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CPA ADVERTISING — CIRCA 1914

by

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There has recently been a renewal of interest in advertising by certified public accounting firms. For many years (1922 until 1977), most forms of advertising were prohibited by the AICPA or its predecessor, the AIA. In 1977, however, the United States Supreme Court eliminated a rule banning advertising by attorneys on the grounds that such a rule violated First Amendment rights. This led to a relaxing of the rules concerning advertising by CPA's. Presently, CPA firms advertise in magazines, newspapers, and even on radio. This increase in public visibility and the forms which today's advertisements have taken tend to arouse one's curiosity about the advertising which took place prior to its prohibition in 1922.

This paper will seek to examine the types of advertising relating to accountants and accounting services in the first few months of 1914. This particular year was selected since it was the first year in which federal income tax returns were required to be filed. It was felt this development would lead to increased advertising by the profession and its competition during this period, although it could not be determined that this was actually true. Further, the year 1914 came in the midst of the decade leading up to 1922, the year in which advertising was prohibited by the AIA. This was a time of debate concerning advertising by the profession and the literature of 1914 reveals this.

Since all newspapers, magazines, etc., could not be examined, a choice had to be made. *The Wall Street Journal* was chosen to represent a business publication and *The New York Times* was chosen since it was a publication with a good reputation in a major city. *The Memphis Commercial Appeal*, Jackson's *Clarion-Ledger*, *The Tupelo Daily News*, and *The Oxford Eagle* were all selected since they were the papers representing the surrounding area. Not surprisingly, *The New York Times* yielded more

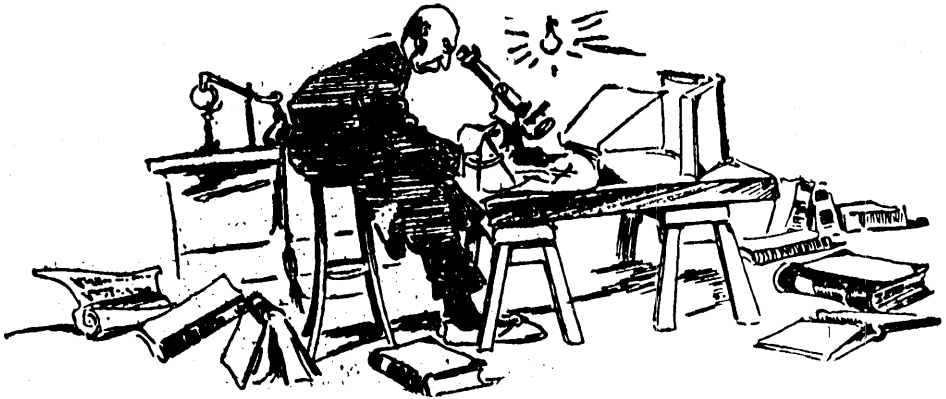
examples of advertisements than did any of the other papers. In fact, the *Tupelo* and *Oxford* papers carried no advertisements for accountants all during this period. The remaining papers carried very few. From this one can surmise that most of the advertising done by accountants of the period was done in the large city newspapers.

The Advertising

The year was 1914, and for the first time Americans were required to file the dreaded Form 1040. The form was required to be filed by March 1, 1914, reporting income, etc., for the period from March 1 through December 31, 1913. Thus, as noted by the political cartoon in *The New York Times*, the citizens' thoughts turned towards income taxes during the first two months of 1914 (see Exhibit 1). Some accountants sought to take advantage of this new demand by mentioning their tax services in their advertisements. Note the advertisements in Exhibit 2, which appeared in the classified section of *The New York Times* in January. Both income taxes and the fact that accountants were certified are mentioned. The first advertisement (M. Miller) must be awarded high marks for originality and imagination.

In discussing advertising by accountants, it is useful to examine some advertisements placed in newspapers by non-accountants promoting their services. Many banks, trust companies, trust departments of banks and investment companies also advertised their ability to fill out the returns or to assist in filling out the returns (see Exhibits 3 and 4). Note the advertisement for A. B. Leach & Co. in which they offer to furnish "Form 1041." Aside from tax services, "audit companies" advertised their "wares" by offering audit services, appraisals, cost systems, and other services (see Exhibit 5). Such companies were not at all popular with the certified accountants of the day and were cited as one reason certified

For the long winter evenings: that new indoor
game—figuring out the income tax.



