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Editorial

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The JOURNAL of ACCOUNTANCY

Official Organ of the AMERICAN INSTITUTE OF ACCOUNTANTS

A. P. RICHARDSON, *Editor*

EDITORIAL

American Institute's Meeting The annual meeting of the American Institute of Accountants was held at Washington, D. C., September 18th and 19th. Many matters of importance were to have been discussed. Owing to the exigencies of printing—to use a sadly hackneyed expression—it is not possible for us to present any summary of transactions in this number of THE JOURNAL OF ACCOUNTANCY, but the matters of most importance transacted by the Institute will be mentioned in the November issue.

**Accountancy:
Common Sense** A well established member of the profession in the course of conversation the other day narrated his experience in devising a system of accounts before he became an accountant, and he said that since he had acquired a knowledge of accounting he had always looked back upon the accomplishment of his neophyte days with a kind of marvel at the ingenuity which he had displayed. He admitted that his system of accounts had been good although perhaps not technically a model. This is cited simply to illustrate the fact that accounting is merely an application of common sense—or should we say that accounting is technical knowledge superimposed upon common sense? The records of accounting in the days before it was rated as a profession indicate that there were remarkable instances of accurate methods originating out of a wealth of common sense. Those who have seen copies of the accounts kept by General Washington as commander-in-chief of the armies of the United States during and following the Revolution will have been impressed with the fact that our first president would have made a remarkably good accountant if he had not been called to other and greater spheres of usefulness. His accounts are not only a model of neatness—which was to have been expected in a man of his precision—but they also

explain with an almost naive frankness points which might have been confusing without explanation. These accounts have recently been reprinted in facsimile and should constitute a part of the library of everyone involved in any way with the preparation and supervision of accounts. It might even be said they should be given to every civil servant engaged in governmental accounting with an admonition to follow the father of his country not only in great and essential virtues, but also in smaller matters of accuracy and clarity.

An Eighteenth-Century Audit

We have recently been privileged to see a letter of instruction addressed apparently by James Boswell to the factor of his estate at Auchinleck, Scotland, in which it is shown that Boswell, in addition to his meticulous and somewhat adoring accomplishments as a biographer, was a man who understood the principles which underlie audit. The letter is written in a clear, bold hand and seems to have been a draft, for it contains several incomplete sentences which must have been satisfied by subsequent additions. The letter in its exact form follows:

4th Augt. 1792

Direction for examining the acct.
At Auchinleck

Sum up the debit & credit sides of the cash book & see if the ballance corresponds with what

Examin every article of money received; if the article is rent, see if it corresponds with the rental Book; if the amount or part of the amount of a Bill or part of a Bill &c. compar it with the register or list of Bills which ought to be kept very accurately. enquire if any meal, oats, or wood have been sold and if there are separate books for any of these article see if the entrys in them correspond with the

I mention wood because some trees may have been blown since last year & the wood sold; enquire also if any fruite has been sold and if the amount is brought into the cash book see if it appears to be just.

In examining the side of the Cash book which contains money laid out, graet care must be taken; every article ought to be examined one by one, to see if it is such as should be allowed as far as relates to the quantity, price &c. & the vouchers must be comaired to see if the agree with what is charged in the cash book when the vouchers is an acct. not only the sum total is to be looked to but also the various articles of which it may be composed & the calculations checked or proved. The same operation must be done when in the cash book any sum is met with susceptible of calculation, as for instance paid to three men for such or such work at so much per day; received for so much meal at so much pr. peck &c. &c. The rental Book ought also to be carefully examined in order to see if the different sums in each acct. are properly stated according to the rent, and if the addition is just this will require to be done not in a cursory but deliberate manner and great advantages will be derived from it more than one point of view & not only by correcting or having the satisfaction so that there are none but also by this means the names of the various Farms, the rent of them, and their possessors will become more & more familiar to you.

