

DIVISION OF CORPORATION FINANCE

TRAINING PROGRAM LECTURES

Eight Session -- March 21, 1957

Subject: Problems in Accounting, Part I

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Securities and Exchange Commission

MR. BARR: Accounting is a fairly old art or science, whichever you want to call it. Teachers of the subject argue about whether it is an art or a science. I won't try to settle that question. But it is as old as business, certainly. I heard the president of the Pennsylvania Society of Certified Public Accountants the other night say that Moses was the first accountant. He didn't spend much time to prove it, but that was his assertion.

As far as the process we follow of double-entry accounting is concerned, it is quite well documented that that was in use in Italy as early as the Twelfth or Thirteenth Century. A writer on the subject has used the phrase which you will find in the standard accountant's certificate today. He said that this device was developed among the merchants of Genoa and spread across Italy through other trading centers until it became "generally accepted" or gained "general acceptance." That is what we are developing in accounting, general acceptance of principles.

What I propose to do in this period is to give you a little background of accounting and point out to you where the authority lies in our Acts, what we have done with it, and then to go through some of the leading cases to show what we have learned from those cases to guide our procedure here at the Commission. We may then wind up with some of the controversial questions of the last year or two. I don't propose to make accountants out of any of you. Most accountants are acquainted with the remark attributed to Justice Frankfurter to a law student that he should take a week-end off and read a good book on accounting. I am going to operate on the theory that lawyers and analysts will share some of their lore with accountants and we will share some of ours with them.

There are about 56,000 certified public accountants in the country; about 28,000 belong to the American Institute of Accountants, and about 36,000 belong to state societies of certified public accountants. Under our Acts all of these persons, if they are in public practice, can practice before us, and in addition, persons who are not certified accountants but are authorized under their state laws to practice as public accountants may practice

here. The number of accountants in practice who have anything to do with us is very limited. We made checks and found that in recent years probably not more than 600 separate accountants and firms have certified statements filed annually with us. But we do not know the number of individual accountants in these firms who have S.E.C. experience. There are about 3,000 of those statements annually, and there must be a couple of million or more corporations in business, so we deal with a very small segment of the business community as far as numbers of business ventures are concerned but a very large part of it in terms of dollars.

The first treatise which described accounting as we follow it today was published in 1494. Now the basic theory or formula of double entry has not changed in about six hundred years. That is rather remarkable. It is still good. Debits always equal the credits down to the last penny, if you don't make a mistake. Any of you who are interested in browsing around can jump over about 500 years and come down to the last 50 years. You will find that the modern analysis devoted to accounting and development of its principles began in this country with three authors: Sprague in New York, Cole of Harvard, and Hatfield who started in Chicago and went out to California.

A significant contribution to what we have as a guide for form and content of financial statements was developed by the Federal Reserve Board with the assistance of the American Institute of Accountants. They published a guide for the presentation of financial statements for their purposes. The first document was put out in 1918, with a revision in 1929, and another revision in 1936. Those have been the subject of discussion by several authors, but they were pretty good guides for the form and content of financial statements.

If we come down to what caused the creation of this Commission, without going into too much of the financial history of it, we have two men who deserve recognition. Some of you may be familiar with William Z. Ripley who was a professor at Harvard. He wrote a series of articles for the Atlantic Monthly which are collected in a book entitled Main Street and Wall Street. There is a copy of that in the library and it would make good week-end reading for any body who wants to know what things were like back in the 1920's. Many of you don't remember, I am sure. The principal chapter of that book dealing with accounting and financial reporting carries the title, "Light at the Crossways -- Stop, Look and Listen." That is a very interesting survey of the deficiencies of reports to stockholders at that time. It describes the reports published by many famous companies such as the dance program sort of thing the National Biscuit Company and the American Can Company put out -- beautiful documents tied with ribbon, with about four or five items on either side of the balance sheet, no income statement (very illuminating), which said the company was doing all right. That was about the gist of it. At the other end you had the U. S. Steel Corporation which really established the practice of full disclosure with its very first annual report in 1902. That report could still be a guide for full disclosure. We might have some

technical criticism of it today, but as a pioneering document it is a remarkable paper to read.