Source: *The New York Times*, 1 February 1914, p. 16.

Exhibit 2

Classified Advertisements

- (1) A.-A.-A.-ACCOUNTANTS
C E R T I F I E D. (N.Y.)
C onscientious, efficient Service. Books
O pened, balanced, closed, written
U p and audited. Special examinations.
N ew, up-to-date office and cost systems
T hat minimize work and create the
A ccurate, dependable, worth-while records
N ecessary to obtain maximum profits.
T ax reports, profit & loss statement, balance
S heets. M. Miller, 149 B'way, Cortlandt. 7887.
- (2) A.-A.-A.-ACCOUNTANT. CERTIFIED—
Simplified systems installed, books opened,
closed, audited, written up; special examinations
and investigations conducted; financial
statements and income tax returns rendered;
personal service, work confidential; rates
moderate. Louis Gross. 132 Nassau St., N.Y.
Phone Beekman 2780.
- (3) INCOME TAX RETURNS
Prepared by experienced certified accountant.
Reasonable. Douglas, 831 Singer Building.

Source: *The New York Times*, 16 January 1914, p. 17.

Exhibit 3

FIDUCIARIES

Guardians, Trustees, Executors

Form 1041, just issued by the Treasury Department,
must be used in reporting the annual net income, in
accordance with

Federal Income Tax Law

This return, covering the period from March 1st to
Dec. 31st, 1913, must be filed with the Internal Revenue
Collector on or before **March 1st, 1914.**

We are prepared to furnish Form 1041.
Write or call if interested

L A. B. Leach & Co.
Investment Securities
149 Broadway, New York

Chicago	Philadelphia	Buffalo
Boston	London, Eng.	Baltimore

Source: *The New York Times*, 16 January 1914, p. 12.

Exhibit 4

Your Income Tax Report

The Treasury Department has issued Form 1040, which all individuals subject to the income tax must fill out and file by March 1st, 1914.

Our Income Tax Department will be glad to assist you in preparing your own personal report, and will welcome the opportunity to answer any questions which may perplex you.

Guaranty Trust Company of New York

140 Broadway

Fifth Avenue Branch,
5th Ave. & 43rd St.

London Office
33 Lombard St., E.C.

INCOME TAX DEPARTMENT
We are prepared to assist our depositors and others in filling out the certificates required by the Treasury Department regulations in connection with the collection of coupons and registered interest, and in preparing their annual returns of income, which must be filed with the Collector of Internal Revenue on or before March 1st. We should be glad to talk with you in regard to this matter.
Franklin Trust Company
 Borough of Brooklyn, City of New York
 Main Office 165 Montague Street
 Fulton Street Office, 560 Fulton Street

Source: *The New York Times*, 16 January 1914, p. 13.

Exhibit 5

THE BALANCE SHEET
 Audits and examinations of Accounts. Appraisals of values of Land, Buildings and Machinery. Reports and recommendations on economics in Factory Operations. Financial and Cost Systems of Account.
THE AUDIT COMPANY OF NEW YORK
 Auditing, Appraising, Efficiency, Systems.
 165 Broadway, New York. 39 So. La Salle St., Chicago.

Source: *The New York Times*, 4 February 1914, p. 14.

accountants should advertise. That is, the profession desired to educate the public as to the differences in qualifications of certified accountants and audit companies.

One of the more interesting types of advertisements were those by certain individuals (non-accountants) and stationery houses concerning protesting payment of income taxes (see Exhibits 6 and 7). This is noteworthy for two reasons: (1) protests and non-payment of taxes due to claims the laws are unconstitutional have become more common in recent years, and (2) this was the first year income taxes would have to be paid. Apparently, quite a number of people were not going to give up without a fight.

Finally, the most common type of advertisement for certified accountants was the "tombstone" advertisement (see Exhibit 8). While lacking flair and imagination, this advertising format was the one considered acceptable and proper by most of the certified accountants of the day.

Exhibit 6

PRECISELY HOW?

