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Editorial

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The JOURNAL of ACCOUNTANCY

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A. P. RICHARDSON, *Editor*

EDITORIAL

The Annual Fever As this magazine is being delivered in accountants' offices throughout the land a great gathering together and an even greater dispersion are taking place. The first day of January is a crucial time, when all leave of absence is cancelled, new men are coming in and everyone from the office boy to the senior partner is expected to be at his desk filled with vigor and enthusiasm for the activities which are about to begin. When the bells rang out the old year, 1926, they rang in the sudden, but not unexpected, rush of work which is the worst thing in all accountancy. It is probably true that no good citizen wishes to be idle, and the professional man who has nothing to do is to be pitied, but no one who is in his right mind is over-fond of the kind of pressure which comes in with every new year. Each year the accountant small and great says that he can not stand up under the burden any longer and he usually determines with what he believes to be unchangeable fixity of purpose that this will be the last time when he will bow his neck to the yoke and carry it for three months or more. It is not improbable that the families of accountants permit their voices to be heard protesting in the seclusion of the home. The man who telephones once in a great while or perhaps even sneaks into the house late at night, only to depart at the break of the next day, is a stranger who seems reminiscent of one who was a father in the summer; but there is no opportunity to identify this fly-by-night person. He is gone before anyone has verified the rumor of his arrival. In January, February and March of each year the accountant goes through this period of storm and stress and his family knows him only as a memory or as a fleeting shadow. Then comes a gradual relaxation of the strain and at last when early summer is at hand the profession becomes a group of ordinary men, each doing an ordinary amount of work and behaving in a reasonable way.

During the quieter season the accountant remembereth no more the anguish and so does nothing to prevent its recurrence.

It does seem that any regularly recurring difficulty should be sufficiently important to merit persistent efforts to prevent it. For the past fifteen years there have been fitful outcries about the iniquity of the almost universal adoption of the calendar year as a measure of fiscal temporality. The protest has been loud enough perhaps but it has not been consistent nor in unison and so has lost much of its potential effect. Governmental departments, business and the accounting profession have a vital interest in equality of the pressure of work, but, for some reason which may be no more valid than reverence to a shibboleth, the business world is reluctant to close its books on any day other than December 31st. There has been some relief as the result of individual effort to induce companies to adopt a natural fiscal year, and the decline in the volume and urgency of tax work has mitigated to some extent the feverishness of the first three months of the year—but much remains to be done. Thousands of business entities are adhering to the calendar year against their own interests and men of keen acumen in other things turn a deaf ear to the sound advice to follow the way of expedience and common sense. What has been accomplished is so much to the good, but further efforts to bring about a general reform should be made. Concerted action by the American Institute of Accountants through a committee to encourage industries and trades to lend official sanction and recommendation to the campaign for reform will produce results if carried on with perseverance and consistency. The whole matter seems to be one of those things in which the welfare of everyone concerned can be advanced by a change. What is needed is some reformer whose voice will be loud enough and convincing enough to awaken the men of business to their own interests. Of course, nothing can be done now to relieve the pressure in the first of this new year, but it is to be hoped that there will be other years and that accountants and others who suffer from the present disadvantage will participate in the activities of the future. The resolutions to encourage reform which every accountant is now making in his own mind should be transformed into positive effort before another January knocks at the door.

Local Differences in Professional Practice

It is a common boast of the citizen of these United States that he is of a country which stretches from ocean to ocean and from the arctic to the tropics—a land of the rising and of the setting sun—of northern and of southern climate and of all manner of temperate climates in between. Then, in the next breath, some citizens say that we are one people, cast in one mold—perhaps through the medium of the melting pot. We may have slight differences in religion, in politics, in fashion, in accent, but these are purely superficial. Down in the fundamental things we are all exactly alike. This fine assertion of uniformity is really, when one considers it carefully, nothing but balderdash. The people of no country so spread as ours can be all alike. The folk of Maine and Arizona, of Alaska and Florida can not be taught to sing in unison. If we have harmony merely it will be well. The inescapable variety of customs, manners, conditions is something that must be borne in mind when the plea is made that business, industry or professional work shall be pursued along the same line in every part of the country. Take for example the case of accountancy as it is practised throughout the length and breadth of the land. The speculative science of accountancy is the same everywhere, but when we come to its application in the form of an art it is necessary to remember that there are differences in people and customs, there are stages of evolution—if our friends in the legislative halls of a few states will permit that wicked word—and it is folly to expect that the practice can follow one unchanging way in every minutest detail. Let us repeat that the science of accountancy, like the science of medicine, is not affected by locality or people, but the practice is another thing altogether, and in its environment plays a great rôle.

