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Small Business

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It Only Happens To "The Other Person" . . .

. . . that break-in, burglary, pilferage, robbery, flood, windstorm or fire. But then, everybody is somebody else's "other person". So, it pays to be prepared. There are many important aspects to such a preparation for an event everybody hopes will never happen.

Insurance Coverage

First thought . . . the loss is going to be covered by insurance! But is it? Today's comprehensive coverages, with property floaters and general contents provisions are certainly a step in the right direction, but filing a proof of loss statement can be a dismal and harrowing experience. It certainly could be the time when many a management team wished they had insured for replacement cost! However, oftentimes that would be prohibitively expensive, while in other instances it may be wise. Also, many people find that — until they are gone — nobody realizes how many things there were around, being used and being taken for granted.

Pictures May Be The Answer

Every office, every storeroom and every shop is chuck-full of items that may strike a burglar's fancy. They may all be small items which have been expensed at the time of purchase and nobody has a good record of them. Presumably, larger items are neatly listed on a depreciation schedule, complete with cost, accumulated depreciation allowance, etc. On the other hand, depreciation schedules may be set up in lump-sum additions by year

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of purchase and even large or expensive items may be hard to pinpoint. But if pictures are taken periodically, they show all the little and all the big items that are on hand. If a robbery should happen, pictures taken immediately after discovery of the break-in will show, by comparison, which items were taken. It then becomes simply a matter of digging up cost records or establishing replacement costs, if that's what is insured.

That could be the end of it, but in all too many cases it is not. Quite often at least part of the loot is recovered by the police. It is impounded for evidence — and the insurance company won't pay off. And before the police can release the property back to the owner, identification is required. That's where a lot of problems arise. For instance, with the possible exception of color, all typewriters, adding machines, calculators, machine tools, generators and the like made by the same manufacturer in the same year look alike. The property rooms of the police departments in most of the larger and some of the not-so-large cities are loaded with stolen property which has been recovered but which cannot be returned to the lawful owners for lack of positive identification. The lesson to be learned, obviously, is to make a complete list of all items — including serial numbers.

Since not all items come equipped with a serial number, some other form of marking the property is advisable. Police Departments have marking devices available that are almost tamper-proof. The identifying marks are invisible under normal conditions but when exposed to ultra-violet rays they show up very clearly. Engraving the company name or symbol is a simple and very effective procedure. Although engravings can usually be removed by filing over the area, that

would certainly make the item look suspect.

So far, only tangible assets have been considered — but how much money, time and effort would be required to reconstruct accounts receivable records, inventory records and other accounting data, such as payroll, if they should be lost or severely mutilated in a fire, flood or through vandalism in connection with a break-in?

The Day In Court

Pictures and some reasonable proof of ownership are also extremely important if it should become necessary to appear in court if the burglar or robber has been caught. The difference between conviction and acquittal may well hang on the identification of property found in the possession of the suspect or accused.

Yet another area where "before-and-after" pictures come in very handy is in connection with claiming losses by reason of vandalism which often accompanies break-ins. Many a frustrated burglar has caused more damage by destruction than actual theft. And of course in case of fire, pictures are invaluable in establishing losses.

What's A Good "Target"?

No question about it — it would take a different type of person to steal a 20-ton lathe than to swipe the petty cash box. Obviously, the most "liquid" and most portable assets of a business are prime targets. The petty cash box may not be loaded but it's the most liquid and most portable and hardest to trace if only the cash is taken. Again the question comes up: How much was taken? Ordinarily the record of petty cash transactions is kept right inside the petty cash box, so that

may not be such a great idea after all.

Many types of inventory are very attractive to burglars. In the absence of a perpetual inventory record, this type of loss could be extremely hard to ascertain and even harder to prove. Also, many businesses suffer heavy, and often undiscovered, losses through employee theft in the inventory area as well as in small hand tools and office supplies. There is a lot of money tied up in "expense" items that could be lost through burglary, pilferage or fire.

More Records!

This sounds just like what every business needs — more records! With all the record-keeping that is imposed on business today by all types of taxing authorities, here is one type of record that is not required by anybody but which could become absolutely crucial if the business becomes "the other person". And then there is one more step that is very important: The best property records are of no use if they are destroyed, stolen or mutilated in the event which gives rise to the casualty loss. Therefore, off-location storage is a must, preferably a safe deposit box at the bank or other place off the business premises. Computerized accounting records, especially where at least the most recent data is stored away from the premises, could help prevent the need for costly reconstruction of records.