It will be seen that even in the end of the eighteenth century the value of voucher verification was recognized, and we have a general impression that, if the instructions given to the factor, who, by the way, was the great-grandfather of the accountant who has given us the letter, were observed, the owner of the estate would have been able to check quite completely the conduct of affairs under the factor's administration. By comparing the reports received with the market prices of the day a very fair comprehension of the correctness of the profit-and-loss account would have been obtainable. This is an interesting echo from the early days of estate management and has an additional value because of the eminence of its author.

To Enter the Profession

The perennial question as to the facilities offered to the student to enter the accounting profession is discussed from many points of view by correspondents of this magazine. It has been our custom to return to the subject from time to time in order to obtain the views of practising accountants and of those who would like to practise. Many of the suggestions made are quite impracticable. Others have merit. A letter received recently from a reader of *THE JOURNAL* makes suggestions which are interesting at least. He says:

"Two subjects which have been under discussion in the late *JOURNALS* are the ethics of the profession and the employment problem. The former was answered quite conclusively in the last issue of *THE JOURNAL*, but no solutions have been offered for the latter. Here is a plan which I have to offer merely as a suggestion and if you think it in the least feasible you may print it and call for criticisms on it.

"On account of the fact that the accounting profession is in its infancy in this country we are not able to look to the English for a solution of this problem and it is one that must be solved sooner or later. The English system of developing accountants is one of apprenticeship, while ours is a system of highly-colored magazine advertisements which hold out to the young man interested in accountancy a salary of many thousands of dollars a year. All they ask is a few dollars of your money and six weeks of your time (some even less than that), no work required and no particular ability necessary.

"How much better it would be if the American Institute of Accountants through the various members in the country would form some sort of system of registration of the junior and senior accountants that are not as yet qualified to become members of the Institute but have hopes for the future. At the present time many members of the Institute hold staff examinations and many good men whom they are not in need of at that particular time are forced either to abandon their efforts to enter the profession or to wait for another examination at the loss of much time which might be utilized to good advantage by some other firm. It hardly seems proper that members of an organi-

zation such as the American Institute which depends so largely upon the young blood of the profession for its support, primarily, should pay so little attention to the training and qualifications of those men whom they intend to employ and upon whom depends the success of their organization.

"My suggestion is that the Institute foster some sort of junior and senior accountants' organization and set the requirements as it sees fit. This organization would depend for its membership upon those men who are already in the employ of the members of the Institute and such others as could fulfill the required qualifications. The prospective member's qualifications might depend upon his previous schooling, that is, in a school accredited by the Institute, or upon his ability to pass the tests prescribed by the Institute or its members.

"Some sort of organization of this kind would to a great extent do away with much needless correspondence and disappointment to those men who on the face of the thing would not be able to qualify. It would give the average American who thinks nothing is impossible an idea of what he must attain before he could consider himself eligible for the profession.

"I have taken the liberty of writing this letter as a student of accounting. I am not as yet affiliated with any accounting organization but have been a student of the subject off and on for the last eight years (the 'off' meaning a forced absence from study while we were having our slight altercation with those on the other side of the North Sea)."

A Subsidiary Class The idea of a class of subsidiary membership or student society has been under consideration by the American Institute of Accountants for some time, and a report was presented at a meeting of the council held in April, 1923, outlining a general plan for the formation of a subsidiary class of persons not eligible for membership but having an interest in accountancy and a hope of entering the profession. This report is still under consideration by committees of the Institute and pending final action comment would be improper. It may be said, however, that the success which has attended the formation of student societies in other lands leads to a belief that some similar form of organization would be productive of good results here. Our correspondent's impression that the Institute has been indifferent to the difficulties confronting accounting students is not correct, but there is so much sound sense in some of his opinions that we are glad to present them to our readers.