Metropolitan Superiority Imaginary

Sometimes a very wise and metropolitan person will speak disparagingly of the inferior methods and accomplishments of the accountants in other places. It is quite the mode for a kind of accountant in the largest cities to think that there is nothing good beyond the limits of his individual place of residence—or, say, the circumjacent golf courses. He may deplore the fact that he is so superior to his confrere in the provinces, but he is a man of honesty and can not deny self-evident truth. He is quite fair about it. He believes that there is no opportunity to

develop elsewhere—he has developed in the great city. It reminds one of the maps of the “known world” which adorn the pages of some ancient volumes on geography and history: a little center rather accurately described and beyond that a misty emptiness. There are some folk in New York, let us say for purposes of illustration, who know that the sun sets over the hills of Hoboken and Weehawken, for they can see so much without leaving Manhattan island. But of what the sun visits before it appears again over the Long Island horizon next morning they think not at all. That there are so many people of limited vision in great centers of population is one of the amazing paradoxes, but everyone who travels beyond a rifle shot from home knows that the metropolitan is often the antithesis of the cosmopolitan. It is perfectly natural that the supercilious air which visitors sometimes encounter in the larger cities should give offense, and thus the breach between sections of the populace is widened and misunderstanding grows apace. As a matter of fact while the nature of accounting may differ widely in the commercial and industrial districts, the general standard of ability and integrity is no lower in one field than in the other. What is wanted is a little more readiness to recognize that what the other fellow does in his practice may be quite as right and praiseworthy as what one does himself, even though there may not be absolute conformity to a common plan. Every man must adapt himself to some extent to the exigences of his environment. He should not hope to bring all the country to a level of development in a day or a year. What might easily be required of a client in Wall street can not be demanded of the client whose cattle roam the Texas ranges. The accountant has a difficult task if he endeavors to apply the same degree of finesse to his practice in all parts of the country. The ideal state of affairs, of course, would involve complete national unanimity as to the science of accountancy and the functions of the professional accountant. For at least 2,500 years men have been dreaming about ideal states, but so far we have not achieved perfection.

**Different Conditions
Prevail**

For the sake of everybody concerned with the practice of accountancy it is expedient to admit that local and sectional differences exist and probably will continue to exist at least beyond the personal concern of any of us now living. If some of

these things were better understood there would be a greater sympathy among the members of the profession and thus the progress toward uniformity would be accelerated. Let us consider one or two things which create variety in professional activities. Public conception of the duties of the accountant is a basic question. Perhaps nothing has a wider influence upon professional practice than this one thing. If the business man or the banker knows something about the nature of modern accountancy it is reasonable and safe to expect that there will be a demand for the highest sort of professional work; but it is seldom that the business man or the banker knows much about the matter. (We are writing now of the country as a whole, not of any one city or group of cities.) Sometimes bankers have a hazy idea that the accountant is a professional man doing a rather useful service to the cause of better business, but it must be confessed that the majority is ill-informed or not informed at all. Incidentally it may be noted that a questionnaire recently sent by a university bureau of research to the leading bankers of the country produced the astonishing information that some of the most prominent of all accepted an accountant's certificate without reading it, if it bore a well known name. If it be true, as these bankers themselves confess, that they are so indifferent to the dictates of ordinary reason as not to read what is written specifically for their information it rather inclines one to believe that there is need for radical reform before bankers can be expected to place a true value upon accountancy. Of course, there are hundreds of bankers who are awake and aware of what the accountant means in the scheme of things—perhaps most of the chief bankers are of the better sort—but the questionnaire to which we have referred went only to the officers of banks having resources of over half a million dollars. The attitude of the banker, however, is not the principal question here. It is the business community as a whole, including the bankers, that forms the background of the picture. Everything the accountant does is affected in some degree by that. It is not alone in accountancy that local differences are important. Trade practices are not the same in any two districts and what is imperative in one place may be totally unknown in another. It is the custom in one town for the banker to depend solely upon his personal acquaintance with the borrower when determining the extent to which credit may be granted safely. This is the natural, sen-

sible procedure in a primitive community. In another the banker can not know the facts without some adventitious assistance. So in many ways customs must vary, all these things directly affect the accountant, and the net result is that the practice of the profession depends to a large degree upon prevailing conditions. To disregard such facts in an arrogant assumption of superiority helps no one at all.

