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## Accountancy as a career

A. C. Ernst

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# ACCOUNTANCY AS A CAREER

BY  
A. C. ERNST



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A. C. ERNST

MANAGING PARTNER, ERNST & ERNST

REPRINTED FROM "AN  
OUTLINE OF CAREERS"

EDITED BY EDWARD L. BERNAYS



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ACCOUNTANCY AS A CAREER  
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# ACCOUNTANCY

*By A. C. Ernst*

**A** BUSINESS executive, to manage his establishment properly, must be guided by timely and dependable information about it. He must base his plans, decisions and instructions on exact knowledge of its financial condition and operations. Without such knowledge, he travels in the dark, making avoidable mistakes, overlooking preventable leaks and waste and incurring unnecessary losses which frequently result in failure.

Wherever and in whatever form business is conducted, there is the need for management to maintain constant watch over income, constant control over expenditures, and to know whether or not a profit is being made and why. A concern may be purchasing its materials or equipment at too high a price. Slow moving or obsolete merchandise may be tying up its working capital. Its collection methods may be lax. Its selling prices may be too high or too low. One of its department heads may be incompetent. The only way for management to forestall or promptly correct any one of a number of such unsatisfactory conditions is to have timely and exact knowledge about the business.

The source of this knowledge is an efficient system of record keeping and investigation, with the records kept up to date by a competent accounting department and clerical staff. The process of creating the right system and showing the employees in the business how to operate it and how to compile the information which it makes available, is known as System Work. System Work is one part of Accountancy. Another part, Auditing, is the work of examining and verifying from time to time the records of a business, determining and analyzing its assets, liabilities, income and expense, and making a report of its true financial condition.

The service of the able modern accountant does not stop with the development of a System or the making of an Audit. His work, giving him in most cases an intimate knowledge of the operations and condition of a concern, makes him feel the natural responsibility of being fully prepared to offer sound and constructive recommendations on matters of organization, method and policy. He sees with the eyes of good management and thinks in terms of finance, system and economy. He keeps abreast of the new and better ways of doing things. He knows how to apply sound principles to such ends as the analysis of markets, the payment of wages, the securing of capital or credit. He is skilled in the adaptation of Budget procedure to the needs of business. He is familiar with the means through which the unchanging laws of good management are made to control prevalent conditions.

The function of the public accountant is to serve business concerns in general and other organizations, as an impartial and trustworthy outsider. He installs accounting systems for his clients, or revises antiquated systems, ascertains and certifies to his clients' financial condition, develops for them various better methods needed in conducting business, and aids them in many ways in an advisory capacity. Bankers usually demand that financial reports submitted to them by business concerns as a basis for credit be certified to by reliable public accountants. With rare exceptions, the numerous establishments, employing one or more accountants as members of their own personnel, require in addition some part of the service offered by the public accountant.

While accountancy is essentially a service for business and most of the work done by accountants is for business concerns, we should have in mind that accountants also serve such agencies as governmental departments, charitable and fraternal organizations, churches and private individuals. When we hear of a non-business organization being run in a business-like way, good accounting is usually one of the principal factors implied.

The nature and transactions of some few businesses are so simple that the most elementary records suffice to keep man-

agement accurately informed. This is not true of business generally. And there are thousands of concerns in this country, large and small, who seriously need adequate accounting, but are ignorant of, or blind to, its value. Few of them know their cost of doing business or have more than a vague idea of their financial condition.

The life and vitality of all business is profit. It is the compelling interest in the simplest transaction; the dominant thought in the greatest commercial enterprise. It takes the measure of administrative ability. It finances growth and progress. Real profit begins where loss ceases. The profit developed by the accountant's services is in a large measure the elimination of the losses—the wastes, leaks and mistakes—due to ignorance and guesswork. Accountancy teaches the lesson that true success in business is not a matter of pinching pennies to the end that desirable policies cannot be followed and necessary activities will be cramped; that it is the product of genuine usefulness, improvement and conservation.

Every year the need for accounting services widens and becomes more pressing. The production of merchandise is constantly increasing and the need of better distribution through aggressive sales organization becoming more important. We face an inevitable super-competition of Europe. As Fred W. Shibley, vice-president of the Bankers Trust Company, New York, said in a timely address: "The era of Production has been succeeded by a Marketing era." Business must become and is becoming more scientific and more efficient. National well-being depends upon it. And it is this relationship of accountancy to public welfare, as well as to business, that the young man considering the choice of a vocation, should weigh at its face value as a source of inspiration and personal satisfaction.

Knowledge of the theory of accounting is obtainable in a number of universities, special schools, or from certain reliable extension (correspondence) courses. It can also be acquired gradually along with experience from the teachings and suggestions of able associates and from well-selected reading. There is no single prescribed way. Nor is there any select

group of training institutions that I might mention by name as being better than other good institutions, the names of which I might omit. One must select for himself on the basis of good judgment and the advice of competent friends, in the light of such factors as residence, circumstances and personal inclination.

