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## Report of Special Committee on Distribution of Work

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THE AMERICAN  
ASSOCIATION OF PUBLIC  
ACCOUNTANTS



Report of Special Committee on  
Distribution of Work



## REPORT OF SPECIAL COMMITTEE ON DISTRIBUTION OF WORK

TO THE BOARD OF TRUSTEES OF THE AMERICAN ASSOCIATION OF PUBLIC  
ACCOUNTANTS:

GENTLEMEN—Pursuant to a resolution of the board of trustees in September, 1914, that a special committee should be appointed to consider the question of the distribution of accounting work over the year, President Joplin appointed the undersigned to act as such special committee with instructions to report at the meeting of trustees to be held in September, 1915.

Your committee has given careful consideration to the question and feels that something should be done at once to encourage corporations, firms and individuals to close their fiscal years at dates other than the close of the calendar year. The need of relieving the pressure of work during January and February is felt by accountants in all parts of the country and your committee did not concern itself with obtaining the views of accountants on a question to which the reply would probably be unanimous from all members of the association.

Accordingly the committee devoted its attention principally to a consideration of methods whereby the business community could be reached and the needed reform encouraged.

Immediately the difficulty which presented itself was the possibility that a general campaign made with the object of educating the public would be construed as an entirely selfish effort and thereby would lose much of its weight.

The proposition which appealed most strongly to the members of this committee was the idea of distributing educational literature to firms or corporations engaged in each of the great industries, laying stress upon the fact that a certain month would be the most convenient date of closing for all the companies in that particular industry.

The method of distributing such literature was the subject of discussion and it was felt that the state societies should appoint committees to approach the heads of the particular industries in their several states. This feeling was based upon the fact that state societies are naturally in closer touch than the national organization would be with the industries in different parts of the country and would be able to effect distribution more advantageously.

Primarily, of course, the most important relief to be obtained is an amendment of the income tax law which will enable firms, co-partnerships and individuals to adopt a fiscal year other than the calendar year. At the present time this privilege is confined to cor-

porations and in order to take advantage of it a business must incorporate. In all probability the law will be amended so as to include all businesses whether individual or corporate and when this has been done it will be the duty of every accountant to encourage his clients to take advantage of the privilege under the law.

It is suggested that accountants should adopt the following plan which was embodied in a report of a special committee of the Society of Certified Public Accountants of the State of New Jersey:

\* \* \* \* \*

1. Wherever clients or friends have been accustomed to take inventory at a date other than December 31 and propose to change, that an effort be made to find the reason why they formerly closed at a date other than December 31, and if it is a good and sufficient one, get them to write the secretary of the treasury asking if a ruling cannot be made giving the privilege to designate a date other than the calendar year as the date of their fiscal year and as of which date they may make their return, at the same time stating why it would be more convenient for them to make return at a date other than December 31.

2. In many businesses the 31st of December is the most illogical time to take inventory either because the stock at that time is exceptionally heavy, or the business being one of seasons it is more satisfactory to take inventory at the close of the season and then ascertain the result of the business, and so fixing the 31st of December as the date of the return compels them to take two inventories where one would suffice, and on these grounds they should write the secretary of the treasury for privileges, etc., as suggested in No. 1.

3. In cases where clients or friends propose to change the closing of their books to December 31 so that this and the date of the return conform, and for no other reason, then it might be pointed out to them that their statistics and comparative figures would be thrown out of gear; and on these grounds they should address a letter to the secretary of the treasury as suggested in No. 1.

4. In some cases where clients are very close to us we might suggest that if all audits are to be bunched in the months of January and February, it will mean that we may have to refuse work and be so busy in the two months that we cannot give our personal attention to audits as we should, and moreover the next ten months of the year might be very slim ones for us from this cause and so as personal friends we might get them to write a letter as suggested in No. 1, but in general terms.

5. Whenever possible the attention of the treasury department should be drawn to the fact that if the returns of individuals were spread over the year instead of all being bunched at the end of February, it would undoubtedly be more economical and systematic for the government, as the force would be employed continuously over the year instead of having a glut of work round the months of Feb-

ruary and March, probably necessitating extra help at that period; and on these grounds the treasury department should be asked to make a ruling as in No. 1.

6. Where the member of congress is known to the member a letter could be written on the following lines:

Dear Sir:

The treasury department has, I believe, expressed a willingness to allow individual income tax returns to be made up at the close of the regular fiscal year, if the said closing is at the end of a month, instead of at December 31, provided the desire to obtain the privilege is generally expressed by those interested. Such privilege is now granted to corporations.

If the request were granted it would be a great convenience to partnerships and individuals as it would enable them to take their inventory at a time of the year when stocks were lowest instead of on December 31, as necessitated by the act.

While many firms do not have certified public accountants make up their returns, still in the first two months of this year we were so pressed to get our audits completed so that the income tax return could be made out that we naturally lost business owing to the making of all returns at December 31.

May I ask you to use your influence with the treasury department to obtain this concession and give individuals the same privilege as to naming their fiscal year as the corporations now enjoy?

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In addition to the suggestions relative to income tax your committee proposes that each state society should circulate to each of the great industries operating in that state a pamphlet laying emphasis upon the following arguments:

One of the great factors of business success is the distribution of labor and the consequent avoidance of overpressure at any given point.

It is self-evident that ten men working twelve months in the year can accomplish greater results and ensure greater value of service than sixty men who work two months in the year and are idle the remaining ten.

The number of qualified men available for every department of industry is never sufficient, which is only another way of saying "There is always room at the top." True economy, therefore, requires that labor be distributed so as to make constant use of the best ability and to avoid the necessity for utilization of less efficiency in times of pressure brought about by lack of even distribution.

The principle applies everywhere and particularly in public accounting.

It has been the practice of many firms, corporations and other organizations to pay no great attention to the question of fiscal year unless the exigencies of the business concerned were such as to call for termination at some one time. A great many other corporations

which formerly adopted a fiscal year other than the calendar year were induced by the excise tax law of 1909 to change the date of closing their books to December 31st.

By great effort and vigorous protest the unfortunate requirements of the excise tax law were altered when the income tax law took its place and corporations and firms are now allowed to use as the termination of their fiscal year the last day of any month in the twelve.

Public accountants assisted in bringing about this reform not solely for the direct benefit of the business community (although this was no inconsiderable matter), but in order to avoid the extraordinary pressure of work during January and February which was beginning to make it almost impossible to deal satisfactorily with the task imposed upon them.

When the new law became effective many corporations changed again to their natural fiscal years and thereby to some extent relieved the pressure of the first two months of the year; but there are many others which might with advantage change and have not done so. To them this pamphlet is addressed in the hope that they may see their way to adopt a fiscal period more naturally convenient to themselves than the calendar year can be and thus assist to some extent in that distribution of labor which is essential to the best accounting conditions and the most satisfactory results to clients.

This pamphlet particularly concerns organizations interested in the \_\_\_\_\_ trade. The calendar year is not the natural fiscal year in that industry and therefore it is hoped that your organization at any rate will be ready to join with the accountants and endeavor to promote the essential distribution of labor.

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The foregoing suggestions are submitted by your committee as a contribution to the solution of the question which has become increasingly acute in the past few years and shows no sign of amelioration in the near future unless something can be done to induce business men to vary the termination of fiscal years.

Respectfully submitted,

ROBERT H. MONTGOMERY, *Chairman*  
HAMILTON S. CORWIN  
W. SANDERS DAVIES

New York, September 1, 1915.