The New York Stock Exchange must be given considerable credit for developing good accounting and reporting practices. The man who stimulated that, above all others, was a gentleman named J. M. B. Hoxey. He was the secretary of the Committee on Stock List in the late 1920's. He read a paper at the American Institute of Accountants' meeting in Colorado Springs in 1930. You will find, printed in the Journal of Accountancy for October that he was attacking many of the things that have since been cured, and others which are still the subject of debate, for example: inadequate depreciation charges, improper accounting for stock dividends, failure to report sales and costs of sales, etc., and things of that kind. He was a pioneer in pushing good reporting. He tore apart practices common in the 1920's and in so doing led to an exchange of correspondence between the American Institute of Accountants and the Stock Exchange. The committee of the Institute, cooperating with the Stock Exchange, worked up what they considered to be some of the basic principles that should be followed in corporate reporting. The Institute and the Stock Exchange say that that is essentially the basis for what we do under the 1933 Act, and we cannot deny it. It was a long step ahead when they published that correspondence for the guidance of corporate reporting.

When considering the Commission, the 1933 Act is the starting point, Section 19(a) being the basic authority for what we do in accounting. It gives us the power to define accounting terms, to prescribe forms for reporting, to outline the details of the items in balance sheets, earnings statements and methods to be followed in preparing financial statements to determine the method for accounting for depreciation and depletion, to require the segregation of recurring and non-recurring items, to require the separation of investment and operating income, to lay down rules for consideration, and other matters. That is the basic authority.

Schedule A of the Securities Act specifies the financial statements that have to be filed with the registration statement. Items 25 and 26 are the ones with which accountants are concerned. Item 25 relates to the balance sheet and specifies that a balance sheet be furnished not earlier than 90 days from the date of filing and, if this is not certified, a certified balance sheet as at the end of the preceding fiscal year must be furnished. That provision is subject to Commission action under Section 7 to relieve certain classes of registrants from the requirements. Item 26 requires profit and loss statements for three years but it doesn't mention the interim period from the end of the last fiscal year down to that 90-day balance sheet. Obviously, in the case of the 90-day balance sheet, if that is not the end of the fiscal year, there will be an interim period, and that is the period that causes a lot of trouble. So, we put that in although the law does not make any reference to that requirement.

Under those two items the original forms were developed to specify the financial statements that had to be included and the form in which they should

be prepared. Each form had its own set of statements, balance sheets, profit and loss statements, etc. There were a number of these forms to cover a variety of situations.

It was a tremendous job to get all of those forms out in time to get under way, and the S.E.C. had the help of accountants, analysts, lawyers and others who were interested in seeing that the Act functioned. Very prominent accountants gave a lot of time to it. One of the leaders was Thomas H. Sanders, a professor at Harvard at the time, who worked here for a long time and, incidentally, had a proprietary interest in what we did for years afterward. He would write in at every revision and tell us that was not the way they did it. That was helpful because his criticism was usually very thorough.

There is one exemption in the Act that I think most of you ought to know about because it is presently the cause of considerable furor in the press. You may have read stories in the Wall Street Journal and elsewhere of a challenge made by a certain prominent public accountant against railroad accounting. Section 3(a)(6) of the 1933 Act says that securities of common contract carriers subject to Section 20(a) of the Interstate Commerce Act are exempt from registration; and when you get over to Section 19(a), we are told that we cannot make any rules about such companies that are inconsistent with the I.C.C. rules. This is fairly important because of the criticism flying around today.

The 1934 Act grants substantially the same authority on accounting that you find in the 1933 Act. You will find the accounting provisions in Section 13(b), and this section provides that we must take I.C.C. reports for railroads. So we accept the forms that are prescribed by the I.C.C. and are filed with the stock exchanges. We have been under pressure from companies subject to other regulatory agencies to do the same thing. Business groups and the Bureau of the Budget have urged that reports filed with F.C.C. and F.P.C. ought to be good enough for us, and we have provided for that in Form 10 and Form 10-K. We also make an exception in the semi-annual report on Form 9-K. If midyear reports are filed with these other agencies, the companies are completely exempt as far as we are concerned here.

The same situation prevailed under the 1934 Act as under the 1933 Act. The initial forms had all the balance sheets and profit and loss details spelled out, and the statements that had to be included were listed. We have one problem that is prominent right now, and that is the foreign filings. There were foreign issues listed on the stock exchanges at the time we came into being. Separate forms were developed for them which permitted, in effect, the filing with us of the reports published in foreign countries, and those do not require certification. That is one topic under review right now.

