

11-1917

## Duties of the Junior Accountant

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### Recommended Citation

Reynolds, W. B. and Thornton, F. W. (1917) "Duties of the Junior Accountant," *Journal of Accountancy*. Vol. 24: Iss. 5, Article 4.

Available at: <https://egrove.olemiss.edu/jofa/vol24/iss5/4>

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## Duties of the Junior Accountant

BY W. B. REYNOLDS and F. W. THORNTON

### PART III.

#### EXHIBITS (FOR THE CLIENT)

Exhibits should be in the mind of the auditor from the time the work is begun. The exhibits, with the accompanying report, are all that the client gets, and to the client represent the whole work.

It is not sufficient to give a balance-sheet and profit and loss account with a schedule for each item. That plan is followed by mechanical and really incompetent (although highly trained) accountants. Clients have their books, and one might as well tell them to look at their books as give schedules that amount practically to a copy of the books.

If the auditor look over any prior reports, he may get a clear idea of what exhibits can with advantage be made. If no prior reports exist, it is well to look over the ground, ascertain what reports are made by the client's staff, and think over the question "What exhibits could be prepared from these books, without unreasonable expenditure of time, that would give help to the client?"

Do not make exhibits which are mere detailed lists of assets or liabilities appearing on the balance-sheet. If a list of customers' accounts receivable, for instance, is of value because the client wishes to have it for frequent reference, give it and note on it the overdue and bad accounts. If such a list contains many bad accounts, give it for your own protection; but do not give it simply to make up a bulky report; do not give it because you feel bound to support your figures on the balance-sheet by giving details. If the client will not trust your report without such detail, he should employ a bookkeeper, not a public accountant.

Constant watching of the several items as they pass under your notice during the detail checking will give you the knowledge needed to decide what should be reported to the client.

See that your exhibits form a consistent whole; your profit and loss balance should be so handled that the client can trace it

to the surplus account and to the balance-sheet; subordinate exhibits should correspond with the general profit and loss account; the same matter should not appear in two exhibits; the exhibits should be compact; they should be arranged conveniently for comparison of accounts at varying dates; petty items should be grouped; long exhibits, running over more than one page, should be avoided, either by dividing into sections, or by grouping items of similar character, giving sub-schedules for the details.

Remember that exhibits are to be typed—not by you but by a typewriter who is, presumably, not an accountant—who will follow copy exactly—who is not permitted to correct your errors. Your exhibits should be clearly written, in ink, without inter-lineations, with spaces arranged substantially as they should appear in the final accounts.

When the exhibits relating to operations are finished they should be such as to show amount of business done, by classes, deducting from all items any contra amounts, such as the return of goods sold or purchased; cost of merchandise manufactured, including cost by units if possible; cost of goods sold; gross profit (which may generally be described as profit before charging selling and administrative expenses) and classified statement of expenses.

The balance-sheet should show the assets and liabilities—classified in a few carefully chosen groups, but not divided into a multitude of classes between which the distinction is immaterial. In addition to the balance-sheet there may be schedules, not of all assets but of any assets the details of which appear to be of much interest, especially if large changes have been made during the period since last report.

On all these exhibits figures showing comparative results for corresponding earlier periods are valuable; and for this reason it is convenient to follow the form of exhibits used at prior audits.

If, however, the forms used were susceptible of material improvement the auditor should make the improvement, and can, with a little additional work, so arrange earlier accounts as to obtain corresponding figures for the amended form of accounts.

The comparative figures may take the form of percentage figures. The sales may be treated as the standard (100%) and the cost and several classes of expense stated in terms of their percentage of the amount of sales. In manufacturing cost

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accounts the total cost of manufacture may be the standard (100%) and the items of cost stated in terms of percentage of the whole cost.

In some cases, where the product is uniform, as in the case of malt liquor, positive moving picture film, steel, etc., the cost may be stated in cost per unit (per barrel, per foot, per ton, etc.).

Always, however, the general profit and loss account may show with advantage not only the comparative percentage figures but also the comparative total amounts of the principal items, since percentages throw no light on the amount of increase or decrease in business done.

