

University of Mississippi

eGrove

Guides, Handbooks and Manuals

American Institute of Certified Public
Accountants (AICPA) Historical Collection

1953

Accounting -- its past and your future [pattern speech]

American Institute of Accountants

Follow this and additional works at: https://egrove.olemiss.edu/aicpa_guides



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

American Institute of Accountants, "Accounting -- its past and your future [pattern speech]" (1953).
Guides, Handbooks and Manuals. 508.

https://egrove.olemiss.edu/aicpa_guides/508

This Book is brought to you for free and open access by the American Institute of Certified Public Accountants (AICPA) Historical Collection at eGrove. It has been accepted for inclusion in Guides, Handbooks and Manuals by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

Note: This speech has been prepared for delivery before high school audiences. It may be given as written, or adapted for any particular occasion.

ACCOUNTING - ITS PAST AND YOUR FUTURE

Mr. Chairman, etc. -

My job--the occupation of accounting--is fifty-five hundred years old. I would like to tell you a little about how accounting grew up and what it amounts to these days, because I think that some of you will be interested in becoming accountants. And I'm sure that most of you will have some use for accounting, whatever you may decide to do as your life's work.

Accounting is the younger brother of business. It was born, so far as we know, in Babylonia about 3600 B.C. The ancient Egyptians also had a system of accounting, and in the early Greek city-states a method similar to that of the Egyptians was used in keeping government and business accounts.

But in these ancient civilizations accounting, like many other arts, was still a child. It wasn't until the fourteen and fifteen hundreds--when explorers like Columbus, Magellan, and Sir Francis Drake began to find new lands into which commercial men could enter and expand their businesses--that accounting began to come of age.

Two years after Columbus discovered America, a Venetian accountant published the first book on double-entry bookkeeping--the system still widely used in keeping the financial records of business. During the following century his book was translated or adapted into many languages, and by 1581 the art of bookkeeping had advanced enough so that the first College of Accountants was founded in Venice.

Today there are about 300,000 trained accountants in the United States alone.

Some of them work for the local, state and federal governments. Many are employed in the accounting departments of private companies, or have advanced to executive positions in those companies. About 45,000 are, like myself, professional accountants, authorized under the laws of their states to practice independently as certified public accountants--or CPAs, as we are often called.

Although the profession of public accounting dates back only about 100 years, the art of bookkeeping and accounting has grown up with business in the last 5500 years. As business has grown, accounting techniques have become more complex to fit our modern industrial economy; but the basic purpose has remained the same. That purpose is to write the story of business transactions in a convenient and meaningful language. Primarily this language is the language of money, whether the money is Egyptian piasters or American dollars.

Writing things out in this language used to be fairly simple. Consider the case of Hassim Doakes, a Cairo rug weaver in the year 3027 B.C.

His accounts for the year might have read something like this:

Expenditures:

Cotton, wool, silk, etc.....	700 piasters.
Gift to Pharaoh.....	200 "
Cost of keeping 75 slaves.....	100 "
Total	<u>1000</u> piasters

Receipts:

Auction of 525 rugs.....	2000 piasters
<u>Profit:</u>	1000 piasters

Hassim could almost keep his accounts in his head. Probably the only person who wanted to see them written out in full was his wife.

During the following centuries Jason Doakes, rug weaver in Greece, and his cousin Nero Doakes, rug weaver in Rome, still had it good, as far as their accounts were concerned.

But beginning in the 1400's and greatly accelerating throughout the industrial revolution which began in the 1700's, the accounting problems of the Doakes family became more complex. The new machines could consume more raw materials and produce more rugs than anyone had dreamed possible before. As production increased, more people put floors in their houses and rugs on the floors. The Doakes family became a part of the great industrial awakening which has given Western civilization--and especially America--the highest standard of living known to history.

And accountants have played an important part in this awakening. It is not an over-statement to say that modern business could not exist without modern accounting.

Take Joe Doakes, for instance, in 1952 America. Joe is president of the Rugged Rug Company in New York City.

Instead of owning a small business, he owns part of a large one. The rest is owned by stockholders who have invested their money to help Joe buy more looms to make more rugs.

And along with big business comes big labor. Instead of 75 slaves running 75 looms, the Rugged Rug Company has 2000 members of the local rug-makers union running 750 machine looms. And in addition there

are shop foremen, a maintenance crew, a sales force, an advertising department, an engineering department, an administrative department, and so on.

Joe doesn't auction his rugs or haggle over prices, but sells them on a highly competitive market where a few dollars per rug make a big difference.

And instead of sending a few pounds of gold and a pretty rug to Pharaoh, his company pays various taxes to the city, state and federal governments.