**Variations in
Fees**

Arising from the public conception of accountancy and the variation in local customs is the question of professional fees. Everyone knows that this is a question unworthy the consideration of a practitioner and everyone knows also that few practitioners can ignore it. When the report of the accountant has a vital bearing upon the granting of credit the accountant can demand a higher rate of compensation than he can obtain when credit rating is dependent upon conditions with which the accountant has nothing whatever to do. Furthermore, the general scale of monetary values is a factor. The dollar's purchasing power is high in most places in inverse ratio to commercial importance and fees will of necessity follow the trend of prices for tangible commodities. Consequently it is absurd to look for the same scale of compensation in New York and Sandy Flats. In this matter the accountant must be governed by the local tradition. If he is practising where the dollar means much he can only await with such patience as he can summon to his support the time when progress will bring in the day of higher fees and when the dollar will mean little. Some quite wise men believe that such a transition is not progress, but they are academic and philosophical persons whose opinions are never popular in their own time. It seems all very well for the accountant in the city of small dollars to look with disdain upon the fees of his brother in the town of great dollars, but in strict truth it must be admitted that the scale of fees the country over is not widely out of line when all things are considered. The value of the dollar and not the dollar itself is the measure of one's compensation for work done.

**Business Conditions
Not All Alike**

The very character of the practice itself depends upon the local industries and commercial ventures, and the accountant adapts himself to the demands of particular businesses. If he be

native to the locality of his practice he will probably have some knowledge of the businesses in which his neighbors are chiefly engaged and it will be a simple matter to apply his accounting science to the problems which are peculiarly local. If he comes from some other district he will be required to make himself familiar with conditions and activities before he can achieve the full measure of success. Here again we find one of the reasons for the impossibility of uniformity in accounting practice. The nature of the demand as well as the extent of it are determined by the locality and its customs, and the man who wishes to devote himself to one district may be pardoned if he directs his reading and research to a few special industries or trades at the cost of slighting some others more generally important. For example, an accountant practising in a city far distant from any of the financial exchanges can not be expected to be an authority on stockbrokers' accounts. He should, of course, have some notion of what is involved in every kind of accounting, but without practical experience what wonder is it that he should plead ignorance of this one branch of the science? It would be as unreasonable to expect a man having a severely specialized practice among Wall-street houses to speak with demonstrable authority on the fine points of the sugar-beet industry. This country is richly blessed in the great variety as well as in the magnitude of its resources. Its industries and their concomitant trades are almost innumerable. Thence comes about the tendency toward specialization which appeared first perhaps in certain departments of the law and later in engineering and accountancy. Some of the large firms of accountants have in their partnership or in their employ men who have become authorities in the accounting for a wide range of special industries, but most of the accountants in America are outside the larger firms and the tendency of individual practitioners or small firms is inevitably toward the attainment of proficiency in a few specific kinds of accounting knowledge.

**Perplexing Question
of Terminology** Further obstacle in the road toward uniformity is the various terminology which one finds in the different sections of the country. Technical terms might be expected to have the same meaning everywhere; but they have not. The differences are greatest in the subordinate terms, but it is not impossible to

