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## By way of encouragement

Anonymous

Louis Dembitz Brandeis

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## HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

# BULLETIN

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### By Way of Encouragement

**J**USTICE BRANDEIS, of the United States Supreme Court, has been quoted as defining a profession in the following terms:

"The peculiar characteristics of a profession as distinguished from other occupations, I take to be these:

"First, a profession is an occupation for which the necessary preliminary training is intellectual in character, involving knowledge and to some extent learning, as distinguished from mere skill;

"Second, it is an occupation which is pursued largely for others and not merely for one's self;

"Third, it is an occupation in which the amount of financial returns is not the accepted measure of success."

Grave doubt has been expressed at times by various persons that accountancy is a profession. Apparent greed for financial reward on the part of some who follow the vocation has served to create suspicion of the accountant's motives. Advertising, soliciting, and charlatanism by some practitioners have cast dense reflections on the entire body. Gross ignorance of professional and technical principles by others have brought ridicule to the occupation.

Here and there, however, individuals in the field of accountancy have been recognized for their accounting ability and honored for their professional attainments. If the careers of these individuals were to be analyzed, there is little doubt that the guiding philosophy of one and all would be found to correspond to the principles so tersely stated by Justice Brandeis.

The outstanding men in accountancy are not men who are able to foot three columns of figures simultaneously. They are not intellectual geniuses whose minds have become so highly developed that they cannot grasp the commonplaces of daily life or perform the simple operations of technical routine.

The outstanding men in accountancy are men who are well grounded in the knowledge which is basic to economic existence and to their vocation, skilled in the technique which is fundamental to their practice, guided by the motive of service, and more thrilled by achievement than by the many dollars which their efforts bring to them.

Lest the notions of the skeptics prevail, here at any rate is the nucleus of a profession; a nucleus guided by the ideals which an eminent jurist has enunciated as

essential to a profession. As the nucleus grows by the addition of others who suddenly or by slow process develop a professional consciousness, accountancy will take on in fact the characteristics which admittedly must be acquired by the members of any group which aspires to have its activities designated as a profession.

There need be no quarrel with the skeptics, scoffers, and those who shrug their shoulders at the suggestion that accountancy is a profession. As accountancy practitioners generally adopt the ideals of a profession and live up to those ideals there will be no difficulty in gaining the recognition sought.

## Some Observations on Reports

(Concluded)

By H. L. WILSON, *Technical Procedure Department*

### Balance Sheet

**T**HE following discussion treats of some of the questions which arise in the preparation of the balance sheet; namely, those having to do with (1) description of the items, (2) valuation reserves, (3) Federal income tax, (4) reserves for contingencies, (5) liquidation value of preferred stock, (6) surplus, and (7) surplus from appreciation of plant property or other assets.

#### Description of items

The description of balance sheet items should clearly explain their character. In this connection it is to be noted that a balance sheet is not a mere trial balance after closing, and that the titles of the accounts are not necessarily appropriate for balance sheet purposes.

In their desire to describe the asset items accurately and fully, auditors are prone to overlook the necessity of describing the liability items adequately. For instance, the maturities of long-term obligations such as bonds and mortgages are frequently omitted although they are of interest to the reader of the balance sheet. In the case of serial bonds, it is usually possible to show concisely the period of years over which the bonds mature and the amount maturing each year.

If the certificate to the balance sheet is on a separate page, and if it contains qualifications, it is frequently found that the qualifications should be indicated on the balance sheet itself as well as in the certificate. For example, if certain assets have not been verified, if reserves are inadequate, or if necessary reserves have not been provided, such facts should be indicated on the balance sheet as well as in the certificate. Sometimes the parenthetical remark "see comments" after the item concerned is sufficient. The comments in such cases should cover the points fully. In other cases it may be desirable to state the facts specifically in the balance sheet. Where there are so many qualifications that a certificate is not given, and it is impracticable to express them all in the balance sheet, it is advisable to place a foot-note on the balance sheet making it subject to the accompanying comments. The point of view to be taken is that a reader of the balance sheet who does not read the comments, or the certificate (if any), will, nevertheless, be informed of all important qualifications to the balance sheet.

If assets are pledged as security for liabilities, that fact should be shown in the balance sheet. The information may be set forth in one of the methods illustrated in the following: