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CPA advertising -- Circa 1914

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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 CPAs. 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
Exhibit 1

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


Exhibit 2

Classified Advertisements

(1) A.-A.-A.-ACCOUNTANTS
CERTIFIED. (N.Y.)
Conscientious, efficient Service. Books
Open, balanced, closed, written
Up and audited. Special examinations.
New, up-to-date office and cost systems
That minimize work and create the
Accurate, dependable, worth-while records
Necessary to obtain maximum profits.
Tax reports, profit & loss statement, balance

(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.


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

A. B. Leach & Co.
Investment Securities
149 Broadway, New York
Chicago  Boston  Philadelphia  Buffalo

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

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.


Exhibit 5

THE BALANCE SHEET


THE AUDIT COMPANY OF NEW YORK
Auditing, Appraising, Efficiency, Systems.
165 Broadway, 39 So. La Salle St., New York.


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.

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

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


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 concern­
ing advertising. Their letters are made more
pertinent when one considers that they consist
of many of the arguments used today in dis­
cussing 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.

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." 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.

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.

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 render 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.

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


Ibid., p. 95.

Ibid., p. 100.

Ibid., p. 102.

Ibid., p. 103.