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Editorial

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A. P. RICHARDSON, *Editor*

EDITORIAL

Standards of Examination

During this month of May there will be held in many states and some of the territories of the United States examinations of candidates for registration as certified public accountants. The majority of the examinations will be conducted in coöperation with the board of examiners of the American Institute of Accountants. The minority will be tests prepared by state boards of accountancy. For the most part, therefore, questions and problems will be of a uniform standard, and that fair but high. In the states which yet remain outside the coöperative scheme the standards will be generally good, but naturally there will be a lack of uniformity and the significance of the certificates issued as a result of such examinations will depend upon the conditions of each individual state. It is interesting to remember that it was ten years ago this spring when the newly reorganized American Institute made its initial offer of its papers and the services of its examiners to state boards. Prior to that time there had been a few sporadic efforts to set up a uniform standard of examination, but without success. The early attempts to standardize examinations were futile largely because they originated in one or two states and the old distrust and envy of state for state prevented general acceptance of any plan of coöperation. Every state except the state of origin seemed to feel that the proposals must have some deep ulterior motive, not visible to the naked eye, but certainly reprehensible. A loosely knit association of examiners was ineffective and passed almost silently away. Endeavors to establish little groups of coöperating states seemed rather hopeful for a time, but they too lapsed into failure. In a word, there seemed to be no way on which even two states could march in step, and it looked as though the certified public accountant examination would continue, as long as it continued at all, to be a complex congeries of individual and

not always competent notions limited in variety solely by the number of state laws. The great difference in requirements by the several state boards was one of the most destructive agents in the threatened debacle of the whole C. P. A. structure, although it was not by any means the only weakness. There were questions of personality, knowledge or its want, narrow-mindedness, ostentatious pedantry, crass incompetence and some other things which in the early years interfered in some places with the desired progress of the movement for control of the new profession. These all must be remembered if one would understand the history.

**The Obstacles
Surmounted**

When matters were in this debilitated condition the Institute was formed, partly because it was apparent that the plan of decentralization was not sound and partly to set up a standard entirely within the control of the profession itself. In the first year of its reorganized existence the Institute began to conduct its own examinations for admission and then as a logical corollary to offer its services to state boards which might care to take advantage of the opportunity to approach a national standard. In the years intervening between 1917 and 1927 the plan of coöperation prepared by the Institute has remained practically in its first form. A few minor changes have been made, but the substantive part of the plan endures. Two or three state boards which have participated in the plan have relinquished it, but the steady adherence of a majority of the states is conclusive proof of the merit of the fundamental idea. What a state or a group of states could not effect is possible when the moving spirit is an organization not associated with any one state. There was no reason to suspect that the Institute was animated by any unworthy motive in its offer of assistance, and so the plan of coöperation was adopted with a rapidity and to an extent which was somewhat astonishing in the light of earlier experiences. Every accountant and accounting student in the country today probably is more or less familiar with the standard form of examination prepared by the Institute, but sometimes the record may be forgotten. Now, ten years after the first coördinate examinations the standards throughout the country have reached a fairly satisfactory plane. Even in states where there was a low level of examination and where the plan of coöperation has not been adopted there has been a marked improvement. The force

of example is not negligible. In a few other states where the plan has not been accepted there have been fair standards almost from the beginning. The day when any state could be cited as a synonym for weak and meaningless certification of accountants is almost over. There may be a soft spot here or there, but convalescence is at work. It is really a noteworthy accomplishment which the profession has to its credit that it has been able to recover in a remarkably short space of time from what looked like a case of pernicious anæmia. The most potent ingredient of the tonic which is effecting a cure is standard examinations.

**The Fortieth
Anniversary**

While we are indulging a little in retrospect, it is appropriate to refer to the importance of the annual meeting of the American Institute of Accountants to be held next September. It will mark the fortieth anniversary of national organization and there will be much review of the past and much eulogium of the present. In 1887 a few men formed a society to which they gave the rather high sounding title "American Association of Public Accountants." They represented the profession in only a small part of the country but perhaps their choice of a name was prophetic. At any rate it was not long before the membership had increased and the sphere of influence had grown. At the end of 1905 it was truly a national body and has so continued with ever growing effect. The change of name in 1916 was made necessary by a radical reform in the rules for admission and discipline. This year the profession will celebrate its fortieth corporate birthday. At such times the temptation to exult unduly is almost irresistible. The development has been little less than amazing; ethical ideals flourish where there was not even an idea of ethics; the public begins, reluctantly perhaps, to admit the indispensableness of the accountant; the financial world is awaking to the need for impartial investigation; the rewards of practice are impressive; the new vocation is established—and all that has been done in forty years. The greater part of it has come about in less than thirty years. Any accountant inclined to glory in the facts is pardonable perhaps if he goes a little to excess. It is hard to be conservative about an evident miracle of progress. But forty years is not even a life-time in this century. The profession has done very well and deserves great credit, but there are more years to come than have passed

