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Editorial

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The JOURNAL of ACCOUNTANCY

Official Organ of the AMERICAN INSTITUTE OF ACCOUNTANTS

A. P. RICHARDSON, *Editor*

EDITORIAL

Del Monte

Arrangements for the annual meeting of the American Institute of Accountants are progressing rapidly. The members and guests from the eastern part of the country are expected to travel together to the Pacific coast and it is probable that the number will be sufficient to justify the charter of a special train. One of the most delightful features of the trip will be a visit to Winnipeg to attend the meeting of the Dominion Association of Chartered Accountants. The Canadian organization has shown a fine spirit of friendliness and coöperation in the selection of dates for the meeting so that it will be possible to avoid a clash with the meeting dates set by the bylaws of the American Institute. The American visitors will probably be present on the second day of the Canadian convention and will then return to the United States and proceed westward by way of Yellowstone Park, Seattle, Portland and San Francisco. Most of the members who have expressed their intention to join the party on the trans-continental expedition prefer to visit the Yellowstone and that route has been tentatively selected. On the homeward way, after the Institute meeting, the party will go to Los Angeles and the Grand Canyon of Arizona. Members who have not yet been in the great west will thus have an opportunity to see the tremendous scenery of the northwest and the southwest, and between they will travel along the ever beautiful Pacific coast. Of the charm of Del Monte it is probably unnecessary to speak. The committee on arrangements, however, may be trusted to refer to it with effective emphasis. The meeting will mark the conclusion of forty years of organized accountancy in America. There will be good papers—one by Henry Rand Hatfield and one by Robert H. Montgomery. Other speakers whose names have not yet been announced will be heard. There will be golf in quantity—the quality probably diverse. All things considered it is difficult

to understand how anyone can resist the temptation to be of the party.

**Double Audits of
Municipalities**

The newspapers of one of the large southern cities draw attention to an extraordinary condition which has been created by a recent enactment of a state legislature. The bill which has become law may have been the result of conditions of which no one outside that particular state could be expected to have knowledge, but, whatever the cause or motive of the bill may have been, the effect is noteworthy. The bill to which we refer requires that the city shall provide for the awarding, making and publication of an annual audit of the liabilities and assets of the city, prescribe the nature and contents of the audit and provide for the payment of the advertisement, making and publication of the audit and fixes penalties for violation of the act. The city is required to advertise for bids from certified public accountants and to award the contract to the lowest bidder. It requires that the successful bidder shall be given full access to all books and shall otherwise be assisted in every other way. It is mandatory that the advertisement shall appear within ten days after the passage of the act. Now, it happens that the city in question has for some time been in the habit of having an audit and of publishing a summary of the results for the information of the public. That such an audit has been made does not seem to have occurred to the legislators, and the consequence is that the city may be required to pay for two audits. The amount fixed by the bill to be expended for the second audit is \$5,000. It may be assumed that the first audit will have cost approximately the same amount, although of this we have no knowledge. The chief interest in this specific legislation is not the duplication of expenditure nor the failure of the legislature to take cognizance of the prior appointment of auditors. These are matters which are of local significance and do not concern us. The great point to which accountants as a whole will take exception is the provision that the lowest bid shall be accepted. The whole principle of bidding for audit work of any kind is wrong. Every reputable accountant deplors its prevalence. But until legislators, business men and others have become thoroughly imbued with a sense of the professional nature of accountancy and the practical impossibility of setting a fixed price for work which may be simple or complex the

practice of bidding for accounting will continue. It is almost too much to expect that every accountant will refrain from offering his services at a price when he is requested to do so. Of course, the whole matter could be set right if every accountant would decline to participate in such competition. Many of the leading accountants and many of those who are less well known do religiously refrain from bidding, but others have not yet reached a point at which they can be relied upon to repudiate suggestion that they tender their services at a price to be named.

**Fallacy of the
Lowest Bid**

It is something of a novelty, however, to find a legal requirement that the lowest bid shall be accepted irrespective of the circumstances. The law says to the city authorities that they are not competent to form an opinion as to the ability and reputation of the several bidders. It compels them to employ whoever may most earnestly desire to be employed if that earnestness be expressed in a low price. It places what should be professional work upon an absolutely commercial basis. It places an equal value upon the services of all accountants. No business house in seeking competitive bids for any kind of work would bind itself to accept the lowest. It is the experience of almost all business men that in a group of bids there are generally one or two low quotations which have to be thrown out of consideration because of their very cheapness. Such bids indicate that the work contemplated by the bidder would not be that for which the proposers ask. There is a protection in the provision that bids shall be received only from certified public accountants but it is absurd that the city should not be permitted to select the bid which may be expected to produce the most thorough and comprehensive report.