Searching the Record In the July issue of THE JOURNAL OF ACCOUNTANCY we published portions of a letter from Clinton H. Scovell narrating the experience of his firm in comparing the record of an applicant for a position with another record of

the same applicant filed at a different time. The discrepancy was entertaining. We have now received the history of another experience which is quite as remarkable. It emphasizes once more the absolutely imperative necessity of investigation before employment. Our correspondent in submitting the record says that he is glad to be able to drive home to the readers of *THE JOURNAL*, especially those employing accountants, the fact that business records should be stated completely and before employing a man his record should be verified. This is the story:

"The man in question wrote us about July 1, 1923, presumably in answer to our advertisement in the June number of *THE JOURNAL OF ACCOUNTANCY*, and at our request filled out one of our personal record blanks. As this made a fairly favorable impression, and the man was in the middle west, we referred him to our Chicago office. When the papers reached Chicago, they found a personal record blank submitted about two years previously and a comparison of the two documents disclosed the following discrepancies:

"In this man's employment experience, he recorded work for a fairly important company for a few months in 1918, but he gave the name of his immediate superior differently in the two records, and he also stated a higher salary in one case than in the other. In his earlier record blank he said his ancestry was Scotch-Irish; two years later he had become a man of English ancestry. In his earlier record blank he mentioned no academic training beyond high school, but in his later blank he claims attendance at a well-known mid-western university. On both blanks he mentions correspondence courses with the Walton school, but in one case he records himself as taking instruction in general and advanced accounting for four years, and in the later record he mentions only training in costs, and says that he received no diploma (despite four years' work). In the list of references given on his latest personal record blank he mentions two men, but gives no indication that these were his former employers, whereas his earlier record blank gives the names of the same two men successively as his immediate superiors in one of the most important business connections the applicant ever had. In the comparison of the two personal records we got the further fact that midway in one very important employment in 1919 the applicant was transferred from one middle western city to another, in circumstances which would be of very definite interest to a new employer, although that transfer is not mentioned in the later blank. The earlier personal record blank records work of a definite summer type in the summer of 1909 and again in the summer of 1910, and indicates that he had another definite kind of work from September to May following in each case, whereas in his later record blank, he takes credit for being owner and manager of a large business of the summer type continuously from the spring of 1909 to 1917. (Evidently the winter vocation has lost something in the good opinion of this applicant in the two years.)"

The Sphere of Action

The field of the accountant broadens and broadens. The practitioner who advertises becomes increasingly impressed with his capabilities and more and more anxious to notify the public of what he conceives to be the truth.

The latest expression of comprehensiveness which has been brought to our attention is a picture of a harvesting machine drawn by a white horse and a red horse (Was the artist thinking of Alice?) and underneath is the inspiring motto "For They Can Conquer Who Believe They Can." This is inspirational stuff and therefore quite up to the minute. There follows a paragraph entitled "Self Confidence" in which we find that "the expert accountant, auditor and business analyst simply reveals to the business man the methods used by those who are highly successful. We apply this to the development of business for our clients and stimulate their confidence in themselves. We invite consultations on accounting, selling or social service methods." In other words, if you don't see what you like in the shop window come inside and ask for it; we have it. The social-service idea is particularly impressive. Its meaning is not clear, but that does not detract from its force.

**Arbitration,
a New Field**

Expanding somewhat the suggestion made by William Whitfield in the editorial pages of *THE JOURNAL OF ACCOUNTANCY* for last month, we wish to lay emphasis upon the great possibilities for beneficent services which await the accountant in the field of arbitration. The whole idea of arbitration as opposed to litigation is one that is receiving more and more favorable consideration. The old idea that every dispute must be taken into the courts is being abandoned for several reasons, chief among which are the great expense of litigation and the unlikelihood of satisfaction even in the case of victory. The modern lawyer of repute is the first to discourage the undertaking of a lawsuit when matters are in dispute, and the litigious lawyer is becoming more closely identified in the public mind with the ambulance chaser. Chambers of commerce and other organizations have done splendid work in stimulating interest in courts or committees of arbitration; and the principles of equity as opposed to law or as running parallel with law are gaining in popularity. Nearly half the civil cases which come into court do so unnecessarily. An arbitrator having a knowledge of general conditions involved and impartial in his sentiment and findings in most disputes or differences would be able to prevent recourse to law if he were called upon to do so. It is common knowledge