This Division is not concerned with the 1935 Act, except that we accept annual reports filed on Form U-5S under the 1935 Act as complying with the annual reporting requirements under the 1934 Act. I should have mentioned

under the 1934 Act we may require certified statements (it doesn't say we must). The 1935 Act puts it somewhat the same way -- that the statements shall be certified if required by the S.E.C.; and we have required such certification under both Acts.

I should like to mention briefly that under the 1933 and 1934 Acts we do not prescribe what many people think of as a uniform system of accounts. Some members of the profession and business were alarmed when those Acts were under discussion and felt that we might prescribe uniform systems, industry by industry, because of past experience with the railroads, utilities, etc. They thought we might have that power under the Acts. But, if so, it has not been applied that way. Under the 1935 Act we have specific power to adopt uniform systems for holding companies and mutual service companies, and we have done that. So we actually prescribe the accounts which shall be kept under those provisions.

Under the Investment Company Act of 1940 we have about the same powers as under the 1933 and 1934 Acts, but a little greater. The 1940 Act has a provision which says that annual reports to stockholders may not be misleading in any material respect in the light of reports filed with this Commission under other provisions. We have not had to invoke that requirement very often. We have done it a time or two, just on a persuasive basis, but we have not had to go to court to enforce it. Under the 1940 Act there is a section that provides that the Commission may require a reasonable degree of uniformity in the accounts of investment companies. It is a reasonable degree of uniformity. That has not been construed as the power to lay down an air-tight uniform system of accounts. But parts of Regulation S-X which I shall get to next, are practically a guide to accounting for investment companies.

As to what constitutes a reasonable degree of uniformity, I can give you an example. We think that the average cost basis is the best for determining the gain or loss on trading in securities of an investment company. But if the company doesn't do that, they can report on some other basis and, if practicable, give us the alternate calculation. Some of them say that they cannot get the alternate calculation, some give it, and some keep their books on the average basis. That is an example of this reasonable degree of uniformity. We do have variations here.

Late in the 1930's the Commission or the staff (I don't know which) concluded that it would be helpful to practitioners before the Commission to have all the accounting regulations brought together in one place. So after a couple of years' work, the document known as Regulation S-X was published, in 1940. I might insert here that in developing that regulation we exposed our work to the people who would use it and accepted suggestions that we thought were good, rejected the bad ones, and so formed our rules. That is what the Administrative Procedure Act requires us to do today -- exposure of what we propose to do by way of rule-making to public comment prior to adoption of any rule. Regulation S-X went through quite a siege of that. It came out with what we think is a fairly compact guide to the preparation of financial statements. With the adoption of that rule book, the details of financial statements were dropped out of all the forms except those for promotional companies. In the initial

edition of Regulation S-X those for promotional companies were not included, in a later revision they were.

Getting back to the certification question, you will notice that under the 1933 Act financial statements used for the sale of securities must be certified unless for some reason we find that they do not need to be. We found, with respect to exploratory mining companies, that financial statements do not tell very much. What certification means is that we are relying to a great extent upon the expert work of the accounting profession in the financial work of this Commission. Otherwise, it would mean creating our own empire of accountants, and it would create a possible bottleneck in financing if we had to set up the machinery for doing our own field verification of the adequacy of the financial statements received. Just the investigation of the troublesome cases takes a great deal of the staff time. The accountants urged Congress that their profession was sufficiently advanced to be relied upon for reliable statements for use under the Act. That is what has been done, and that is what the Acts expect us to do. But we constantly have trouble trying to explain that to people who were not in on those original debates. Some laymen, and possibly some of you coming to it for the first time, feel that we ought to do some auditing or field work for ourselves.

MR. BLACKSTONE: There is confusion as to what constitutes a certified statement versus a noncertified statement. I am curious as to the obligations connected with certification.

MR. BARR: Section 7 provides that accountants and other experts named as having prepared or certified a report for use in a registration statement shall give their written consent to such use. Liabilities are imposed upon them by Section 11 of the Act for negligence or failure to make reasonable investigation of facts which are undisclosed.

QUESTION: I understand that an accountant may give several certifications, qualified and unqualified. Among the qualified there can be so many qualifications as to render the statement itself nugatory. Could you tell me what the Commission requires?