We must be careful to assign neither too much nor too little importance to theory. I would consider accounting theory comparable in some respects to the rules of grammar and literary composition. The writer learns the rules; then after much practice and experience, he really knows how to use them and how to write. In accountancy, rules and theory are indispensable and must be learned. But they are guides, not laws, not substitutes for ability. An accountant must be resourceful enough to rise above rules and theory when common sense demands it. Lazy minds learn theory and become slaves to it. Business does not pay for a knowledge of accounting theory, but is interested only in the ability to use the knowledge skilfully.

It is not essential for an accountant to have a college education. If he has character, personality, the capacity for logical thinking and intense application, the lack of a college education, in my opinion, is not a handicap. The man who is denied the opportunity to go to college may find inspiration in the thought that though Washington, Franklin and Lincoln were not college men, the birthdays of two of them are college holidays.

Accountancy calls for familiarity with such subjects as economics, finance, business organization, business law and statistics, and the ability, in talking or writing, to express one's thoughts, observations and suggestions in clear and simple language.

The beginner in accountancy, seeking employment, ought to find a position as bookkeeper in a small industrial or commercial organization, or as assistant in the accounting department of a larger business concern, or as junior accountant in a public accounting firm. Before going into public accountancy myself, I spent about a year in the factory office of a large industrial corporation and acquired a practical insight into factory opera-



tion. While I regard that year as very valuable, I think it does not make any material difference whether a young man gains his initial experience in a public accounting office or a business office. Among the ablest men in our firm there are some who started in one way, some in another.

The beginner's salary, wherever he starts, is usually low. No definite figure can be given. The amount would depend upon such factors as section of the country, policy of individual concerns, supply and demand, and prevailing economic conditions generally. Also the purchasing power of a particular salary might be higher or lower in one locality than in others.

However, the question of salary to the beginner in any field should be a secondary one. Personal sacrifices that may be necessary are worth while, if they are not so unbearable as to be a detriment to health or a source of discomfort to one's family. Reasonable sacrifices strengthen the fiber and enrich the life of a man. The primary considerations are whether or not the field offers expanding opportunities, and whether or not one has the proper qualifications for and is inclined toward the work.

If the young accountant took his initial position in a business organization, he would do so with the idea of leaving business at the end of one or not more than two years to secure a position in Public Accountancy. Some young men, however, after making their start in business, find it desirable for personal reasons to alter their plans and use their training in accountancy as the basis of a business career. If one wishes to continue in accountancy and is qualified for the work, the public accounting office is the place for him.

The responsibilities committed to public accountants, as part of their everyday work, are among the heaviest in the world of business. They are custodians of a trust. What they think, say and do is directly reflected in the plans and action of management. Their seal on the financial reports of business concerns can stand for nothing less than the truth in order that bankers and other concerns may be guided safely in the granting of credit and the public not misled in investing money. If you have noticed the advertisements of securities on the finan-

cial pages of newspapers, you have probably noticed also that most of them carry accountants' figures to confirm the assertions of strength and earning power. It is more and more becoming the custom to have the certificate of a well-known accounting firm as a part of the representations of the bankers offering securities for sale to the public.

Business men and bankers cannot afford to repose confidence in public accountants who are unworthy of it. Character, ability and industry are sought and must be demonstrated. These qualities contribute to a man's success in any field. In public accountancy they are indispensable to success. Without them, failure is swift and sure. Men lacking courage and the love of hard work, and realizing the demands of public accountancy, will shrink from submitting themselves to its acid test.

The public accountant must think straight, live straight and go straight to his objective with a single well-defined purpose. He must have integrity and stability. He must be sincere. He cannot be a "yes man." He must have backbone and the courage of his convictions. This is character.

The late J. P. Morgan said: "I have known a man to come into my office and I have given him a check for a million dollars when I knew they had not a cent in the world. The first thing is character. Before money or anything else. This is the rule of business."

A good public accountant is not a suspicious individual, but he must have inquisitiveness of a high order. He must get the facts. Everything depends upon it. He takes nothing for granted. He probes, digs and asks questions. He establishes truth by investigation, analysis and sound judgment.

To buy and to pay for, to manufacture, to sell and collect for—these are the important considerations in the average business enterprise. The classified records of the transactions are called accounts and each account has a title. The figures under an account title convey a meaning to the trained accounting mind. Accounts and figures represent the language used to relate a story of business progress or retrogression. The accountant, as he studies and is immersed in the details

of one group of accounts, must at the same time have the other groups in mind and think about the story as a whole. Imagination enables him to see in the accounts and figures of a business a reflection of the business itself. Imagination inspires his unerring search for truth. It inspires his able planning of an accounting system. It is the basis of the constructive suggestions which he can develop and make.