that the courts of this and other lands, but principally this land, are crowded with unimportant matters, and cases which should reach adjudication are delayed from month to month and even from year to year, largely because of the long calendars of cases ahead. The services of accountants as arbitrators are not likely to be immensely remunerative, but whenever an accountant is called in to act upon an arbitration committee he may have the satisfaction of feeling that he is rendering a distinct benefit to the business public and is indirectly bringing credit and renown to his profession. Now that the American Institute of Accountants has taken under consideration the question of the appointment of accountants as receivers and trustees it should be only a step to the further extension of professional services into the field of arbitration.

**The Passing
of the Mark**

The world views with some dismay, but without astonishment, the passing of the German mark. At the time of writing this note the mark has a quoted value of one-five hundred thousandth of a cent. Before this magazine appears in print the quotation may be further reduced—but not much further. We have been rather amazed by the almost complete absence of comment upon an aspect of the mark's decline which is in many ways the most striking of all. English, American and French papers have discussed the mad finance of Germany and some few have hinted at the possibility of a not altogether unwilling acquiescence by the German government in the catastrophe. But what are the facts? We all know that the German citizen has not been the first consideration of German governments of the past, and it is not altogether unexpected to find that the interests of the citizen are not respected at present. Germany, in the opinion of many careful students of the situation has out-manceuvred all other nations in this financial cataclysm. With an enormous internal debt and no possibility of meeting it without serious injury to the financial and industrial potentates of the country, the only course open to the government was to obliterate the debt without repudiation. The procedure was novel and distinctly German. It was also effective. Every investor in German government securities has been compelled to accept payment of interest and, in many cases, of principal in a medium

whose only limit was the capacity of the printing presses. In a letter just received from Berlin it is recorded that there was a money shortage owing to a printers' strike but that the difficulty had been overcome, the printers had gone back to work and the presses were now turning out fifteen trillion marks per diem. Now the people of Germany have plenty of marks. They are even refusing to give change for ten-million mark notes in the restaurants of Berlin. But the internal debt is or will shortly be wiped out and the government will then be able to face the payment of its foreign debt as its only enforceable obligation. Germany therefore confronts the world with no other burden, governmentally speaking, than a foreign debt small in comparison with its former internal burden. Of course, the German citizen has been ruined, but on the other hand industry will probably resume its activity, business will grow, the energy and doggedness of the German worker will produce results, and out of the ashes of an apparently crazy manipulation of finance will arise a new prosperity. In other words, Germany will come out of the bankruptcy court smiling. And yet some people are saying that the German financier does not know his trade. A Russian visitor said lately that he considered the depreciation of the mark the cleverest example of financial sharp practice in the history of the world—and Russians ought to know something about monetary depreciation.

**Forthcoming
Regional
Meetings**

Arrangements have been made to hold three important regional meetings of the American Institute of Accountants in the near future. A meeting of accountants will be held at Dallas, Texas, October 26th and 27th, to be attended by accountants in the region comprising Arkansas, Louisiana, Oklahoma, New Mexico and Texas. A supplementary meeting of Texas and Oklahoma accountants will be held at Amarillo, October 29th. A midwest regional meeting will be held at Kansas City, Missouri, October 31st and November 1st; and a meeting at Akron, Ohio, on November 3rd will be attended by accountants in the region comprising Ohio, western New York, western Pennsylvania and West Virginia. Programmes for all these meetings are practically complete and many interesting subjects will be under discussion. All who are interested in accounting will doubtless be welcome at these meetings.