Here, again, the knowledge gained during detail checking should have given the auditor a knowledge of the causes of increases or decreases of business, and it is precisely that knowledge which the client needs. The client's own staff has also handled the details, of course; but the auditor is expected to bring to a consideration of the details of the business a mind that is not only better trained than those of ordinary employees, but is equipped with a knowledge of what occurs in many other enterprises.

#### CONDUCT OF JUNIORS IN CLIENTS' OFFICES

The junior accountant should at all times appreciate that he is regarded by the client as a representative of the firm by which he is employed, and is under obligation to uphold the dignity and honor of that firm. It follows that he should not express to the client any opinion as to the work in hand or the conduct of the client's office without first consulting with his own senior. Junior accountants may be approached from time to time by officers of the company seeking information regarding the progress of the work, conditions in the client's office, or an opinion on accounting, or even on legal matters. In such instances it is best to refer the officers to the senior in charge of the work unless the questions are of a very elementary character.

The junior accountant should make a point of arriving at the client's office at the hour appointed for the opening of business and not leave until the closing hour. The regulation time for meals should not be exceeded, except in special circumstances and by permission of the senior in charge.

It often happens that both the accountants and the office staff simultaneously require the use of the same record—in such cases the accountant should endeavor to interrupt the regular work of the office as little as he possibly can. This, together with care in replacing vouchers, canceled cheques, etc., will be found to have a very marked influence upon the impression which the client will form of the staff; and the treatment that will be accorded the accountant assigned to the work will reflect this impression.

Junior accountants should appreciate that they are assigned to clients' offices for the purpose of conducting an examination and not with a view to discussing extraneous matters with the employees. We have known of cases where clients have objected to paying their bills in full on the ground that men assigned to the work had spent a portion of their time in discussing baseball, or because assistants have not put in the full number of hours which they should have done under the arrangement with the client.

#### ABUSES DISCOVERED IN CLIENTS' OFFICES

The junior accountant from the position which he holds is often in a better position than anyone else to unearth petty abuses. Often clients' employees will tell junior accountants of petty graft and other bad features of office management when they would hesitate to speak on the matter to a senior. In such cases the junior should immediately take up with his own senior anything of this nature that comes to his attention. It is highly undesirable that it should be taken up with the client before it has had proper consideration, as the information may be untrue or malicious and actions that may to some employees in an office appear improper may be justified and may be specifically authorized by the client. In fact, it may be considered a general rule that no report of anything undesirable in a client's office be made to the client until it has been considered by the senior and investigated so that the accountant may not humiliate himself by bringing forward unfounded complaints.

The remarks above, covering the method of dealing with bad conditions in the offices of clients, apply also to what may appear to the junior to be defects in the accounting system or forms. It frequently happens that a junior does not thoroughly understand why certain accounts are kept in certain ways—indeed it is

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not altogether unknown that seniors have been ignorant of the reason for keeping certain accounts—and where accounts and forms have been introduced by the best minds of an accounting firm, it is highly undesirable that a junior who does not fully understand them, and perhaps does not know who introduced them, should volunteer criticisms to the client.

At the same time a junior should never fail to bring to the attention of his senior anything of any kind connected with his work which may appear to him to be unsatisfactory, and if he has a strong impression that improvements are in order and his senior does not agree with him, he should leave a record of his opinion among the working papers to be referred to if the matter ever arises for discussion again.

#### CHECKING THE CORRECTNESS OF THE ASSISTANT'S OWN WORK

By far the greatest safeguard that the assistant can use in checking the correctness of his own work is to balance out his figures. Thus, if analyses of receipts and expenditures are to be made, the cash balance at the beginning and end, together with the total of receipts and expenditures, should be made to balance. If statements are made of cost per unit for the items entering into cost of goods, it should be ascertained that the total of the items agrees with the total cost per unit.

If the accountant states, for instance, that a loss of \$50,000 has been incurred for certain given reasons and states also the amount per unit lost for each of these reasons, he should ascertain that the total of the losses per unit which he gives, multiplied by the total number of units, agrees substantially with the \$50,000 referred to.