and the truly thrilling thought which must come to every contemplative accountant is this: If from nothing there has grown in two score years so strong and splendid a profession, who can even faintly forecast the development ahead? In 1967 the practitioner will be able to look down upon us of this generation with much the same air of friendly condescension that some of us today bestow upon the smallness of the numbers in 1887. And as to the nature and scope of the work forty years hence—that is entirely beyond prediction or foresight. It may be that the most extravagant expectations will fall utterly short of the reality.

**An Ideal is Always
Necessary**

The possession of an ideal is one of the great blessings of life, whether in trade, profession, the nation, the family, or in the personal spheres of morals and religion. Accountants have been more richly blessed than most men because they have come lately into the world and have been able to select their ideals after humanity and civilization have been carrying on for centuries the process of selection and rejection in the realm of the ideal. A gentleman knows pretty well today what he should set before his mind's eye as the most to be desired. He may not be absolutely right—we shall not be able to decide about that in this world—but at least he has the experience of the fathers before him and he is to blame if he choose aught but the best. It took the law a millenium or two to determine what should be its professional ideal—and sometimes one wonders if it has not been temporarily laid aside. Medicine, too, has been dreaming of ideals since Hippocrates, and it seems that the great majority of practitioners in that noble profession are striving to reach perfection. Accountancy has its ideals as well, and they have been wisely chosen. We have mentioned the fortieth anniversary of the founding of a national society, but it should be added that the wonderful progression has been due chiefly to the wisdom of the early leaders, who, seeking an ideal, took the highest form of professional duty and proficiency. Of course we have not attained perfection. Of course there is a lot of miserable stuff masquerading in the guise of accountancy. Of course there are moments of discouragement and the thinkers wonder whether the ideal is not fleeing faster than it can be pursued. That is one of the supreme attributes of an ideal—it will never be overtaken, for then it would become actual, no longer ideal. It

hangs ever beyond our reach and so we are never satisfied, which is a means of salvation, for the satisfied man is ready for interment. It shows us always a glimpse of what should be, and thus it keeps alive that healthy disgust with the worthless and inane which leads to a striving for the good and true. Someone said not long ago that the professional ideal was unattainable and therefore should be ignored, which is very much like saying that an ideal is ideal. Those who ponder the subject deeply may wonder what kind of a thing an ideal may be in the minds of any who despair.

**Lawyer and
Accountant**

At one of the regional meetings of the American Institute of Accountants not long ago an eloquent and learned member of the bar described what he considered would be an ideal relationship between the lawyer and the accountant. The picture which he painted in bright colors made a great impression upon all who were fortunate enough to be present, and one of the high lights is that there is one ideal which may become actual without losing any of its beauty. The speaker was a representative of that noblest tradition of the bar which sets loyalty to the code above any other consideration. The title of the address is forgotten; perhaps it was one of the stereotyped topics which one always expects to see on a programme of an accountants' meeting. It may even have been so banal as "The accountant and the lawyer." But, whatever the subject assigned to the speaker, he deserted it promptly and set out on an original venture. What he was anxious to make plain was the conviction which had forced itself upon him that the lawyer as a part of modern business was falling into grave danger of making himself ridiculous in the public eye and of failing to serve his client to the best of his ability, because of his unwillingness to admit that there are some things which even a lawyer can not be expected to know and indeed does not know. The speaker explained the imperative duty of the lawyer to bring to the assistance of the client the best mental ability obtainable, even if that involved the introduction of other men with different kinds of minds and knowledge. He deplored the absurd narrowness of the smug legalist who professes to look askance at the pretensions of any human being whatsoever to know anything on any subject without a training in law and admission to the bar. In fact it appeared in the course of the speaker's remarks that he

was bold enough to believe that the time was coming when the lawyer might cease to dominate all legislation in this greatly over-legislated country and when the legal profession would be content to practise law as it did before representative government had given the legally trained legislator his present power and authority. Such treason as this is noteworthy for two reasons: first, because it was uttered by a lawyer who evidently knew his subject, and, second, because it was so startlingly frank and, to a lay mind at least, so utterly true.

