

8-1925

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Recommended Citation

Heaton, W. C. (1925) "Development of Modern Practice," *Journal of Accountancy*. Vol. 40 : Iss. 2 , Article 3.
Available at: <https://egrove.olemiss.edu/jofa/vol40/iss2/3>

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Development of Modern Practice

BY W. C. HEATON

The article by Professor McKinsey in the April issue of THE JOURNAL OF ACCOUNTANCY entitled *Modern Tendencies in Accounting Practice*, followed by the article by Mr. Freeman in the May issue entitled *Some Thoughts on Modern Practice* must have caused many an accountant in public practice to pause and reflect upon the nature of much of the work he actually does in relation to that which is assumed to be the usual and accepted work of his profession. While he rejoices in the opportunities for service and employment and the increased compensation pictured in the former article, he would often gladly seek relief from the difficulties of the problems and the responsibilities for decisions his clients require of him, by a more strict adherence to the limitations suggested in the latter article.

The fact is that the accountant cannot always limit completely the character of work he does. The circumstances lead naturally toward and sometimes into the fields of administration, engineering and law. He is the first to gather and review the facts and, since he, himself, must interpret them before he can present them in an illuminating way, he inevitably must understand and often present the administrative, engineering and legal implications and assume some degree of responsibility for the practical working of his suggestions.

It is common for accountants, particularly those who enjoy a substantial and established practice, when arranging for the installation of financial or cost systems, to require for a time a certain supervisory authority over the persons in the accounting department. That authority is often continued for years and constitutes a quasi-administrative relation from which executives are reluctant to relieve the accountant, because the more intimate knowledge it gives increases the value of his services.

We are all aware that the substitution of incomplete engineering knowledge for the full understanding of the professional engineer has brought the term "efficiency man" into some degree of disrepute. Yet, what accountant of extended practice among industrial enterprises has not rendered service by correcting glaringly poor factory layouts?

Let us assume a prosperous business enterprise, worth, say, from a half-million to a million dollars, owned by an individual, having a small stated capital and a large surplus, the owner approaching the age of retirement and the business managed more and more completely by able lieutenants. The accountant reviewing the facts with the perspective of an observer sees that the situation is crying for readjustment and suggests a reorganization. He is unfortunate if he suggests it without being fortified with much legal information and with a definite plan as a basis for consideration. He finds it necessary to explain that it is quite in accord with modern thought on property rights to believe that legal ownership is not the sole test of rightful ownership and that a wise as well as a just exercise of legal power must not fail to consider the contribution of others to the creation of a valuable property; that this point of view is held not alone by the radicals who lay emphasis upon its justness, but also by many otherwise conservative men of affairs who lay emphasis upon its wisdom; that particularly do men who have built up prosperous business enterprises recognize that continued prosperity, possibly continued existence of these enterprises, is vitally related to the wisdom with which they reorganize their property rights and recognize the contributions made by their principal assistants who have loyally and capably contributed to creation and growth. Such suggestions and statements serve no useful purpose if they are not accompanied by a discussion of the kinds of reorganization that are available, and naturally the accountant at some point finds he has entered the field usually cultivated by the attorney.

Without further discussion or illustration, let me restate the point that since he is the first to gather and review the facts and since he, himself, must interpret them before he can present them in an illuminating way, the accountant inevitably must understand and often present the administrative, engineering and legal implications and assume some degree of responsibility for the practical working of his suggestions. Whether he will or not; he finds he must increasingly broaden the field of his work.

Perhaps the most important phase of this whole question is the attitude of the accountant. If he resists the tendency to go outside his usual field and works with (rather than in place of) the executive, the engineer or the attorney, he is not likely to do a poor job on extraneous work or disqualify himself for the pursuit of his accepted professional activities.