

**PUBLIC
ACCOUNTING
AND AUDITING**

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Public accounting and auditing by J. F. Sherwood

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J. F. SHERWOOD

**PUBLIC
ACCOUNTING
AND AUDITING**

Public Accounting and Auditing

Correlating the subjects, Accounting—Theory and Practice, Auditing—Theory and Practice, and Commercial Law, thereby enabling the student to obtain a view of each of these subjects in its relation to the problems of the Public Accountant and Auditor

By

J. F. SHERWOOD

Certified Public Accountant and Auditor

[Volume I]

UNIV. OF CALIFORNIA
SOUTHERN BRANCH

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P R E F A C E

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Accountancy is generally considered the youngest of the professions. In 1896, New York enacted the first Certified Public Accountant law in this country, and thus formally recognized accountancy as a profession. Since that time, all the states excepting two have enacted similar laws, until accountancy is now recognized as one of the leading professions. Almost imperceptibly accounting and auditing have grown to be indispensable factors in the policy of every business enterprise. Today, it is estimated that there are approximately three thousand Certified Public Accountants in the United States. There are hundreds of firms of accountants employing junior and senior accountants, and these firms are now looking to the schools of commerce for suitable recruits for their staffs.

Harold Benington, C. P. A., President of the Illinois Society of Certified Public Accountants, in an address delivered in Chicago, December, 1915, at a convention of the National Commercial Teachers' Federation, said:

"We, the public accountants, have to rely to a very large extent upon you gentlemen for the recruits that enlist for services in our offices. We rely upon you to send us men who have undergone the preliminary training and are ready for active service. We don't expect you to send us veterans, but we do expect men who studied the rudimentary theory of tactics and know how to handle their tools.

"It seems to me that your share of the work lies in constantly improving and expanding the character of the instruction which you offer to your students, and that our share of the work lies to a very large extent in encouraging young men who have just begun business, or who are just about to enter it, to take your courses of instruction, making them realize that their immediate earning capacity is going to be increased."

Robert Montgomery, Ex-President of the American Association of Public Accountants, now a member of the Executive Committee of the American Institute of Accountants, said in a recent address:

"Something must be done at once to increase the number of accountants. Already the amount of work devolving upon the reputable accountants of the country is considerably in excess of their normal capacity. The present difficulties will be enormously enhanced unless we can secure from our institutions of learning, a vastly greater number of qualified accountants."

The leading institutions of education, both public and private, are now offering instruction in accounting. This text is designed for use in those schools that desire to train

students to become junior accountants associated with firms of public accountants and auditors, students who are looking forward to the time when they can qualify for promotion to positions as senior accountants, and be prepared for the professional examinations for the degree "C. P. A."

Accounting, theory and practice, Auditing and Commercial Law are considered basic subjects in courses of this nature. There is a distinction between Accounting and Auditing. However, the term Accounting comprehends audits, among other things, and Auditing presupposes a knowledge of accounting. Commercial Law is not developed herein as a distinct subject, but rather it is intended to show its contact with Accounting.

In preparing this treatise, we have, therefore, correlated these subjects so that the student obtains a view of each in its relation to the problems of the public accountant and auditor. As the subject matter is developed, the student learns the relation of Accounting and Auditing and perceives the contact of Commercial Law with Accounting.

A knowledge of the principles of bookkeeping and elementary accounting and of Commercial Law is a prerequisite to satisfactorily comprehending the principles of Public Accounting and Auditing.

The author desires to take this opportunity to express his appreciation of the help and inspiration received from those instructors, professional accountants and others, who have given material assistance in compiling the manuscript and in reading the proof.

J. F. SHERWOOD, C. P. A.

Cincinnati, Ohio.
July 1, 1920.

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