The necessity for facility in making simple arithmetical calculations with speed and accuracy is obvious.

Without personality, a public accountant may be likened to a nourishing food without flavor. He must be courteous, tactful, considerate of the so-called little things. The success of his work depends in a large measure upon the respect and coöperation of others. It is part of his job frequently to encounter and conquer hostility or resistance. He must be prepared to meet people, executives or clerks, with ease and self-possession. A man, endowed with personality and vision and having a natural aptitude for accounting work, can rise rapidly in public accountancy to high rewards, both in personal satisfaction and in income.

It is not difficult for the promising beginner to find employment. Sometimes, employment seeks him. The placement bureaus maintained by many of the institutions teaching accountancy are constantly called on by accounting firms. The procedure of answering advertisements or making calls on a selected list of business concerns, accounting firms, or the better employment agencies, is just about the same as in other fields.

The work of the junior in public accountancy is under the observation of more experienced men and consists largely at first of comparatively simple details, demanding and meriting, nevertheless, intelligent and earnest effort.

The ranks above junior are semi-senior, senior, supervisor, executive. The nomenclature is different in some offices. Each rank holds many degrees of ability, and the nature and importance of the work that a firm would entrust to any particular member of its staff would depend not only upon the man's rank, but also upon his ability and upon the confidence

reposed in him by his firm. Also an average man of a particular rank in one office may carry heavier responsibilities for his firm and earn more for himself than the average of higher rank in another office.

The rapidity of promotion depends to some extent upon the firm. Some firms promote the members of their staffs more slowly than others—in many cases, as a matter of policy, and in many other cases, simply because of the slow development of openings. In some firms, exceptional men can rise in about five years from juniors to executive positions. In other firms this rise would take from seven to ten years.

The members of the staff in most large public accounting organizations and in some of the smaller firms, while maintaining a certain familiarity with all branches of their vocation, specialize in some particular branch, such as system work, taxes, retail store accounting, hotel accounting, bank auditing, etc.

The variety of types of business constituting the clientele of a large public accounting firm, gives the members of the staff an invaluable opportunity in the course of their work to gain a broad business experience and to meet business executives and bankers. If the clients of the firm are distributed over a wide locality, the members of the staff must travel, but have their living expenses away from home paid by their firm.

During the winter and early spring months of every year, it is a normal condition for the public accountant to work under high pressure ten or twelve and often fourteen hours a day. A stint on Sundays and holidays is frequently required. Most concerns take inventory and close their books on December 31st, and require audited statements for their stockholders' meetings which occur largely in January and February. The necessity of working long hours without sacrificing thoroughness and accuracy means a mental and nervous strain that not all men are willing to stand—or are able to stand. During late spring, summer and fall, a seven or eight hour day is usually found long enough, and occasionally there is a day or two of leisure.

An accountant, opening a public accounting office of his

own, requires no capital apart from the funds needed to maintain himself and a small office and to pay salaries for whatever assistance the volume of his work may demand. His services are his product. Primary questions that a man should ask himself are: Have I enough experience, ability and personality to run an office of my own and attract business? Are the possibilities relative to my personal development, my eventual sphere of service, and my rewards in happiness more promising than they would be in the event that I did not open the office? Have I sufficient funds for living expenses and office maintenance until such time as I should reasonably expect my practice to be on a paying basis?

Any one of a number of reasons might lead a public accountant at some point in his career to desire a position in a business concern or banking institution. He may feel unable to continue standing the strain of public accountancy. He or his family may object to his traveling. He may be offered an exceptional position outside public accountancy at an appealing salary with possibly an opportunity to acquire an interest in a business. He may come to the conclusion that his best talents are different from those required in public accountancy. The weight of reason would depend upon the individual case. I should think it desirable, in the absence of conditions that would dictate otherwise, for the accountant inclined toward business to spend about five years in the public accounting field before leaving it. Should he enter business with less public accounting experience, he is not likely to have the capacity for the type of position that would make waiting worth while.

There are various positions in business for which accountants are required. In one case, a good junior may be needed; in another, an able senior; and in another, the need may be for a high-grade executive accountant. Each position asks its own measure of accounting experience and ability. To a man in any business position, experience in public accountancy is an asset whether such experience is among the specified requirements of the position or not.

Many of the ablest executives in business to-day received part of their training in public accountancy and many of the

business executives of to-morrow are in public accountancy now. A substantial part of the "alumni" of our own organization, for example, is represented by presidents, vice-presidents, treasurers, comptrollers, and other executives in large industrial and commercial concerns. These men attribute their success largely to the training received in public accountancy wherein knowledge of the latest methods of internal organization and ability to analyze results were important features of their work.

This article is reprinted from "An Outline of Careers," a practical guide to achievement edited and compiled by Edward L. Bernays and published by George H. Doran Company, New York. The chapters and their authors are as follows:

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