A reader of THE JOURNAL OF ACCOUNT-
A Shorter Catechism ANCY has received from a correspondent a series of eight questions to which he seeks answers. The reader, instead of answering categorically, sends the questionnaire to us with the suggestion that it might afford entertainment to the public. The questions are dictated, it seems, by one of two reasons: the correspondent wants to have an explanation of things which are troubling him, or he is trying to involve our reader in a debate in which he feels competent to

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succeed. The purpose of the questioner is not important, however—he is asking something to which everyone is entitled, namely, a reason for the faith that is in one. There are so many people who quarrel with those who believe in ethics that it is not enough to sweep aside inquiries with a wave of the hand. The reasons should be forthcoming if they exist. If they cannot be educed we should not marvel at people who are skeptical about their existence. Times out of number we have urged the necessity for a code of ethics in every professional vocation and we can not be accused of failing to produce reasons in support of contentions. To a good many accountants it must appear that the constant reiteration of ethical ideals deserves to be described as *repetitio crebra*—a figure of rhetoric, by the way, which should not be employed except with discretion and restraint. But these eight questions are easily answered and so we crave permission to say a few words that have been said many times before. These are the questions:

1. Do you consider soliciting unethical?
2. If so, why?
3. Just what is your conception of soliciting?
4. If an accountant publishes the result of some special research work, or of his experience, can that be construed as solicitation?
5. Do you know that the American Institute does not prohibit soliciting accounting engagements, excepting from the clients of fellow members?
6. Do you believe that every professional man, upon discovery of a fact, a principle, or a belief, that will benefit mankind, should make his discovery known?
7. Do you believe that others who learn these new truths should in turn make them public?
8. Do you believe it is right and honest for men to seek employment, to seek work, or do you believe they should wait for work to come to them?

The first question calls for one word—**Answers in Brief** Yes. The second asks why, and why is always fecund. Soliciting is a recognized method of bringing wares to the attention of those who might be persuaded to buy. It is not a part of any professional calling—save one, and that the oldest of all—to solicit the patronage or custom or support of the client. Accountancy is certainly a profession. Ergo, unless accountancy would have rank beside the one professional exception it must forego solicitation. The third point is a definition of soliciting. Well, soliciting is defined by every lexicographer, but that is not what the present

inquiry demands. Soliciting is going out to tell the world how fine and able and probably how cheap an article one has for sale and thus to bring buyers to the door. The fourth question is answerable in the negative, unless the publication of one's discoveries or opinions is used as a lever to lift practice to one's desk. Question five is simple in the extreme. Yes, we know that the rules as yet do not forbid all solicitation except by inference, but we believe that the time is not far off when a revised rule will be brought forward and the apparent omission be supplied. Questions six and seven answer themselves—yes, and, again, yes. Number eight is not so briefly answerable, but probably all will agree that work may be sought if seeking does not involve any methods or means whereby the standing of a profession may be brought into disrepute. But that is not to say that the accountant should advertise or solicit. If every professional man will limit his public utterances and activities to the enunciation of new truths the most militant ethicist will rest untroubled. So far as we can remember there has not been a new truth in accountancy since the present century came to birth. To think an old thing new is not to make it so.

Education and Schools

An accountant, who has made a great success of his life, expressed the opinion the other day that the man who had succeeded should have, first of all, an education in the liberal arts. Yet the one who laid so much emphasis on the need of broad culture has had practically no schooling of the ordinary kind. Another accountant who has not climbed to any dizzy pinnacle of achievement believes that the education of the young man entering the profession is quite a secondary matter. The latter accountant is a graduate of a great university. He says that the value of general knowledge is much overestimated—the chief thing is experience in the field and the practitioner or his employee who has had a few years' experimental history is the future leader. A pamphlet recently issued by the bureau for placements of the American Institute of Accountants bears the title "Accountancy is a career for educated men." One feels inclined to say, "Well, what of it? Has anyone denied it?" But really there are people, as we have seen, who do not consider education—we use the word in its colloquial sense solely—at all important. So perhaps the name of the pamphlet is not so

utterly unnecessary as it would appear to most of us. When the first accountant to whom we have referred laid stress upon the desirability of education he was speaking of foundations. The second man was dealing with superstructure and forgot that without foundation the building must be unsteady. Of course, there are scores of good accountants who have not been to college—many who have not even a high school certificate of graduation. But if the truth were known the success of uneducated men is very rare. Using the word education in its proper meaning, many men who have never attended school or college are educated to the highest degree. It is seldom that a man who has reached a prominent position in any field—excepting politics—has not obtained concurrently a wide acquaintance with facts and a fair knowledge of theories. The big man does not waste his time and if he reads he reads with a purpose. His progress brings him in contact with men who are at first his superiors in culture and gradually he becomes impregnated with a desire to advance and an ambition to equal the mental equipment of his fellows. As a result he is educated—led out of ignorance into knowledge. All this is well known. It has been said in every language. Never was there a college essayist who failed to speak rather superciliously about this fact. But when an accountant or any other man would dispense with education because some have succeeded without a collegiate diploma—and too often the diploma's the thing—it is time to point out that such arguments are unsound. Lack of classical and liberal knowledge never helped anyone to success in a decent vocation.

