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Facts behind the figures

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The Facts Behind the Figures

IT is not inconceivable that some clients of public accountants view the arrangement for the accountant's services as they would look upon the purchase of pig-iron or any other commodity. In many instances the arrangement is a contractual one, even though not formally expressed, to audit the accounts as of a certain date, or for a certain period, and render a report and certificate. The compensation is fixed by the day, with perhaps a maximum limiting the total charge.

If there were nothing more to accountancy it would become a sordid business. If it were a business, doubtless a set of formulæ might be devised which would make the work largely mechanical. Feeding tobacco into a machine results in cigars which are the product of material, labor, and overhead, but the process requires little thought on the part of the girl operatives who do the feeding.

Accountancy service rendered in accordance with the principles on which its conception is based calls for something more than mechanical performance. There

is a duty to think about the client's business affairs; to consider the accounts in relation thereto; to interpret them for him, if he so desires. It is not sufficient that there should be a cold-blooded checking of figures with a set of statements prepared to exhibit results. The accountant's work has not been completed until he has told the client, or anyone else properly entitled to the information, what the figures mean.

A recent experience with a manufacturing concern about to put out an issue of securities through a bond house serves to illustrate this point. The manufacturer had furnished certain figures to the bond house, but the latter considered them insufficient. After some discussion had taken place between the two parties the accountant prevailed on his client to permit the accountant to lay all the figures before the bond broker. A long conference ensued at which the accountant not only furnished all the details required, but explained them. The result was not only a successful culmination of the negotiations for the issue, but more cordial and har-

monious relations than had previously existed between the borrower and the bond house.

Furnishing cold, lifeless figures is one thing. Finding out what they mean and telling the client or someone whom the

client elects is something else. Almost anyone can operate a calculating machine. It takes thought to interpret figures. But accountancy contemplates that those who practice it will be capable of giving, and willing to give, thought to clients' affairs.

Reliable Information Versus Faith

BANKERS by and large ten years ago would probably have told anyone who asked, that bank credit was based largely on character. Some of them, if they had admitted the truth, would have confessed that many bank loans were made and denied on "hunches." If the complete history of bank credit granting could be accurately written, it would probably prove conclusively that many a banker has been a poor judge of character. Some of them would be willing to admit that the remark ascribed to the late Mr. J. P. Morgan, about preferring to loan a million dollars, without collateral, to an honest man, rather than ten thousand, on gilt-edged bonds, to a dishonest one, has been considerably overworked.

There are still many bankers who loan on what they regard as intimate knowledge of a borrower's affairs gained through long association with him. There will always, in all probability, be cases of this kind. Reputation and standing in the community are enough foundation for some bankers to establish a liberal line of credit and loan on it to the limit. Character, confidence, capacity, etc., as the basis for credit, lend themselves admirably to alliterative speechmaking and inspirational essays on sound credit granting.

The banks in the larger cities, and particularly New York, have discarded during late years the romantic philosophy of bygone days, and have taken to requiring certified financial statements with a care-

ful checking of various aspects of the credit-seeker's condition and future prospects. A great deal of pioneer and constructive effort in this direction has been put forth by the Robert Morris Associates, an organization of bank credit men. The future holds great promise of improvement as a result of the work already done, to say nothing of that in contemplation. Slowly but surely banks in smaller cities and towns will be bound to see that what is good for the big city bank is good for them.

A well-known concern of many years' standing, selling an article of the semi-luxury type, found itself toward the end of the year nineteen twenty-one in a condition where money was tight. Lines of credit with four banks in the home-town, a city of some one hundred and sixty thousand inhabitants, had been used to the limit, and even stretched some. The bankers were somewhat apprehensive as to their loans, and were demanding that they be reduced.

New officers of the corporation took the situation in hand and developed a plan for relieving the pressure. The scheme assumed the form of going to banks in various cities and towns throughout New England, New York, and New Jersey, borrowing amounts ranging from five to fifteen thousand dollars and opening accounts with the understanding that a branch store was to be established in each place. This plausible story was accepted and the