discover that generic terms which are common everywhere do not mean the same thing wherever used. This unfortunate state of affairs is perhaps the obstacle easiest to reduce. It has been given much thought and some excellent proposals for reform have been made, but so far there has been no substantial accomplishment. The American Institute of Accountants has received committee reports upon the subject, but the labor is not yet complete. It is no light task to set up a standard terminology which shall be authentic from sea to sea. Great differences of opinion on minor if not major points must be reconciled before a comprehensive report can be accepted. A complete system of terminology is obviously unobtainable, but it should be possible to agree upon a fairly inclusive vocabulary. If that were done, however, there would be yet more to do. The next thing would be to induce accountants everywhere to adopt it, and that would not be altogether easy. Suppose, nevertheless, that accountants would agree—we should still be some distance from the goal. The hardest job of all would be to convince the public in every city, town and hamlet that the significance of familiar words and phrases should be altered—for, however fine the theory of any reform may be, it can not be finally established until the public adopts it. Something worth while can be accomplished by the national organization of the profession; the Institute committee which has the question before it has opportunity for much effective work. Even though the universal acceptance of a standard terminology may be remote there is no doubt at all that a united effort by accountants to speak the same technical language everywhere would bear some fruit. At any rate accountants would be able to understand each other without difficulty and a statement of account written by a man in one district could be read and understood by any accountant who had made himself acquainted with the standard terminology. But all that is in the future.

**Men Available
Vary Also**

The desire of many young accountants to seek their fortunes in New York, Chicago, Boston and a few other cities of the first magnitude is a powerful factor of discontent among employing accountants in other parts of the country. They say that it is difficult to find good men, and that they are forced at times to engage men who are not altogether satisfactory. The dearth

of good men is not, however, a local condition. The whole profession finds itself at times seriously handicapped by the paucity of suitable assistance. The city offices usually pay higher salaries than the accountant in the small town can afford to pay—we get back here to a question of money values—and the man in search of work almost always follows the lure of higher wages. Here and there are notable exceptions, men who are able to compare the cost and manner of life in the great city with those things in the small town, and the accountant away from the centers of activity finds his best reliance in them. The average man, however, is turning his face to places where he believes fortune is quickest overtaken and it is only after disillusionment that he is content to return to the place from whence he came. The question of personnel is a serious one for every accountant who employs men, and probably ninety-five per cent. of the firms and individual practitioners in America are employers. The difference between the several sections of the country is this, that whereas the employer in Chicago, let us say for example, is hard pressed to find men in January, February and March, the employer in another and less populous city may always have difficulty in finding the kind of men he wants. There may be some little difference, too, in the general quality of the men who offer themselves for employment in city and in town; perhaps the applicant is rather more proficient in the former than in the latter, but that is purely hypothetical. It is certain that some firms in comparatively small towns have excellent men in their service, and it is conceivable that some firms in a great city may now and then engage a man not wholly a credit to his profession. The essential question now is that the supply of employees is not evenly distributed and this works against the attainment of that uniformity which is supposed to be the subject of these discursive notes.

**Need of the
Open Mind**

No one would be so temerarious as to assert that the United States is too large a country—that is no American would so rashly dare. It is a fine thing to be a part, if only an almost invisible part, of the mechanism of this great republic and we should be devoutly thankful to Providence which so plentifully endows us. But that is no reason why we should expect everyone to think and act alike. That sort of thing is apt to lead to disaster. In reality there is only a small number of the

crazy theorists who are for making us over into one common pattern. The Button-molder in *Peer Gynt* has no chance among us. Why, then, should a profession consisting of hard-headed men, whose greatest asset is good common-sense, go about expecting that all its members everywhere should follow like sheep over a stile? The science which accountants profess is a thing that can not vary with place or person. Its changes come with the evolutionary process. Progress in knowledge is not a local affair. It is in the art of accounting as the application of the science of accountancy that the differences effected by place and person occur. This is not splitting hairs—there is a clear distinction between the science and the art. Perhaps it may be permissible to say that accountancy is in the gross what accounting is in the detail, or, better yet, accounting should be an individual manifestation of an impersonal and scientific spirit. This expresses in a way what has been made evident in the policies and acts of the American Institute of Accountants, which deals with the science broadly and thus is not concerned primarily with persons. If the science is protected and developed and if its professors are bound by allegiance to a common code of right thinking and right acting, that is enough for any sensible man to demand. The differences in environment, public comprehension, fees, practice, personnel and some other things as well are not essential. After all, what accountants, like members of other learned professions, are charged to do is to lay the foundation well and after that to see that the superstructure does not violate any basic rule of safety. Many different kinds of building may be erected. Many kinds are necessary and all may be beautiful although entirely unlike in detail.