**Where the Account-
ant is Needed**

What the speaker had chiefly in mind apparently was the ridiculous attempt of some lawyers to deal with questions which are founded solely upon accounting principles. For example, it is preposterous for anyone who is not familiar with accounting to conduct unassisted an examination of an expert witness who knows accounts quite as well as the lawyer knows law. Nearly every accountant has memories of absurd questions asked by lawyers during examinations—some of the questions so absurd that the dignity of the court was upset. Then there is the preparation of cases to be presented in the prosecution of claims for refund or relief before the various commissions and committees charged with the adjudication of tax disputes before they reach the courts, and later before the courts themselves. At least ninety per cent. of the disagreements between the taxing power and the taxpayer turn upon questions of accounts, and even the other ten per cent. are not wholly divorced from the accounting records. Another dangerous pitfall for the lawyer is the accounting technicality involved in consolidations and other corporate changes which call for an intelligent grasp of the books of record. Some of the errors into which lawyers have fallen in their desire to do all and to be all are almost incredible—an office boy of tender years might be expected to know more of the meaning of figures than the legal mind seems sometimes to have grasped. It was the recollection of such mistakes, no doubt, that led the speaker to condemn in unqualified terms the pseudo-omniscience of some lawyers. One wonders what the men guilty of queer misconceptions of accounting questions would say if an accountant were to essay the rendering of legal advice and assistance to every client. There would be an uproar and we should hear much about the outraged majesty of the law—if anyone doubts the certainty of such protest let him turn to

some of the laws enacted within comparatively recent years by lawyers for the protection of lawyers. They are very jealous of their prerogative. These comments are not intended to convey the notion that the accountant or any other untrained person should be permitted to dabble in the law and imperil the rights of litigants or other clients. It would be tragic if legal practice were thrown open any wider than it is at present. Indeed, the restrictions might be strengthened and narrowed without injury to the nation.

**Two Professions,
Not One**

The truth of the matter is—and this is what the speaker was saying—that accountancy and law are two things.

Ever the twain shall meet, but never shall they mingle, without injury to both. This is the view of the question which appeals to the best men in both professions. Scores of lawyers are refusing to undertake cases which are concerned purely with accounting, and hundreds have seen the wisdom of consulting accountants upon the points of technical accounting which arise in practice. So, on the other hand, the wise accountant calls upon the lawyer for legal advice and assistance whenever the need appears. Each profession can help the other and there is no earthly reason why they should not labor harmoniously. All this has been said so often that it might seem unnecessary to repeat it, were it not that the force of the argument appears to have gone astray. Concord between the professions is still far from universal or even from common. But it was something much more definite that the speaker whom we have been quoting had in mind. He reviewed the unfortunate misunderstandings briefly, but then proceeded to draw an analogy between the professional relationships of the lawyer and the accountant and those of the barrister and the solicitor under the British system. It is a pity that the exposition of this comparison was lost—the speech was *ex tempore* and there was no reporter—but the idea is one that could be elaborated by anyone familiar with the matter. The salient points may be summed up in the statement that the solicitor or attorney prepares the case, arranges for the appearance of witnesses and does practically everything else except to conduct the prosecution or defense in court: that is the barrister's duty. In other words, the solicitor (this term must not be confused with the designation applied sometimes, usually in a contumelious sense, to salesmen or canvassers) is the munition maker and

the barrister is the artillery. The one prepares what the other proposes. We have had no such distinction in the practice of law in this country, but there seems to be a tendency to adopt it in a modified form, especially in the engagement of adept trial lawyers to conduct cases in which the prestige of a well known name and the exceptional forensic ability of a leader of the bar are deemed necessary as a supplement to the ingenuity of the attorney. Even in such instances, however, the attorney usually participates in presentation before the court.

**Solicitor and
Barrister**

There is a great deal of merit in the suggestion that the solicitor-barrister relationship should be established between the accountant and the lawyer. Take, for example, the prosecution of claims before the board of tax appeals, a commission which has pronounced judicial leanings. It is an old story that the accountant who attempts to prepare and present a case before the board is liable to all manner of difficulty and distress because of the apparent requirement that the law of evidence must prevail. The lawyer, of course, is not the proper person to discover and set in array the figures upon which the case depends—he would not know where to begin—but once the foundation is made ready, the accountant may not be the proper person to adduce the arguments. This statement may excite the wrath of some accountants who believe that the board of tax appeals has no right to arrogate to itself the status of a court, and with those who entertain such sentiments it is hard to differ; but we are trying to discuss conditions as they exist, not as perhaps they should be. There is a steadily increasing disposition on the part of accountants to call in lawyers to do the actual pleading, and when the accountant and the lawyer thus collaborate it is undeniable that the best results are probable. Here we find already an application of the theory that the accountant is rather in the position of the solicitor and that the lawyer really acts as a barrister. The only reason for the unwillingness of some accountants to adopt this expedient seems to be the uncertainty as to what is the true standing of the board of tax appeals. When cases come before the committee on appeals and review in the treasury department, it is not necessary to rely upon legal assistance, because there one encounters a matter-of-fact method of seeking a fair settlement; but perhaps it is not practicable to