Sometimes it is necessary that figures be submitted which cannot be balanced in this way. Where this is done, the assistant is on dangerous ground and should never, in any circumstances, submit such figures without having them carefully checked by another person. If he is instructed to submit figures in such circumstances that he cannot obtain a check by another, he should, for his own protection, note the fact on the working papers.

It is a general rule with accounting firms that errors are excusable, but that failure to obtain such checking as will detect the errors before they get into the accounts is not excusable.

SYSTEMATIC CHECK-MARKS

Although there is a certain amount of uniformity in the practice of most auditing concerns, the differences in practice are sufficient to interfere seriously with work if all the employees of any given accounting firm do not follow exactly one plan of marking. It is especially necessary where periodical audits are made that the marks should be such as to indicate without any doubt to each assistant what work has been done by his predecessor. The assistant must not think that the strictest adherence to the prescribed system of marks is unnecessary, nor should he think that any system which may appeal to him as being better can be adopted without serious injury. The perfection of the system is not nearly so important as uniformity; and the assistant should make up his mind from the beginning to follow to the last detail the scheme of marking adopted by the office in which he works. When this is done the work can be dropped at any point by one assistant and taken up by the next without misunderstanding or loss of time.

The scheme of marks in use in one office is set forth fully in an exhibit attached hereto. It will be understood from examination of this exhibit that each assistant uses from time to time a mark which is his own personal distinguishing mark. Where the personal check-mark is used, it is intended to enable either the senior in charge or another assistant to determine exactly who did the work, and the assistant should endeavor to devise some neat and quickly made mark that cannot be mistaken for a figure, and clearly distinguishes itself from the marks of other assistants. This seems to be a matter of some difficulty as the size of the mark is small and the number of assistants very great, but a surprisingly large variety of marks may be devised with a little thought.

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Voucher Record

			Furniture				
Berger Mfg. Co.	7 Filing cases	116	† 112				
			112				

Page 15

Ledger Furniture

1917							
Apr. 1	To Filing cases Berger Co.	116	† 112	-			

Page 22

Cash payments (cheques)

1917							
Apr. 1	Berger Mfg. Co.		116	† 112	-		

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Ledger Berger Mfg. Co.

1917				1917			
Apr. 1	To Cheque	22	† 112	-	Apr. 1	By goods	13
							† 112
							-



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### CARE OF PAPERS

The junior accountant should remember that he will be held responsible for the safe-keeping of the working papers in his charge. It is not only necessary that they should be legible, orderly and complete, but it is also necessary that they should be kept strictly in the care of the auditors, especially during the period of their preparation.

It has happened repeatedly within the experience of every large firm that junior accountants have left their papers open to the inspection of any person who may feel curiosity about them, while the auditors are away.

The auditor should not forget that he is in a confidential capacity; that many facts and documents are given to him that are not accessible to all the employees of the firm for which he may be working; that he himself should note his own conclusions in cases where it is highly undesirable for the employees of the client to know what those conclusions are; that he may note on his papers presence or absence of vouchers, etc., crossing them out from time to time as they may be found; and that if he leaves his papers open to the inspection of others during his absence any interested employe can cross out items of missing vouchers, etc., which may cover irregularities.

Much of the consideration extended by clients to auditors is based on the knowledge that the auditors are trusted with confidential information and the auditors should not weaken that respect by letting their working papers get out of their care. It is, however, permissible in many cases for the auditor, if he can lock his papers in his audit bag, to leave them for safe-keeping in the client's safe; but in no case should they be left in the care of any employe or officer unless they are securely locked up.

The foregoing caution is not based to any extent on theoretical considerations or imaginary dangers. Difficulties have arisen in connection with every one of the above points within the experience of the writers and some of them have caused irritation on the part of the clients and humiliation to the men doing the work.

The auditor, however, should be careful to cause no unnecessary unpleasantness and should not attempt to give an air of mystery to his work. It is a matter for common sense. Keep your papers locked up and do not show any more of them than necessary.