THE BLANK "FORMS" WHICH ARE FURNISHED BY INCOME TAX COLLECTORS, TO BE USED BY PERSONS AND CORPORATIONS IN MAKING OUT INCOME TAX RETURNS, ARE ALL DEFECTIVE, IN RESPECT OF WHAT IS PRINTED ON THEIR FACES AND THEIR BACKS, AND ALSO IN RESPECT OF THE BLANK AFFIDAVITS, TO WHICH THE PARTIES MAKING THE RETURNS ARE SUPPOSED TO SWEAR. UNLESS THOSE DEFECTS ARE CORRECTED WITH A PEN, IN EACH CASE, ANY PARTY USING ANY OF THOSE "FORMS" WILL BE LAYING A FOUNDATION FOR OVER-TAXATION, OR WILL BE SWEARING ERRONEOUSLY, OR BOTH.

TO ENABLE ANY PERSON OR CORPORATION TO MAKE THE NECESSARY CORRECTIONS, I HAVE PERFORMED MANY DAYS OF HARD LABOR, IN ANALYZING EACH OF THOSE "FORMS," AND IN WRITING A DETAILED DIRECTION EXACTLY HOW TO CORRECT AND MAKE OUT A RETURN, ON EACH OF THE EIGHT "FORMS," WHICH ARE FURNISHED FOR EIGHT CLASSES OF PERSONS AND CORPORATIONS, RESPECTIVELY.

I HAVE PUBLISHED THAT WRITING AS PART II, OF MY SECOND INCOME TAX PAMPHLET, WHICH IS ENTITLED "THE UNCONSTITUTIONAL CHARACTER AND THE ILLEGAL ADMINISTRATION OF THE INCOME TAX LAW." PART I, PROVES THOSE FAULTS, BEYOND ALL REASONABLE DOUBT; AND PART III, PRESCRIBES FIVE REMEDIES THEREFOR.

A COPY OF THAT PAMPHLET CAN BE PURCHASED ONLY AT MY OFFICE, EITHER BY MESSENGER OR BY MAIL, AND ONLY FOR ONE DOLLAR. MY ADDRESS IS: ALBERT H. WALKER, Park Row Building, New York.

Source: *The New York Times*, 22 February 1914, p. 6.

Exhibit 7

**Income Tax
 Protests
 Account Books
 Certificates
 Returns
 H. K. Brewer & Co.
 New York's
 Leading Stationers
 58 Liberty Street**

Exhibit 8

William A. Smith & Co.
Certified Public Accountants

 510-11 BANK OF COMMERCE AND TRUST COMPANY
 LONG DISTANCE TELEPHONE 3487
 MEMPHIS, TENNESSEE

**Bank Examinations
 Commercial, Manufacturing and
 Municipal Accounting**

Source: *The Commercial Appeal*, 2 January 1914, p. 17.

**Your
 Income Tax Return
 Due March First**
 must include interest from bonds and, under certain conditions, dividends from stocks. Our Statistical department will be glad to assist you in the preparation of your return, or furnish information upon specific points.
Hornblower & Weeks
 42 Broadway, New York
 Boston Chicago Detroit
 Providence Newport Hartford

*Protect your clients by
 providing them with an*
INCOME TAX PROTEST
 For use by individuals with form 1040. Also A
 PROTEST FOR CORPORATIONS prepared by
 Counsel for N.Y. Trust Cos.
 ALL FORMS AND BOOKS
 carried in stock.
The Corporation Stationer, Inc.,
 Telephone Rector 1976
 409 Broadway New York

Source: *The New York Times*, 22 February 1914, p. 6.

When looking at the previously mentioned advertisements as a whole, it is difficult to discern why some accountants were so upset by them, unless they objected to any advertising whatsoever. The answer, probably, is that advertising and solicitations were viewed as one and the same by accountants of this era. Unfor-

tunately, examples of solicitations are hard to find since the most objectionable form was a letter sent directly to a prospective client or a direct call upon his place of business.

The Arguments

The year 1914 seems even more appropriate for analysis since in August of that year *The Journal of Accountancy* carried an "editorial" consisting of three letters from CPA's concerning advertising. Their letters are made more pertinent when one considers that they consist of many of the arguments used today in discussing advertising by accountants.