While Joe has grown up as a business man, his younger brother, the accountant--now 5500 years old--has grown with him.

Accounting is still the art of writing the story of business transactions in a convenient and meaningful language.

The vocabulary of this language, however, has had to develop in order to fit the changes which have taken place since Hassim Doakes owned the 75-slave-power factory in Cairo.

Today Joe may continue to give an account to his wife, but in addition to his responsibility to her, he feels that he must account for his rug business to the stockholders who own the Rugged Rug Company, to the employees who work there, to the government--which wants to know how much tax Rugged Rugs should pay, and to the general public--which is interested in how private business is handling the wealth of America.

It is through the work of the accountant that Joe is able to tell the story of his business.

The Rugged Rug Company has a large accounting department which keeps track of all financial transactions. A cash account indicates how

much money the company has on hand or in the bank. A receivables account shows who owes the company money and how much. Accounts are kept for investments, buildings and fixtures, withholding tax, old age benefits, unemployment tax, real and personal property tax, accrued interest on mortgage and notes, sales, purchases, salaries, commissions, insurance, bad debts, and many others.

Now, the company's president can't just go into a department or stationery store and ask for a complete accounting system for a large rug factory. It would be as if a man twelve feet tall walked into a retail clothing store and asked for a purple tweed suit with patch pockets on the inside of the jacket. If the salesman could recover his composure, he would tell him to go to a tailor and have one made. Similarly, the president of Rugged Rugs must go to a CPA or some other expert accountant to have an accounting system designed and installed to fit the individual needs of his factory.

After the system is designed and installed, it must be kept up from day to day. These daily operations are called bookkeeping, which--contrary to the popular notion--is only a small part of accounting. It is, however, an essential part, and many accountants who rise to positions of greater responsibility begin their careers as bookkeepers. They make the many entries in journals and ledgers which are necessary to record the entire financial story for later reference and analysis. Some parts of this work have been mechanized through the use of calculating machines and the many new electronic business machines.

The summary and analysis of accounts is sometimes called "analytical accounting". It gives coherence to what might otherwise be merely a maze of figures. Without summary and analysis the management of a firm would be like a military general cut off from all communication with his officers and men: he could see and hear that part of the war going on in his immediate vicinity, but he would lose the broader picture of the military operations.

The cost of each rug and the total cost of manufacture are determined to find out what the company must charge per rug in order to make a profit while continuing to pay fair wages, to use good material in their rugs, and to replace or improve the company's machinery and buildings.

Each year the accounts must also be interpreted to decide what goals should be included in the company's budget for the following year.

The accounting department of the Rugged Rug Company employs men who are specialists in these fields. They range from the beginning bookkeeper earning \$50 a week to the head of the department, who is paid over \$25,000 a year.

The company also regularly engages a firm of certified public accountants. This firm of independent professional accountants is engaged for four principal reasons.

The first reason is the need to have the records and statements of the business examined by an outside expert on accounting.

While the company's accountants can prepare statements showing the financial status of the business and indicating its degree of success during the past year, the company's employees are often too close to the operations to have a completely objective point of view.

Banks and others who grant credit to the business, stockholders and management want the opinion of an independent and objective outside accountant as to whether the statements are fairly stated. The independent public accountant's certificate constitutes a "seal of approval" for these groups. They rely on his knowledge, integrity, judgment and professional independence. They recognize that he will warn them if the statements are not fair and reasonable under the circumstances.

The second reason the rug company engages certified public accountants is to assist them with their tax problems. Because taxes are so high today and tax regulations so complex, the company needs the expert advice which their public accountants can give.

Third, the rug company has occasion frequently during each year to consult their CPAs about various cost and other operating questions. The company officers have found that CPAs, because of their varied experience, are able to make helpful suggestions about many operating problems.

Finally, the public accountant is called in at times to assist in changing and improving the bookkeeping procedure and the accounting system in use.

(PAUSE)

So that is at least the bare bones of the story of accounting from ancient Egypt to modern America--from clay tablets to electronic accounting machines. Accounting is the language by which business understands itself and by which it explains itself to others. It is as indispensable to modern business as the English language is to you and me as human beings. Or, to look at it another way, modern business

could no more get along without accurate and complete records of its transactions than a sailor could sail the seas without a compass and charts: he might try it, but he could never be sure that his ship was headed in the right direction.

(PAUSE)

"But," some of you might say, "what does this have to do with me? I want to go to college when I finish school. Will a college education do me any good in accounting?"

Or another might say, "What about me? I have to get a job when I finish high school. Maybe I can go to college at night, but I have to have a job."

Or some of you girls might say, "How about me? Maybe I'd like to be an accountant, but are there jobs for women as well as men?"

