveniences in the life of a CPA. Students seem to be aware that travel and overtime are the lot of the CPA and this is true. But there is some tendency, I think, to exaggerate these matters

beyond the facts. For my part, I think the CPA's principal inconvenience is deadlines. Because of the statutory filing dates for tax returns, because of the demand of clients for early reports, because of the rigid timetable of financing engagements, the CPA continually works under pressure. He is never the scholar in the ivory tower leisurely meditating on truth. He is always the practical man, caught up in the rush of modern business, seeking to apply all his training and judgment to a host of problems which present themselves in rapid-fire succession and demand speedy solution if his clients are to be properly served.

As one who has passed almost a quarter of a century in the profession, I would say in all honesty that it is worth the while. Nothing good comes easy. If you want to push a pencil and nothing more, seek other work. But, if you want to use the brain God gave you, if you want to learn and to grow mentally throughout your life, if you want to wrestle with problems that have no easy solution, if you want to meet people and get to know business, if you want to match wits with the tax collector and adapt accounting practices to the changing needs of an evolving economy, then be a CPA.

And, not the least of the rewards that will come to you is this: You will become one of that long line of men and women who have built, and continue to build, the accounting profession. You will look back to the great accountants at whose feet you sat in your youth. All your lifetime you will strive to match their incisive judgment and their well-nigh flawless technique. In later years, you will keep your eyes on the young men who got their start under you in the accounting profession. You will see better education and training pay dividends in better work. You will see keen young minds pushing the frontiers of the profession ahead into areas you never have entered and attaining goals you never have reached. And, you will be satisfied. You had a part in it all. You broke them in on the team.