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Chances in China

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discussion. Some of the aspects treated have angles which will bear further discussion, if not debate. Enough of the problem doubtless has been disclosed to stimulate interest and offer opportunity

for mental exercise sufficient to satisfy the most exacting student. It may be admitted, without any sacrifice of pride, that here is something not far from the problem of problems.

Chances in China

By H. S. DE VAULT

(Recently returned from Shanghai)

THE newspapers are now devoting considerable space to the most recent military disturbance in China and while as yet the conflict is of no more magnitude than many others that have taken place during the past ten years it is of considerable importance to American business interests. Shanghai is unquestionably the most important port of China, and it is through this port that the great bulk of trade between China and the United States passes. A disturbance in this section interrupts traffic between Shanghai and the interior points, with results that may readily be imagined. The operations of bandits and pirates along the various transportation routes during the past few years have already had a very marked effect upon business and the Chinese government under the present system is practically powerless to cope with the situation.

China presents a tremendous field for development. Her vast stores of natural resources are almost untouched and all enterprises of a commercial and industrial nature offer excellent opportunity for investment. The development of these opportunities to the fullest extent is first dependent upon the establishment by the Chinese people of a government capable of safeguarding the interests of all concerned. A little more than ten years ago the form of government in China underwent a radical change, and it is only fair to suppose that, given a reasonable length of time, the almost intolerable conditions of today will have disappeared.

At present there seem to be two impor-

tant factors which may be said to be largely responsible for retarding the progress and development of the country. First, practically no effort is being made by the government toward providing education for the masses. There are said to be sixty-five million children of school age without any school facilities. Second, the entire country is under the control of military leaders.

The maintenance of the military forces is the first consideration, and all other government functions are considered as of minor importance. The central government at Peking, which is headed by President Tsao Kun, has only a partial control over China as a whole. Dr. Sun Yat Sen, with headquarters at Canton, also terms himself president and controls the South of China, while Chang Tso-lin, the War Lord of Manchuria, rules the Northeast with an iron hand. The several provinces are governed by tuchuns, or military governors, who are directed by one or the other of these leaders. The present conflict is between the governors of Kiangsu and Chekiang provinces over the control of the district in and around Shanghai, but indications are that disturbances may occur in other parts of China.

Except for the temporary interruption, these conditions should not be allowed to interfere with business, as the great masses of Chinese people are not in sympathy with these military operations, and are anxious for the time to come when they, as a nation, will occupy a prominent position in the commercial world.

American capital has an equal opportunity with that of any other nation in the development of business in China. The Chinese business man has no preference as far as his business relations with other nationals are concerned. He is ready to consider any business proposition; and if it is a matter of competition he will invest his capital wherever he can get the most for it. Therefore, it should be borne in mind by the American business man that, whatever his proposition, it should be equal to, if not more attractive, than that offered by his competitors. It is needless to say that the Chinaman is entitled to and expects the same degree of business courtesy and honesty that any one else receives. Some "sharp practices" in the past have had a very serious effect upon the progress of American business in China, and orders have been lost because the salesman failed to realize that he was dealing with a business equal and not a Chinese coolie.

A recent review of business in China revealed the fact that twenty-three million dollars of American capital have been lost or abandoned in business operations during the past ten years. A large portion of this undoubtedly represents capital invested during the great war, which, by reason of the chaotic conditions following the armistice, the fluctuation of exchange and the inexperience of the representatives in China, failed to earn profits. Losses from operations were incurred, the organizations were withdrawn, and in addition, capital invested which could not be readily recovered was abandoned. These facts should serve as a warning to prospective investors and careful study should be made of the causes which were responsible for the losses before entering the field.

There are some other matters to which consideration should be given if American business is to continue and prosper in China. In so far as it is possible, everything should be done to put American business on an equal basis with that of

any other nation. At present there is a handicap imposed by the United States income tax laws. No taxes are paid to the home government by business interests or individuals of any nationality, other than American, operating in China. It was expected that this condition would be remedied under the provisions of the China Trade Act; but the indifference displayed by Congress toward any legislation touching on foreign trade indicates that nothing will be done along this line in the near future.

American banking facilities are inadequate and those in existence are not operated along the broad lines adopted by the banks of other nations. The tendency of the American merchant to insist upon our methods of business in dealing with the Chinaman will have to be overcome. The rules and customs governing business have been established in China for centuries and the American merchant should not expect to have them altered for his exclusive benefit.

Forgetting the present unsettled affairs in China and other conditions that may appear as unfavorable, there is no better field in the world for those interests which seek foreign business than that offered by China and her neighbor to the north, Siberia, as soon as that country is opened to trade.

Book Review

Kohler, Eric L., and Pettengill, Paul W., *Principles of Auditing*. (Chicago, A. W. Shaw Company, 1924. 227 p.)

The authors of this book—men of wide experience in the profession as teachers and practitioners—have endeavored to present to the novice "the actual working procedure" in auditing. The work consists of about 175 pages of text, followed by some two hundred questions and problems on auditing, and a reproduction of a complete set of audit working papers.