MR. BARR: I shall go into some of those cases tomorrow. But very briefly I can say there are degrees of certification, and, of course, we want an unqualified certificate when we can get it. There must be some unusual circumstance that will lead to a qualified certificate. It is a highly technical matter as to whether one may be qualified to the point where it cannot be used, which, in our language, would be an exception, or whether it is merely an explanatory paragraph that is in the certificate to highlight some change in accounting practice or some usual event that affects the understanding of the statement.

QUESTION: Can you give us two or three examples of what an accountant will do by way of auditing before certifying a statement? What is the validity to a certification?

MR. BARR: The accountant in auditing as a basis for certification must satisfy himself as to the fairness of the presentation of the financial statements. In the early days you might have seen a certificate that says "certified

correct." You have given me an opening to issue a warning. We don't like the word "accurate" or "correct." It implies a degree of exactitude which no accountant can apply to his work. There are judgments and opinion all the way through in every item. There is one very important document in the Commission which you might read with some interest, that is the opinion in the McKesson & Robbins case. I'll talk about that more later, but an accountant has to do enough work on the books and by outside verification to be satisfied that the financial statements are fairly stated.

QUESTION: I have noticed many notes as to things that have happened in the interim period. Is there any obligation there?

MR. BARR: The accountant under the 1933 Act is responsible down to the effective date of the statement. That poses a very difficult problem as to how he can satisfy himself right down to the time the Commission says the statement is effective. In a difficult case someone is usually kept on the job down to the last minute so that if something happens they can warn us or the client that something has to be changed. I can give you a good example on that point: The Washington Gas Light Company a few years ago had a case in court which if they lost would require the return of revenues paid into the company by subscribers to their service. The day before they wanted the statement effective the court handed down an adverse decision. The company thought it would be sufficient merely to add a footnote that they had lost the case, but we said they had better amend the statement. So they did some work during the night and came up the next morning with an amended statement. We were all satisfied that that was the right thing to do. The press made quite an issue of the fact that the citizens of this community had won the case, so I think all concerned were happy they had put in the overnight work and revised all the statements. The accountants, of course, were involved in that. There are not many that are that dramatic, but there are last minute changes or items of information that must be added. A recent one was the Libby, McNeill & Libby case. They found shortly after the effective date that there was a serious loss subsequent to the date of the financial statements which they felt should be reported; so they amended the statement to report that loss. The law makes the accountant responsible and some of them have been in trouble because of it.

Getting back to Regulation S-X, that regulation is the guide to our accounting practice. It contains an article that sums up the principal definitions that we use. Another specifies who can practice accounting before the Commission, what a certificate shall contain, and various other aspects of certification.

Essentially any accountant who is qualified to practice in the state in which he does business or has his office may practice with us. The law says that our statements may be certified by an independent public or independent certified public accountant. It would take quite a while to go into the ramifications of state laws. The American Institute of Accountants has a model bill that they are trying to get the states to adopt so as to eliminate the many differences. But at present one of our problems is that our laws say we shall take anybody who is qualified. As in other professions

there are highly skilled accountants, and there are some who are not very skilled, and we get both kinds. We have our troubles with the unskilled ones. There are difficulties, too, even where you have an expert because he may be expert just in one field, such as tax accounting. But the number is increasing in the larger firms of experts in our work who supervise all of the statements to be used with us.

Another section deals with footnotes. Footnotes are quite a problem. We probably have more footnotes prescribed than most accountants or most business men think are necessary. You occasionally run across a rugged individualist who tells the accountant he wants a clean set of statements without any footnotes. The accountants have to use some ingenuity to get parenthetical expressions, subtitles, and things of that sort into the statement to meet the essentials in the face of such demands. If you can do that it is fine. If you can put the gist of any required schedule into a note or into the face of the statement, that is right where it belongs. But we think that these notes are a very essential part. They usually include very significant information.

In the section on notes we have a "catch-all," Rule 306, under which we say that if we have not thought of everything here and we run across something that ought to be included in order that the statement not be misleading, we get it in under that one, and we built up quite a list of those. When S-X was revised in 1950, we surveyed all of them and put some in the regulation and threw out the rest as being obsolete. Then we have general instructions in a section that deals with the principles of consolidation, what you can consolidate, what you cannot consolidate, etc. Then in other sections we go into the description of the contents of a balance sheet, profit and loss statements, surplus statements, and supporting schedules for those statements.