In order to answer your questions, let's take a look at the want-ads of a metropolitan newspaper. You know, you can learn a great deal about vocational opportunities by spending a few minutes with the "Help Wanted" section of a large daily.

First--the girls' question--are there jobs for young women as well as for young men? Yes there are. I looked in the want-ads the other day, and under "Help Wanted--Female", I found companies asking for

- a college graduate with an accounting major and two years' experience;

- an accountant-office manager for a small business at a weekly salary of \$75-\$90;

- an accountant with hospital experience.

In the same issue there were many requests for women "assistant bookkeepers".

At the same time I should add that there is not a high proportion of women professional accountants. However, if there were more young women with the necessary qualifications, it is likely that there would be more jobs for them. In the school year 1949-50, for example, only about 500 women majored in accounting out of a total of 16,000 women college graduates.

Now for the boys' questions. Let's say that you have decided that you want to be an accountant, but you haven't decided whether or not you want to go to college, or whether it will help you get a better job. One Sunday after graduating from high school you turn to the "Help Wanted" columns. You see listings under "accountant" and "bookkeeper".

One advertisement says, "For central office of retail chain. Must have B.S. degree in accounting. To supervise bookkeeping section. Must have experience with retail accounting. Top salary plus opportunity for advancement."

Another says, "College grad, accounting major. Minimum two years experience. Excellent opportunity with expanding manufacturing company. 35 hr. week. Salary to \$6,500."

But you don't fit these qualifications. You have only a high school education and no experience.

You see a couple of ads which indicate that you might at least find a job. One says, "Young; good future; will teach wholesale garments; \$50 a week."

Looking at the difference between \$50 a week and \$6,500 a year, you decide that what you need is some further education and some practical experience.

The first boy's question is answered. A college education is a definite advantage--in accounting as in many other fields.

Most of the better positions available for inexperienced people at the present time are filled by graduates of university schools of business administration. As in other fields, this proportion seems likely to be weighted even more heavily in favor of the college graduates of the future. Therefore, I would recommend that any one desiring to enter the accounting field should attend college if it is at all possible.

However, there are some opportunities available for high school graduates and non-college people to make a start. Many such individuals have worked their way to the top, but there is no doubt that it requires more effort and ability to do so.

While it is possible for a young man to start at the bottom and work his way to the top in accounting, the requirements for complete success include natural ability and extended training, both in technical and in non-technical fields. To those possessing the aptitude and training, accounting is not only a rewarding profession but can serve as a gateway to opportunities in the business world and in government--as an executive, an FBI agent, a representative of the Bureau of Internal Revenue, and many others.

As I mentioned near the beginning of my talk, I am a certified public accountant. Only about 45,000 of the accountants in America are CPAs. The CPA is called "certified" because he has received a certificate under the laws of his state after meeting certain requirements. And he is called "public" because he is qualified to offer his services to the public as an impartial accountant who is competent in all of the major accounting fields.

The requirements for the CPA certificate include passing the Uniform CPA Examination, which is prepared by the American Institute of Accountants and used by all the states, and meeting the individual state's education and experience requirements.

Very few young men are starting in public accounting today - or in more responsible jobs in industry or government - without having a college degree with a major in accounting. An increasingly large number are completing a fifth year of study.

Therefore, if you are interested in becoming a professional accountant, I urge you to plan to attend a recognized college. Not only is the technical training needed, but in public accounting as in all other professions there is a need for men with a breadth of knowledge and understanding of our history, our culture, our society and our economic system. Many accountants, therefore, recommend that the first two years of college study be in the liberal arts division or in liberal arts subjects.

As in most fields, success in the accounting profession requires a good deal of hard work, but for the capable and interested young man or woman the work is both enjoyable and rewarding.

Pay scales in accounting tend to vary with the nation's economy; it is safe to say, however, that they compare well with those in other professions or in business.

And in addition to financial reward the CPA receives the respect of the business community. The public realizes that the CPA title is granted by the state only after formal examination attesting to the candidate's qualifications. Wherever business is carried on, the CPA's work is accepted as impartial, objective, independent and expert.

He is skilled in the art of accounting and guided by the ethical standards of his profession. He is in a position to make noteworthy contributions to society and is winning increasing recognition. His is the chance to do interesting and important work; to find opportunity for advancement, reasonable security, adequate compensation and recognition.

Not all of you will want to become accountants, of course; and of those who do, only a few may wish to work for the CPA certificate. But I hope that all of you will give accounting as a career your careful consideration.

#

Note to speaker: Further information on the career aspects of accounting may be obtained from the pamphlet, "A Career in Public Accounting". Address: American Institute of Accountants, 270 Madison Avenue, New York 16, New York.