Mobile Service Units

Today, even traditionally "stationary" service businesses have gone mobile, and more often than not a great deal of investment is riding on the wheels of the mobile service unit. A complete list of equipment and tools carried on the truck, signed by the driver, serves several purposes. It establishes responsibility for the physical presence and maintenance of the equipment (assuming that the unit is the primary responsibility of one person), it provides a check list for periodic inspections and it serves as proof of loss in the event of a casualty. If parts are carried on the unit, as is usually the case, it is good practice to make it a "standard" stock, to be replenished from the stockroom based on the lists of parts used as recorded on the daily job tickets or work orders. This not only safeguards against theft losses and employee pilferage, but it also helps to assure that parts used on a job are actually charged to the customer. Nobody would get too excited if a couple of screws, nuts or washers are used without being charged on the job ticket, but if the

service operator would start forgetting to charge out parts that cost several dollars, the door would be wide open to a substantial "profit leak".

Surprise Inventories

Since theft losses do not occur only in connection with break-ins or robberies, unannounced counts of the more valuable and more portable segments of the inventory are an excellent safeguard against pilferage. American business is losing millions of dollars every year through employee theft, but a good system of perpetual inventory records coupled with surprise counts can go a long way to prevent such losses. And if an insurance claim is indicated, evidence of the type and extent of the loss is again required.

Safeguarding Blank Checks

One of the first steps after discovery of a break-in should be to verify the numerical sequence of blank checks. This is particularly important where voucher checks are used, but it would also be easy to remove blank checks from a three-up checkbook a few pages down in the book. It may be a very dumb way of exposing themselves, but a surprising number of thieves attempt to cash a few forged checks early in the morning, presumably before the disappearance of the blank checks has been discovered. Criminologists maintain that most criminals are not overly smart, and some burglars have been caught in the process of attempting to cash forged checks.

Naturally, check protectors on the premises must be locked to prevent unauthorized use, and cancelled checks should not be stored in the same file cabinet with the checkbook or the blank voucher checks. These cancelled checks may be the only way the burglar has to come up with a reasonable facsimile of the legitimate authorized signatures.

If it is discovered that blank checks are missing, the bank should be notified immediately. Banks have a fairly good idea of where most checks are presented for payment, such as grocery stores, carry-outs, etc., and will pass the word around.

Preservation Of The Scene

Generally speaking, nothing should be touched or moved until after the police have arrived. Pictures could be taken but extreme care must be used not to disturb finger prints, foot prints or any other evidence. This is also true in case of a fire, since the cause of the fire may have to be established.

Ancillary Damage

As vandalism often accompanies break-ins, fires, floods and windstorms often result in secondary damages, and these may not be immediately discernible. Most insurance underwriters will be quite helpful in establishing the presence, or absence, of structural or other damage due to heat, smoke, water or other chemicals used in fire-fighting, or by flooding and high winds.

Summary

While every precaution should be taken to prevent the occurrence of a casualty loss, it is equally important to the business to prepare for the proof of loss in the event that it does happen. Good records of business assets subject to loss, even if they are not considered assets in the general accounting sense, should be created and maintained on a current basis, and these records must be safeguarded by off-premise storage.

Personal Management

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week for non-business; since the business portion is 40% of the total use, then only 40% of the room or 8% of the appropriate expenses of the total home is considered in computing the deduction. The expenses to be considered are depreciation, rent, utilities, telephone and general maintenance.

Advantage of Joint Rates

If you are single and wish to retain that status, you are missing the advantage of lower joint rates. There is a way to take advantage of the lower joint rates and still retain your basic way of life. First, select someone with very low income and get married. Then, you need to see your spouse once a year to combine your tax information into a joint return and sign it; you probably have to agree to split the tax savings with your spouse. Before such a marriage (or joint venture) takes place, the two of you should agree that you have no future claims (such as support or alimony) against each other.

A single person with taxable income of \$100,000 pays \$53,090 Federal income tax and a single person with taxable income of \$5,000 pays \$900. If these same individuals were permitted to file a joint return, their tax on the combined \$105,000 taxable income is \$48,280 or \$5,710 less per year. As the difference in incomes increase, the savings will also increase.

There is some risk involved in that the Internal Revenue Service may attempt to disallow the (marriage) joint filing status.