One writer, John Alexander Cooper, CPA, compared advertising required by businesses with the advertising required (or not required) by professions. according to Cooper, professionals generally did not advertise since their reputations are based on the goodwill of one's colleagues. Cooper concluded by pointing out that accounting was a "young" profession and was still striving for recognition by the public as a true profession. Anything done by the accounting profession that "cheapens the standing of your colleagues" would inhibit the development of accounting as a profession.¹

Edward E. Gore, CPA, favored advertising by accountants. The business versus profession argument was noted, but Gore felt accounting was more like a business than a profession and that the public could not equate an accounting firm with a medical or law firm. He stressed that no one could blame a small firm or an individual CPA for advertising to become well-known. Acknowledging that most CPA's would prefer not to advertise, he notes, "this feeling

of propriety is an excellent tonic for the conscience, but it does not make ribs less visible when one bathes."² In other words, even the small practitioner had to eat. Gore's point was that what was good for the practitioner is not necessarily good for the profession, and that advertising was the only way individual practitioners could combat "monopolization of the best business by the large organizations." He closed his letter with the following paragraph.

In the preparation of this paper the writer has endeavored to put himself in the place of the accountant who advertises because he *needs* to advertise. Viewing things from that position one must concede that advertising has nothing about it of which to be ashamed. As it is practiced by the majority, accountancy is more a business than a profession, and should be regulated by business rather than by professional ethics. When accountancy is established as a learned profession and is recognized as such by the public it will be time enough to be horrified by advertising indulged in by its practitioners.³

The last respondent, E. G. Shorrock, CPA, advocated the need to educate the public about the benefits to be derived from the use of a CPA. He also felt that prohibiting advertising by CPA's would give an undue advantage to accountants who are not CPA's. He states:

There are few things that would give greater pleasure and satisfaction to the "outside" accountant than the spectacle of the "insiders" voluntarily hanging around their necks a millstone in the shape of a policy concerning advertising the effect of which, if it were strictly followed, would be to restrict their liberty of action in the selection of methods of business development.⁴

Shorrock thought accountants had an ethical responsibility to advertise, pointing out that as long as there were people to whom accountants' services would be valuable and who had not yet availed themselves of these services, accountants would be lacking in their duty to those people if the profession did not make an effort to inform them that accountants could be of use to them. He uses the following analogy:

If a doctor, passing the scene of an accident in which someone had been injured, should fail, in the absence of other skilled assistance, to offer his services, he would surely be guilty of a breach not only of humanitarian principles but also of the ethical principles of his profession. And if the accountant, by reason

of his conception or misconception of the proprieties, neglects to make himself known to those who need such assistance as he can tender but who are ignorant of his ability to give that assistance, he is surely neglecting the interests of the public, of the profession and, incidentally, of himself.⁵

To achieve this public education, Shorrock advocated advertising by the "American Association" (AIA) in the form of leaflets or booklets addressed to various classes of clients. Thus, in summary, Shorrock favored informative advertising administered on a large scale by the national association of certified public accountants.

Conclusion

The advertisements utilized by the CPA's, for the most part, were unimaginative although quite "respectable," making no claims of special expertise. It further seems these CPA's did not recognize what a boon to the profession the new income tax law was to become since very few of the accountants mentioned anything about the tax in their advertisements. The investment companies and bankers (perhaps a more experienced advertising group), on the other hand, jumped into the fray with both feet. And, of course, there were any number of individuals and organizations willing to tell the public how to protest payment of any income taxes at all. These were only the visible signs of promotion. It was impossible to glean from the materials examined the impact of circulars, letters, or direct calls on individuals and businessmen concerning their needs for an accountant's services.

The arguments for and against advertising by accountants are basically the same ones put forth today. Even though the surroundings have changed, the old reasoning has merit, i.e., the public still needs to be made aware of the services accountants can offer and educated as to what different audit opinions mean.

FOOTNOTES

¹"Should Accountants Advertise?" editorial. *The Journal of Accountancy*, Vol. 18, No. 2 (August 1914), p. 93.

²Ibid., p. 95.

³Ibid., p. 100.

⁴Ibid., p. 102.

⁵Ibid., p. 103.