**The School of the
Blessed**

There is another kind of uneducated educated person about whom little is said. School men do not extol him.

He is, however, as a rule the most blessed of men so far as circumstances can bless. His home is a place where culture grows naturally—it is not forced. From the cradle to the setting forth in the world at large he listens to the speech of a father and a mother who have something to say. He lives in the fine atmosphere of books. He learns art, music, history. All the gossip of personality he hears is the biography of the great. His vocabulary develops day by day and he becomes an intimate of the tremendous company whose home is on the shelves of the library. Such a man has an education bestowed upon him by heredity.

He may make an absolute failure of life, but there will always remain to him a memory of culture which he cannot avoid or kill. It is worthy of note that from the homes where the noble things of wisdom and beauty are daily remembered comes an extraordinary percentage of the men who reach the top of business and profession. Yet not all these, by any means, have scholastic records which would be considered by ordinary investigators. Quite often the boys and girls went out early to seek the fortune which was not there to be inherited. Sometimes they had to go because there were old folk at home who had not been able to lay up anything against the idle hours of sunset. They had only a birthright of culture to carry out with them—but what an incalculable fortune it was. These uneducated sons and daughters of the gentle thinkers—who can compute by statistics and tabulations the value of their mental hereditaments? So when we speak of the achievements of the unschooled it is well to bear in mind that there are schools without elaborate expensive “plants”—we believe that is the correct jargon of the day—and if we would know what a man or woman has to help him or her on the way we must look deeper and further than parchment can reveal. This does not mean that the formal method of education is worthless. On the contrary, it is of immense value. The quarrel is with people who place too much reliance upon a published curriculum and too little on environment. There are scholars without school but to the manner born. From their ranks come many of the great marshals of the hosts of men whom the thoughtless and the superficial call self-made. Therefore, before we dispense with education as a prerequisite to success let us be sure that we know whereof we speak. We do sincerely believe that accounting, like any other profession, is a calling for educated men and that the educated are those who succeed.

Florida's New Law A new law providing for the regulation of accountancy in Florida goes into effect July 1st. The full text of the law appeared in the Institute *Bulletin* on June 15th. It provides for the use of the abbreviation “C. P. A.” or any similar words or letters only by persons holding a certificate, which is to be issued after examination, except in the case of accountants who have been practising for more than five years prior to June 1, 1927, as to

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whom the state board may in its discretion waive the examination. The law also provides for the designation "public accountant" which is to be permitted to persons who have maintained offices or have been in responsible charge of accounting engagements prior to the passage of the act, provided that such persons shall be so officially designated prior to January 1, 1928. It is made a misdemeanor to practise as a certified public accountant or as a public accountant without authority, and the definition of such practice is quite broad including:

"One who * * * holds himself out to the public as practising accountancy or who maintains an office for the transaction of business as an accountant or who prepares or offers to prepare for clients any reports of audits or any other financial statement."

A law somewhat similar to this was held unconstitutional by the courts of Oklahoma. No such law has yet been held constitutional. But if the law is interpreted in a reasonable way so that it is held to relate to the public practice of accountancy and not to prohibit private employment of one individual by another, it is believed that its constitutionality can be sustained. The effect of the new law upon the profession in Florida will be watched with great interest by accountants in other states.

Erratum

An unfortunate error occurred in THE JOURNAL OF ACCOUNTANCY for June which we wish to set right. In the correspondence between this magazine, Carl B. Robbins and F. W. Thornton a paragraph in Mr. Thornton's letter seemed to refer to something which did not appear in Mr. Robbins' letter. The fact of the matter is that when Mr. Robbins' letter was received it was sent to Mr. Thornton for reply. Subsequently Mr. Robbins expressed a wish to delete a portion of his comment and the deletion was erroneously reported to Mr. Thornton who then struck out the portion of his response which seemed to apply. The following was omitted from Mr. Thornton's reply but should have been inserted:

"In discussing the reference in the review to 'stated capital' Mr. Robbins says the 'erroneousness of this statement may be corrected by quoting from the book the sentence to which reference is made', and proceeds to quote a sentence that would not support the criticism any more than it would negative it. He passes in silence over the words actually quoted in the review, which still seem to me to afford complete support to the criticism."

On the other hand the matter relative to the use of second-hand evidence was inserted but should have been omitted. We regret the error.