There is one rule which should be recognized here. That is Rule 301 which says, in effect, that the statements may be in any form, order, and terminology which will best present the facts. That is the rule which permits us to be fairly liberal in adopting variations from the prescribed form. Others agencies have been accused of hamstringing the accounting profession in making improvements in their work. We have tried to avoid that. If development is in the right direction, we ought not to hold it back. We have accepted, under that provision, variations from the order in which you find the items listed in Article 5, which is the principle article.

That leads us to two kinds of balance sheets: one that is technically a balance sheet, where the assets and liabilities balance and add up to the last cent (if they haven't read one of our rules which says it can be made to the nearest \$1,000). A number of people still publish cents. It just takes up space and gives an air of precision that is not needed. The nearest \$1,000 is, I think, easier to read, if they put in zeros. Zeros can be left out and a caption substituted saying this is to the nearest \$1,000.

As opposed to that form we have the statement of financial position which has become popular. You will find in the U.S. Steel Corp. and other

big companies, financial statements in which they line up the current assets and take off the current liabilities and get a working capital figure, and then add on the fixed assets, getting a total, and say that that is provided by total capitalization of bonds and stocks and surplus. We have not objected to that except that we don't like a serial deduction, one after another, of current assets, current liabilities, working capital, less some other liabilities, to get something else. You get some midway balances that are quite hard to describe. But if they merely develop working capital, then add the fixed assets and equate the total of debt, stock and surplus, we will accept that arrangement. We will not be a barrier to intelligent reading of the statements. Some think that is easier for the average stockholder than the balance sheet which is a little formidable for some people. Personally I think the balance sheet is the easier form to read.

When we get to the income statement, we have had a long-standing battle in the accounting profession and among some members of the staff and the outside profession, between what is known as the all-inclusive income statement and the operating performance type of income statement.

All-inclusive is a fairly informative phrase. The idea there is that everything that affects the progress of the corporation during the year by way of income or loss should appear in the income statement. As opposed to that, the operating performance people say that extraordinary items, non-recurring, large in amount that might distort (as they say) the net income, ought to go to surplus directly. We have battled that out for a long time. We actually had a hearing here shortly after World War II over what should be a surplus item and what should not. We have made studies and found that as a general rule (I don't think this is too broad) all the extraordinary credits went into the income statement and all the extraordinary debits went into the surplus statement. We published that finding and it is available. We have fought strongly for getting everything into one place so that we won't lose the fact that a flood washed away the plant and there was not enough insurance to cover it, or something else happened to the company during the year. We think this is an event of the year and ought to be there. We will deal with the impact of it some other place. We fought that in the battle of the revision of S-X in 1950, and we introduced a new term in the language of Item 17 of Rule 5-03 of S-X -- everyone ought to know what Item 17 is. The profession knows what it is, the practicing lawyers that work with us know what it is, and analysts know what it is. That is the compromise between the all-inclusive and the operating performance people. We come down to the net income and if there is some very extra-ordinary item that the operating performance people do not wish to show in determination of net income or loss, it can be shown separately in the income statement pursuant to Item 17. The people who think that distorts the income statement are of course free to leave such special items out of income statements included in reports not subject to our jurisdiction -- such as reports to stockholders, but of course such items would have to be reflected in the surplus account.

The Institute put out a reconciliation of our views with theirs and said that accountants could certify by throwing that item into the surplus

account if they desired. We have noticed, however, that a good many companies have followed the same form in dealing with that item that we do here. They don't like to publish something that is very different from what they file with the Commission. That development has been going on for the last 20 years. I think our work in accounting has had a tremendous affect on published reports (which I should say here are not subject to our Acts, except the 1940 Act and the 1935 Act, where there is a rule stating that they cannot publish anything different from what they furnished us). Other than those two exceptions, reports of corporations are not subject to us unless they specifically say they are using the financial statements in the report to stockholders to satisfy one of our requirements. If they do that, then they must substantially comply with our requirements. We have an accounting series release, which is something I should mention, which several years ago defined what substantial compliance amounted to.

The accounting series releases were just recently republished. They were started as a means of advising our "clients" of our action in certain matters, decisions in areas that might have a general interest, announcements of changes in Regulation S-X. You will also find decisions with respect to the practice of accounting where accountants have run afoul of some of our rules.

