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Correspondence: Why Certify?; Expertness and Modesty

Earnest S. Rastall

Thomas A. Williams

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Correspondence

Why Certify?

Editor, The Journal of Accountancy:

SIR: "We hereby certify that, in our opinion,"

The second phrase robs the first of most of its force and meaning. A certificate is not so solemn nor so binding as an oath, yet it is intended to be a very conscious and definite averment of fact.

When I first entered the profession as a public accountant, a friend called my attention to the phrasing of his certificate and cautioned me to be guarded against unqualified asseveration. His phraseology was "I hereby certify" this to be thus and so, "as shown by the books." He explained that in case he should be in error, and trouble come, such for instance as a suit against him, he could take refuge behind the words "as shown by the books." This struck me as strange, and I reflected that if a man were called to testify as to the accuracy of certain account books such a certificate was worthless.

I have before me the audit reports of several firms of public accountants. The report on the audit of the United States Rubber Co. as of Dec. 31, 1923, contains the words, "We hereby certify that the accompanying general balance-sheet, in our opinion, correctly sets forth the financial condition of the companies on Dec. 31, 1923, and that the figures relating to the income and surplus accounts for the year ended that date referred to in the text of the chairman's report are correct."

Another report contains the following words, "We have audited the above balance-sheet, and certify that in our opinion it is properly drawn up so as to show the financial position of the United States Steel Corporation and subsidiary companies on Dec. 31, 1923."

The same language is used by the same firm of accountants in its report on the financial position of the American Locomotive Company as of the same date.

The perfectly wonderful report of the American Sugar Refining Company contains this language: "We have examined the books and accounts of The American Sugar Refining Company and the statements of the several domestic constituent companies, and verified the cash, the loans and the securities owned. The foregoing condensed general balance-sheet and income and profit-and-loss statement and statements of surplus and sundry reserves agree with the said books and accounts. The inventories of sugar have been adjusted to market, and we are of the opinion that the existing reserves for depreciation and for renewal or replacement of fixed assets are adequate; that the value of the investments, as a whole, is conservatively stated; that ample provision is included in the sundry reserves of the company for customers' acceptances, claims and accounts receivable in respect of 1920 contracts, and that the foregoing condensed general balance-sheet presents the true financial position of the corporation and its domestic constituent companies on December 31, 1923."

The report of audit of the American Woolen Company is very brief, being merely, "I hereby certify that the above statement is correct." An unqualified statement of this sort is no doubt unwise, for who can say that values of fixed properties, that depreciation deductions, that inventory listing and pricing, are correct?

A lawyer who examines an abstract of title does not certify in capital letters that, in his opinion, it is correct. He contents himself with giving his opinion. It is the judgment of an expert which is depended upon. The opinion of a reputable professional man need not be supported by any solemn asseveration be it certificate or oath. He stakes his reputation upon his opinion. That ought to be sufficient.

Why is it not just as well for an auditor to say "I have examined these financial and accounting records and statements and as a result of this examination

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I am convinced that they are a conservative and reasonably accurate statement of the financial condition," etc. etc.?

This is a more dignified phraseology than the evasive, qualified certificate.

Yours truly

ERNEST S. RASTALL.

Rockford, Illinois.

Expertness and Modesty

Editor, The Journal of Accountancy:

SIR: In your editorial entitled, "Exhuming Efficiency," in the July number of the JOURNAL, you have rightly censured the professional man for describing himself "efficient" or "expert." In the same category we find the "specialist." There have been many of the latter in this section. "Tax specialists," have been the most prevalent, but we have also had the "cost specialist," the "lumber specialist," the "cotton specialist," and what not. There is an old adage, "Give a man enough rope and he will hang himself." It seems to me that these people have hanged themselves quite effectively. They have most certainly circumscribed their own activities and spheres of usefulness by styling themselves specialists.

You say, editorially, that these people are boasting, and while I have no doubt that it is their intention to boast when they hold themselves out as experts, specialists, etc., yet, I feel that they are doing just the reverse of boasting, or at best boasting of qualifications of very doubtful merit. For, when a man says that he is an expert in some special line of endeavor, just what does he mean? He cannot mean that he knows all that there is to know upon that particular subject, because that would be taking on a God-like attribute. He probably means, then, that he has done a certain thing over and over again for so great a length of time that he feels himself better qualified to do that one thing than anyone else. He even goes one step further when he holds himself out as a specialist. For he then describes himself as devoting himself to and having a special knowledge in one particular subject. So, if he is consistent, he must exclude—or at least neglect—all effort or endeavor in acquiring knowledge outside his own narrow self-chosen sphere. What an ambitious career such a course must open up to the professional accountant! If I were a business man desirous of engaging the services of an auditor I do not believe that I would employ an expert or a specialist. For I would be afraid of him.

A propos is the following: I have observed a horse every morning lately. This particular animal draws an ice wagon. It so happens that he has covered a certain route every morning for a long time. The driver is never on the wagon but walks along from house to house and takes the ice from the wagon and makes his deliveries. This horse, because he has done the same thing each morning, stops at each house without any word or prompting from the driver and when he reaches my corner he turns around of his own volition and starts back over his route. Now, this horse is undeniably an expert and in fact has an undisputed right to be termed a specialist. But I have often wondered what that horse would do if some morning he should find an obstruction at one of the corners on his route. I doubt that he would reason it out for himself that the thing to do would be to make a detour around the block. Would his human contemporary?

Is accountancy a "bread and butter" science or has it the right to be classed as a liberal profession? Certainly, if we want to fall in the latter class we must not call ourselves experts or specialists. We must not so tie down and bind ourselves by absorbing one particular sort of knowledge as to qualify ourselves "to act the lowly part of a dexterous instrument." I honestly believe that accountancy does require a greater development of the higher faculties than that and that the practising of accountancy justifies a larger amount of liberal education on the accountant's part.

"The intellect," says Aristotle, "is perfected, not by knowledge but by activity." The professional accountant (and I believe that most of us are agreed on that) should be well developed intellectually if he is properly to serve

his client. Intellectual development depends upon the exercise of the mind. So, that, a certain quantity of knowledge, no matter of how expert or special a character, does not induce a corresponding amount of intellectual exercise.

The accountant and auditor is called upon to do constructive work. Nothing can be well constructed without a knowledge of the component parts of the thing to be constructed. Knowledge of these different elements comes through analysis. It is by analysis alone that we are able to comprehend. And we comprehend only as we are able to reconstruct in thought the complex effects which we have analyzed into their elements. Synthesis without analysis is no knowledge at all. So that I believe that all these so-called specialists, by holding out their stored-up knowledge in one line of endeavor show that they have no conception of what the real training and intellectual qualifications of a professional accountant should be, nor what is expected of them in useful effort. Probably it is because their desire to store up an ample amount of special knowledge has left them so intellectually barren that they are unable to reason logically what is their real sphere of usefulness.

Boast of being an expert? Verily, we begin to be wise when we admit in all humility the limitations of our knowledge.

Yours truly

THOMAS A. WILLIAMS.

New Orleans, Louisiana, July 26, 1924.