carry on the work of the board of tax appeals in a direct and informal way. At any rate the experiment has not been tried. As the conditions now exist the accountant is at a disadvantage, and so he is coming to depend more and more upon his cousin, the lawyer, to manage the case in conformity to the complicated system of a quasi-judicial commission. What seems to be necessary where the board of tax appeals is concerned is certainly necessary when matters come before a duly constituted court of law. There the accountant is compelled to have legal advice and assistance and he never hesitates to comply with the requirements. In most cases, however, it is the lawyer who calls for the accountant to prepare figures and give evidence. Nine times out of ten the matter originates in the lawyer's office.

**How They May
Coöperate**

We find, then, that in effect the relationship of the solicitor and the barrister is closely parallel to that of the accountant and the lawyer in some cases. The trouble is that this is not often so. Inter-professional jealousies and misunderstandings bar the way of further progress, but the obstacles will be overcome and it is not hoping too much to believe that the helpfulness of one profession to the other will increase rapidly in the coming years. If the lawyer will remember that the accountant is not trying to steal his practice; if the accountant will learn that the lawyer is not attempting a like larceny of the accountant's practice; and if both professions will agree to do what each is properly qualified to do and not to roam about all over the professional countryside—if these things can be achieved, there will be comfort and peace for everyone concerned. The man who can prepare a case should prepare it. He who can present it should do so. And that rule applies two ways. If it is the duty of the accountant to call for legal aid when a matter is going into court, it is equally the duty of the lawyer to call for accounting help when a matter is going before the accountants' court, where judge and jury are the shareholders, the directors, the public. In such a case the lawyer should act somewhat as the solicitor and the accountant as the barrister. The accountant is the best fitted to present a financial case before the court of business men. He may be engaged by the attorney who has paved the way to the conclusions, but his engagement is like that of the barrister. Does this seem a stretching of the analogy?

Perhaps it is today, but it is not so unreasonable as some may think it. Turn to the advertisements of stocks and bonds issued or about to be issued by bankers. There one will find that the legal factors have been approved by such-and-such a firm. About half the time it appears that the accounts have been audited by so-and-so. If the proper sense of comparative importance were followed the accountant's report would be the essential. The legal questions are vital, but of what use is a perfectly legal plan if there is no value upon which the plan may be made effective? Speculations about the closer fellowship of the accountant and the lawyer are attractive and soon lead into the realm of the improbable, but it is evident that the relationships are improving and the suggestion of a bond such as that between the solicitor and the barrister is worthy of more than a passing thought. The fact that the proposal bears the approval of an eminent member of the bar is not to be overlooked. The older profession is rather toplofty at times, but if the positions were reversed would the accountant be innocent?

**Ratio of Seniors
to Juniors**

Attention has been directed lately to a change which is taking place in some accounting offices, and perhaps in most, in the ratio between senior and junior accountants. It is said that each year there is proportionally less demand for junior men and that the number of seniors remains practically constant or increases slightly. Where in years past there were, let us say, two juniors to every senior there is now only one, and quite often the seniors outnumber them. If this be true there must be some reason for it other than the theory that the young men are growing older and more efficient and that few new men are coming forward. One thing which may have a bearing on the question, but not often, is that the employer finds it more profitable to send seniors on assignments, as there is a larger margin of fees for men of the higher class. To this argument the obvious reply is that the client will not encourage the employment of costly assistance if a cheaper kind is adequate—and the client is the determining factor in such matters. The real reason for the change is the great progress which has been made by nearly all companies of any magnitude in the systems of internal check and in the application of sound theories of management. There was a time when it was necessary to do the most elementary work for

the client and then the junior accountant was much in demand. A great host of things fell to the lot of the junior and he did them well, because no vast experience or profound knowledge was required. When accountants had introduced reforms, when tax laws compelled at least a semblance of accuracy in the books and when the companies themselves saw the wisdom of new policies and set their own houses in order, much of the kindergarten work came to an end and so the junior was deprived of part of his reason for being. There is now and always will be room for many young men of the right kind. The profession's normal growth will demand recruits both in the senior and in the junior grade, but the ratios between the two classes are changing and, as time goes on, there does not seem much probability that the trend will be reversed. What the client now requires is the service of competent and experienced men who can take up the work at the point to which it has been brought by modern methods within the client's own organization. The new conditions are significant of health and progress, and the professional accountant must rejoice at the relief from dull routine which was ever irksome to the man of initiative and vision.