One of those releases is a very important one, Release 4 announces the Commission policy in accounting to this effect: if there is no recognized authoritative report for the accounting that the registrant wants to follow, his accounting will be deemed to be misleading. If the Commission cannot find that there is a decision in the matter as to what is authoritative support for the practice and there seems to be two sides of the question, it will accept disclosure of what is done unless the Commission in some opinion or in an announced opinion of the Chief Accountant's Office has settled the matter.

The Chief Accountant's Office was created in 1935 to be a coordinating agency in accounting, to study policy matters and to advise the Commission on accounting policy. It works somewhat like the General Counsel's Office in law. It is the duty of this office to keep Regulation S-X up to date, handle these accounting series releases, maintain contact with the profession, and if anybody wants to discuss a principle in general and not some specific matter under the jurisdiction of one of the Divisions, or if there is a collision on an accounting principle in a filing that affects two Divisions, the appeal is to the Chief Accountant's Office. We try to settle it, and if we cannot settle it, we have to go to the Commission and let them settle it. If a registrant does not like what an operating Division does about a matter -- they don't like the deficiency you cite -- they can argue it out with the Chief Accountant's Office. If the Chief Accountant sustains the Division and the registrant does not like it, then the appeal is to the Commission.

We mentioned auditing a while ago, and I think I ought to mention a few other developments. I mentioned the exchange of correspondence between the New York Stock Exchange and the American Institute of Accountants. I

have commented on the accounting series releases. In 1937 the American Institute of Accountants started a series of research bulletins in accounting. The first of these bulletins summarized or reported five items which were put to a vote by the membership of the Institute. Those are the only announcements of the Institute in the field of accounting principles that have been voted upon by the membership and they presumably carry considerable weight. They deal with a number of things that we think are sound: not charging to capital surplus things that ought to go to the income accounts so as to make the results look better, absorbing losses in capital directly, and a few other items. That series has gone through a revision and has been republished in a booklet identified as Accounting Research Bulletin No. 43. When we look for authoritative support under our Release 4, we think this is one good source. Now and then we have not agreed with one of these pronouncements and have expressed our disagreement by getting out an opinion of our own that says something else, or by writing a public letter that we don't agree with some parts of what they say. We said that about the income and surplus affair before we got the compromise in 1950. At the time that S-X was revised in 1950 the Institute came down (led by its president) and argued that Release 4 should be thrown out and that the Commission should not adopt any principles in accounting. We had introduced some in the revision as proposed. This Committee argued before the Commission vigorously that the development of principles should be left to the profession so that it would not get into the position such as the I.C.C. is accused of being in today -- getting something tied to an ancient philosophy and having no way of changing it. The Commission turned down the idea of throwing out Release 4 and it has been a very powerful influence in gaining improvement in accounting disclosures.

Prior to the adoption of Release 4 one of the Commissioners was alleged to have said that you could report that you had cash in the bank and in a footnote say that it isn't really there; or that you had a credit balance in surplus, but if you read the footnote it becomes a very red balance. Such misuse was what Release 4 was intended to stop. We have several releases of opinions of the Commission to the effect that you cannot cure a bad statement just by writing a footnote. But the Commission did agree that it would not introduce any new principles in the revision. One of the reasons at that time for the uproar that was created was that we had written into the rule that cost was the basis for accounting. There is much debate going on now, as there was then, as to whether that is a principle or, if it is, it is being properly interpreted. I will say something about that tomorrow. We consider those releases of the Institute to be very valuable. They give us the same courtesy that we have to give the public under the law -- we are given an opportunity to criticize what they are going to publish. If we don't like it, we find they are agreeable and will recognize our views unless they have very strong views to the contrary.

We have the same sort of thing in auditing. The McKesson & Robbins case led to the creation of a series of bulletins on auditing procedure and ultimately to a statement on auditing standards which has become the guide for the profession and which we have recognized in our revision of the certificate requirements. You will find that the standard certificate in all the filings

refers to generally accepted auditing standards in the same way that the opinion paragraph refers to generally accepted principles of accounting. The guide on auditing is in those releases of the Institute. When it comes to specific items, the best source is Montgomery. Montgomery's auditing grew out of Dicksee's auditing in England. Robert H. Montgomery, when a young man starting out in practice, looked for a guide, and he converted the Dicksee auditing to American practice. Ultimately he changed it so much that he put his own name on the cover, and that is now in the seventh edition, with, I believe, an eighth edition in process. That is probably the best single reference work on auditing.