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portant details, copying the client's books, making painfully precise analyses which have little or no practical bearing on a situation, are not service. They are devices for selling a client time; frankly, a waste of his money.

Service requires as a step precedent, a study of the client's needs; a survey of the tentative financial condition and operating results; reflection over comparisons; consideration of tendencies; discovery of things which point the need of careful and

thorough investigation; all these practically before any intensive work is started. Time taken for these matters is never wasted. It lays the foundation for application of intelligent effort to the problems which the engagement presents.

The secret of success in accountancy is service. A discriminating sense of value on the part of clients demands it. What better way is there of building good will than rendering satisfactory service to all clients?

Removing the Cause

CONSIDERABLE interest has been manifested of late in the subject of commercial arbitration. Boards of trade and chambers of commerce have interested themselves in the matter and carried on a considerable amount of propaganda in favor of such procedure. It is, of course, unavoidable that differences and disagreements will arise in the great volume of commercial relations and transactions which are constantly being formed and taking place. Many such disagreements result in litigation, which is not only costly and time-consuming in itself, but results in secondary losses of time and temper which are not only expensive but disagreeable.

The Merchants Association of New York points out in a memorandum on the subject that commercial arbitration is the logical substitute for litigation. It provides that business disputes shall be submitted to committees of impartial business men, which action may be provided for either in the original contract or later mutual agreement. The arguments advanced in favor of commercial arbitration are that it offers a medium of settling business controversies by men who are essentially experienced in business affairs. Although probably unpopular with lawyers, it saves the expense of lawyers' fees and court costs. The claim is also made that it

saves loss through the tying up of work and merchandise. Further, it avoids the law's delays and the creation of animosities, and leaves both parties satisfied that the settlement has been reasonable and fair.

At the risk of being charged with selfish motives, it is perhaps not inappropriate to point out that the necessity for much litigation, and even commercial arbitration, would be removed if accountants, as well as lawyers, were to be consulted in the drawing of contracts which relate to business affairs and commercial transactions. Many disputes have arisen as a result of an attempt to employ technical verbiage in contracts, with the result that logical interpretation has been almost impossible. The accountant is usually called into the situation after the trouble has arisen, and the opinion is ventured that a majority of the disputes would never have arisen had accountants been retained when the agreements were made.

A recent case involving a difference of about \$200,000 was made possible because the contract between the two parties, while referring to the amortization of a franchise and depreciation of physical property, did not provide the methods whereby these calculations should be made. As there are various methods of amortizing franchises and computing depreciation, it is

apparent that wide divergence of results is possible. The first thing which would naturally occur to an accountant in connection with a contract of this character would be a provision as to the methods to be employed in calculations. In the case in question it is extremely doubtful if any differences would have arisen had this matter received attention when the contract was drawn.

It has been reported recently that the operations of a western utility showed profits for a certain period of \$1,000,000. These results were entirely upset by accountants representing an opposing faction through the employment of different methods of calculating depreciation when applied to the same items and amounts of property.

A contract for the construction of a public improvement in one of the eastern states contained the following provision with respect to the computation of wages in the final estimate:

"The final average wage rate shall be computed as the sum of the products of the percentage of the total class 1 construction cost included in each monthly estimate multiplied by the average wage rate for the best rate of common labor prevailing in the 'blank' department during the same estimate period."

This surely offers any opportunity which one might desire for practice in the art of interpretation. A considerable amount was involved in this question, and what the contractor received in final settlement depended entirely on the interpretation of this provision. The state officials and the contractor, being unable to agree as to the meaning of the words, submitted the matter for opinion to a public accountant. Had the accountant been retained in the first place, it is inconceivable that he would have allowed any verbiage as abstruse as that quoted to have crept into the contract.

The point of this argument as coming

from public accountants may be difficult to grasp, since it may be regarded as a plea for procedure which would deprive accountants of certain practice which now comes to them as a result of disputes. While this may be true to a certain extent, it is difficult to believe that a broader and more constructive point of view on the part of public accountants in seeking opportunities for service will result in detriment to their practice. The experience of institutions and practitioners who specialize in the prevention rather than the treatment of disease should be sufficient evidence on this point. It seems eminently appropriate, therefore, that the enlargement of accountancy practice should come from a widening of scope in a constructive way as well as intensive effort along the lines of traditional activities. Whatever the result of advocating a retention of accountants in the drawing of commercial contracts, it is difficult to escape the conviction that much litigation and arbitration would be thereby avoided.

We have from our Shanghai office the following note bearing on the recent outrage perpetrated by Chinese bandits on foreigners:

"The situation seems to be very grave at this time, as it is reported that the captives are without proper clothing and food, and are suffering considerably. You may be interested to know further that our Mr. Jordhoy expected to take that train for Peking to start the work of examining a bank at that place, but by reason of pressing work here had to delay his departure one day. We have not heard from him but assume that he was able to get through without harm. Several foreigners who are captives are known intimately to the members of our organization here and two of them are among our clients, Mr. Leon Friedman being proprietor of the China Motors and Mr. J. B. Powell, editor of the *Weekly Review*. Mr. Lehrbas, who succeeded in effecting his escape from the bandits, occupied the room adjoining Mr. DeVault's in the Astor House for some time."