

**HOW TO AUDIT: A MANUAL OF
INSTRUCTION; ORIGINALLY PREPARED
FOR THE STAFF OF, AND UNDER THE
SUPERVISION OF A CERTIFIED PUBLIC
ACCOUNTANT AND MEMBER OF THE
AMERICAN INSTITUTE OF ACCOUNTANS**

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649033379

How to Audit: A Manual of Instruction; Originally Prepared for the Staff of, and Under the Supervision of a Certified Public Accountant and Member of the American Institute of Accountants by Various

Except for use in any review, the reproduction or utilisation of this work in whole or in part in any form by any electronic, mechanical or other means, now known or hereafter invented, including xerography, photocopying and recording, or in any information storage or retrieval system, is forbidden without the permission of the publisher, Trieste Publishing Pty Ltd, PO Box 1576 Collingwood, Victoria 3066 Australia.

All rights reserved.

Edited by Trieste Publishing Pty Ltd.
Cover @ 2017

This book is sold subject to the condition that it shall not, by way of trade or otherwise, be lent, re-sold, hired out, or otherwise circulated without the publisher's prior consent in any form or binding or cover other than that in which it is published and without a similar condition including this condition being imposed on the subsequent purchaser.

www.triestepublishing.com

VARIOUS

**HOW TO AUDIT: A MANUAL OF
INSTRUCTION; ORIGINALLY PREPARED
FOR THE STAFF OF, AND UNDER THE
SUPERVISION OF A CERTIFIED PUBLIC
ACCOUNTANT AND MEMBER OF THE
AMERICAN INSTITUTE OF ACCOUNTANS**

HOW TO AUDIT

A MANUAL OF INSTRUCTION

(Bussard, Wadsworth & Co., Inc.)

Originally prepared for the staff
of, and under the supervision of
a certified public accountant and
member of the American Insti-
tute of Accountants.

Published by
The McARDLE Press, Inc.,
New York City.

KD2114



Copyright 1919
The McArdle Press, Inc.

Printed in the United States of America.

Foreword

These instructions on how to perform an audit were originally written as a guide for the staff-members of a well-known New York firm of auditors and public accountants. They are based on the form for financial examinations recommended by the Federal Reserve Bank, and on the methods of auditing found desirable by this firm in its many years of experience.

The book takes for granted a knowledge of accounting and hence as its name implies, attempts only to give specific instructions to the accountant who has to verify the books of a concern and prepare its statement of condition and statement of operations.

The subject falls into four natural sections which the book follows. First is a section covering general rules of conduct for the auditor to follow, both to safeguard his client's interests and to establish the client's confidence in the auditor's ability.

The second section is devoted to instructions covering the conduct of an audit in any manufacturing or merchandising concern.

Section 3 details specific points to be looked for in auditing the books of a business having unusual conditions peculiar to that business, which the general instructions in Section 2 do not cover.

In Section 4 are suggested paragraphs for use in writing the comments of a report. The mere presentation of a financial statement is seldom enough. The auditor who is of most service to his client must make comments upon the statement and the examination, which will not only indicate the scope of the investigation, but will point out changes in accounting or even in the management of the business which the examination shows to be desirable.

The paragraphs shown cover the points which most often require comment in a report. They have been carefully edited to make sure that they say accurately and clearly what needs to be said, and that they are free from the jargon which the unskilled writer in any profession is likely to fall into. As they stand, they are in use by the staff auditors of a firm of the highest standing. Full instructions for using them are given.

In determining the physical shape of the book the publishers had constantly in mind the convenience of those who were to use it. As it is a manual, it will be referred to frequently by the auditor in the course of his examinations.

It is the belief of the publishers that "How to Audit" covers the field completely and in detail and that any well-posted accountant can, with its aid, acquit himself well in handling an audit.

THE McARDLE PRESS, INC.,

December, 1919.

New York City.

CONTENTS

SECTION 1—CHAPTER I.

General Conduct Rules.....	1
Need of good reports. How to write reports. Using standard paragraphs. Office procedure. Promising reports. Charging for time. Using the slide rule. Watch for new ideas. Care of work papers. Expense and time reports.	

SECTION 2—CHAPTER II.

General Instructions for a Statement of Condition Audit of a Manufacturing or Merchandising Concern.....	5
Using the examination program. Preferable nomenclature. Preliminary steps. Trial balances. Comparative figures.	

CHAPTER III.

Current Assets	11
Cash. Bank overdraft. Notes receivable. Accounts receivable. Inventories. Securities.	

CHAPTER IV.

Fixed and Other Assets.....	27
Good will. Plant and equipment. Reserve for depreciation. Organization or development. Deferred charges to operations.	

CHAPTER V.

Liabilities and Capital.....	33
Notes and bills payable. Accounts payable. Contingent liabilities. Accrued liabilities. Bonded and mortgage debt. Capital stock. Treasury stock and bonds. Surplus.	

CONTENTS

CHAPTER VI.

Statement of Operations.....	43
-------------------------------------	-----------

Profit and loss. Sales. Freight. Cost of sales. Gross profit on sales. Selling, administrative and general expense. Net profit on sales. Other income. Deductions from income. Net income. Profit or loss. Surplus. Additions and deductions.

CHAPTER VII.

General Instructions.....	47
----------------------------------	-----------

Sales and purchase ledger balances. Agreement for the sharing of profits. Employees' fidelity and benefit funds. Interest charges between partners. Partnership agreements. Anticipated profits. Insurance. Surety company cases. Making tests. Clerical work. Form of statement of condition and of operations.

SECTION 3—CHAPTER VIII.

Bank Examinations.....	59
-------------------------------	-----------

Savings bank examinations. General points to cover. Bonds and stocks. Loans. Bank accounts. Real estate—banking purposes. Expense account. Other assets. Cash. Real estate by foreclosure and in possession. Securities acquired in settlement of indebtedness. Other banks. Form of report.

CHAPTER IX.

Points to Watch in the Unusual Business.....	74
---	-----------

The billboard business. Gas companies. Water mining companies. Fire insurance companies. Publishers. Automobile dealers and agents. Spinning and knitting mills. Lumber manufacturers. Hospitals.

CONTENTS

SECTION 4—CHAPTER X.

Standard Paragraphs for Audit Reports	85
How to use the standard paragraphs. Index to paragraphs. Plant and equipment. Investments. Accounts receivable. Notes receivable. Inventories. Cash in bank. Petty cash. Prepaid operating expenses. Capital stock. Surplus. Reserves. Notes payable. Accounts payable. Accrued liabilities. General. Complementary close.	