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Accounting Today

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at the University of Alabama, Tuscaloosa—November 1959*

How many of you believe that accounting is the end result—that in recording transactions accurately and in a logical and orderly manner the full purpose of accounting has been served?

For many years accounting—the language of business—served basically as a historical record. Its primary purpose, other than perhaps to keep a record of the cash balance and receivables, was to permit preparation of rather crude annual or more frequent statements showing the approximate financial position of the enterprise and the results of its operation for a period of time. With the advent of income taxation, accounting came to serve also as a means of accumulating data required in preparing tax returns. These limiting concepts still persist in great numbers of smaller enterprises and also in some larger ones.

Today, faced with the complexity of business, with the diversification of operations, with high costs, and with exorbitant taxes and fierce competition, the original concepts of the use and value of accounting are completely inadequate except possibly in the case of small simple operations. Accounting is not the end but the means to an end—the means of furnishing management with current information vital to proper planning and control of operations.

Accurate monthly statements are necessary, showing the financial position of the enterprise and the results of operations classified according to products, plant locations, and other appropriate divisions, but more is needed. Control of costs is essential—production costs, selling and distribution costs, and costs relating to other divisions of the operation. Frequently it is desirable to make weekly comparison of actual and standard departmental labor or other costs so that prompt corrective action may be taken where the need is indicated. Budgeting for a year or longer periods of time is employed in planning and directing business and in other activities. Accurate estimates as to the flow of cash, inventory requirements, probable results of operations, and the resulting financial position are only some of the information required. In serving in these and related matters

accounting becomes a constructive factor in furnishing management with necessary guides and controls.

With the change in the concept of the purpose of accounting, what is required of the accountant, whether he be engaged in industry, other enterprise, or in public practice? Certainly there is demanded a sound broad knowledge of accounting principles as they apply to both general and cost accounting; there is demanded a thorough knowledge of budgeting and of the principles of management and taxation; it is essential that there be full realization of what all these things actually mean. In addition there is required a general knowledge of business itself and the application of accounting principles in recording and interpreting transactions. Someone has said that knowledge is a treasure chest, but that practice is the key to it. So experience is a prime requisite—attainable only through the investment of time. In public accounting practice the growing field of consultation and the broadening scope of management advisory services are indicative of the calibre of men required for the profession. All in all, the accountant who successfully meets the challenge of today must be a rather broad-gauged individual.

What are the factors that make for success in the field of accounting? Aside from the sterling qualities of personal character customarily considered non-optional in the public accountant, it seems to me they are about the same as those required for success in business generally. Knowledge obviously is essential, as is continuing education. Imagination in planning and in adapting accounting to meet circumstances is requisite. Sound thinking—one of the hardest jobs for most people—is essential. An inquiring mind, initiative, and a willingness to assume responsibility are important. An ability to express one's self clearly, to sell the importance of accounting to management, and to get along with people are other factors necessary for personal progress in accountancy. In addition a good supply of practical common sense is needed as are plenty of real hard work and perseverance.

In looking forward to your entry into the business world or into other activities, it is important that you carefully consider the organizations from which you receive offers of employment. Before accepting an offer you should have reason to believe that the work of the organization is such as to interest you, that the organization is the kind with which you can be proud to become associated, and that it offers a reasonable opportunity for advancement commensurate with

your ability and application. All of these intangibles are far more important to your happiness and progress than your initial compensation.

Today accounting should be a vital part of every enterprise. In reality within most enterprises the place of the qualified accountant is constantly becoming a more important one. Those who make accounting a career will find it offers a steady challenge as well as a fascinating occupation. How well you meet the challenge is largely up to you.