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The Accounting Historians

NOTE BOOK

DR. NEWLOVE AND THE WASHINGTON SCHOOL OF ACCOUNTANCY

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Sixty years ago if a young person desired an accounting education he found it necessary to attend a "night school." The night schools were normally of a proprietary nature, but a few could be found on the campuses of major metropolitan universities; examples included New York University, The University of Pennsylvania, and Northwestern University. Generally speaking, however, accounting was not usually accepted as a program of university study. Students worked at clerical jobs during the day and attended class at night. Their common goal tended to be that of passing the CPA examination.

What follows is a brief story of one such "night school." The Washington School of Accountancy, located in Washington, D.C. and affiliated with the Y.M.C.A., was in its heyday during the period 1919 to 1923. Prominent in its success was Dr. G. H. Newlove who was its Dean. The material for this story comes from a review of the School's Catalogs and from the recollections of Dr. G. H. Newlove himself.

THE SCHOOL

The Washington School of Accountancy was established in 1907, but courses leading to the degree of Bachelor's of Commercial Science (B.C.S.) were not offered for the first time until 1916. In that year the enrollment was 246 students and the enrollment grew to 1,633 students in 1920. About one-third of the students were either college graduates or "had more or less collegiate training" which was unusually good for such a school. The average age of the student body was twenty five. Admission requirements directed that each

prospective student be seventeen years of age or older, be of good character, and must have completed fifteen units of high school work. Students without the necessary high school credits could be admitted conditionally, but upon completion of the degree requirements they would receive a certificate instead of a diploma. Although the student body was predominately male, the Catalog states that "women are admitted to all classes on the same status as men." Tuition was \$40 per semester payable in four monthly installments or at a 5 percent discount if paid in cash.

The curriculum leading to the B.C.S. degree required three years of study to complete. The typical student enrolled in three two hour courses per semester; twelve hours or six courses per year for a total of thirty-six hours. A semester lasted seventeen weeks and included sixteen lectures and a final examination. In order to graduate the student had to complete all assigned work and examinations with a minimum grade of 70 percent. They were required to attend at least 75 percent of the lectures for each class.

The Catalog boasted that "no profession offers more immediate and satisfying rewards than that of Accountancy." Large auditing firms then hired junior accountants at a salary ranging from \$1,600 to \$2,500 and seniors earned \$3,500 and above. Further, "all accountants receive liberal compensation for over-time work and expenses when traveling on out-of-town engagements." The usual charge to clients was \$10 to \$20 per day for juniors and \$25 for seniors.

Instructors at the School were "men of liberal education and broad experience, not only in the teaching of their subjects but in commercial application of them." In 1920 there were twelve

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full-time faculty members: six accountants (five were CPAs), four lawyers (two from Harvard Law School), and two Ph.D. economists (Universities of Pennsylvania and Columbia). An "Advisory Board of Accountancy Instruction" included such prominent individuals as John Raymond Wildman, The U. S. Commissioner of Education, and the Deans of Graduate Schools of the Universities of Illinois and Chicago.

THE CURRICULUM

As mentioned earlier, the Professional Accountancy Curriculum included thirty-six hours of two semester hour courses. The curriculum contained eleven accounting courses, four law courses, and one course each of economics, finance, and statistics. The accounting courses included four semesters of accounting theory and practice, one course each in accounting for investments, advanced theory, specialized accounting (various industries' practices), cost, auditing, and two semesters in CPA review. The emphasis appears to have been on balance sheet valuation and bookkeeping. In some situations electives could be added to or substituted in the regular curriculum. The electives were actuarial science, public speaking, income tax, and real estate.

The accounting texts used included the works of Roy B. Kester, Charles E. Sprague, Paul J. Esquerre, J. Lee Nicholson, Robert H. Montgomery, and G. H. Newlove. The first lecture the first semester was entitled "History of and Development of Accounting." It covered these topics: antiquity of accounting, medieval retrogression, early English accounting, rise of the double-entry system, development of the ledger account, and organizations of accountants.

Finally, under a caption entitled "Object and Method of the School," it is stated that there had been "frequent criticism" of accounting instruction which concentrated on lecture presentation with too little emphasis on practical application. To counter such criticism, students were required to prepare "sets of books" and to work a great variety of CPA problems. About 500 hours of practice work outside of class was required for the accounting courses alone. The curriculum "fits students to pass the CPA examinations, but this is a secondary feature of the course...it is distinctly a professional course, having for its aim the best possible preparation for the accounting profession."

Dr. Newlove first taught a review course for the CPA examination at the School in 1918. The Educational Director of the Y.M.C.A. was his friend and it was he who had asked Dr. Newlove to teach the course. At that time Newlove was an ensign in the U.S. Navy and was assigned to the Bureau of Supplies and Accounts.

"Lady Luck was really with us" on the first examination according to Dr. Newlove. "I brought in a building and loan problem given in the Pennsylvania CPA exam as an illustration of partnership accounting, and so help me on that first examination, which I took with the class, there was a problem on building and loan, and most of my students solved it and we got off to a flying start!" The examination was given by the Board of Public Accountancy of the State of North Carolina. Prior to the creation of the Uniform CPA Examination each state offered its own version. The District of Columbia did not have an examination and thus the North Carolina Board, which had no residency requirement, was eager to get the \$25 fee. The examination was given in the classrooms of the Y.M.C.A.

Dr. Newlove subsequently learned that the secretary-treasurer of the North Carolina Board was "one of the biggest cotton accountants in the country." One of the problems which had previously appeared on the examination was on the "theoretical ratio of production." Being a mathematician, Dr. Newlove developed a technique for solving the problem using simultaneous equations and three unknowns. He was again asked to teach a review class, this time in the Spring of 1919, and he used the cotton problem as an example. "As luck would have it, the same problem was repeated on the Spring examination and 80 percent of our group who took the exam passed the practice part."

Later that same year Dr. Newlove was offered and accepted the position of Dean of the School of Accountancy. Whereas in previous years only three elementary classes were offered in the Fall semester, the word had spread about the success of his students and thus in the Fall of 1919 eighteen sections were offered. By 1920 he had accumulated CPA material which had been given in 335 previous CPA examinations. He subsequently published four volumes of CPA questions and answers. Dr. Newlove remembers the CPA examination as being heavily oriented toward law, sometimes close to 50 percent. That explains the curriculum requirement of four semesters of Law. Arithmetic accuracy and speed were crucial to success on the practice part.

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Dr. Newlove left the Y.M.C.A. School around 1923 to join the Consolidated Returns Division of the Internal Revenue Service. It was there that he accumulated materials and experience for his later textbooks on consolidated financial statements. In 1928, he joined the faculty at the University of Texas and remained there until his retirement in 1967. And what happened to the Washington School of Accountancy? It gradually faded away into oblivion.



Working Papers Continued

permission of the author. Comments are invited and should be addressed to Ashton C. Bishop, Editor; Working Paper Series; c/o The Academy of Accounting Historians; School of Business; Virginia Commonwealth University; Richmond, Virginia 23284 or P.O. Box 658; University Plaza; Georgia State University; Atlanta, Georgia 30303. Single copy price: Complimentary to members, \$1.00 to non-members.

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A recent article in the *Texas Times*, a publication of the University of Texas system, discussed the research of Denise Schmandt-Besserat, a professor of Middle Eastern studies at UT-Austin.

Her studies in 1977 of small clay geometric tokens contained in clay envelopes with similar markings on the outside pushed the roots of writing back to 8500 B.C. Ms. Schmandt-Besserat concluded that the tokens were used for household and business record keeping.

Seven types of tokens were used, including spheres, discs, cones, biconoids, ovoids, cylinders and triangles. She noted that cones, spheres, and triangles were units to measure capacity of grains, barley in particular. She stated that the units were not fully standardized and volume varied from place to place. Various systems were used to measure animals, barley, land and so forth. Repetition of the sign signified quantity.

Ms. Schmandt-Besserat's latest research has been a study of 183 impressed tablets found at sites in Syria, Iraq, and Iran. These tablets came from ancient Sumer during the period from 3500-3100 B.C. These records mark a turning point in civilization where the temple became the center of political and economic power over the masses. Gods were perceived to be humanlike, and production was dictated by religious administrators to satisfy the needs of the gods. These gifts to the gods were stored in special rooms in the temples and later evolved into taxes.

Ms. Schmandt-Besserat concluded that Sumer may be credited with the invention of writing. Although Ms. Schmandt-Besserat is primarily interested in the development of writing, it appears as if there is great potential in these materials for accounting historians. For example, if these tokens do represent the origins of writing, the natural conclusion is that the need for accounting records led to the development of writing. Perhaps some of our Texas members should get in contact with Ms. Schmandt-Besserat.