

12-1923

Editorial

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Recommended Citation

Richardson, A. P. (1923) "Editorial," *Journal of Accountancy*. Vol. 36: Iss. 6, Article 5.

Available at: <https://egrove.olemiss.edu/jofa/vol36/iss6/5>

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The JOURNAL *of* ACCOUNTANCY

Official Organ of the AMERICAN INSTITUTE OF ACCOUNTANTS

A. P. RICHARDSON, *Editor*

EDITORIAL

Tax Reform

The news item of the month of greatest interest to accountants is undoubtedly the letter of Secretary of the Treasury Mellon to the Acting Chairman of the Committee on Ways and Means. The secretary makes proposals for changes in the revenue laws which, if adopted by congress, will affect accountants in two important particulars. Firstly, they will be benefitted by the reduction of taxes and especially by the reduction accorded to earned income. Professional and salaried men have had to pay heavy taxes, heavier proportionately than taxpayers deriving their income from business or from investments. They cannot incorporate, they cannot deduct depreciation or depletion upon their useful life, nor can they adjust their losses in ways that will give the greatest measure of tax benefit. They have been unable to join the swelling ranks of tax avoiders.

Secondly, accountants will hail with satisfaction such a reform in tax administration as a board of tax appeals independent of the bureau of internal revenue. Congress has hitherto shown little conception of the complex problem of tax administration and since the beginning of our war taxation it has made no serious effort to provide adequate machinery. It is the fault of congress rather than of the bureau of internal revenue that the country has suffered and is still suffering from a delay in the audit and settlement of tax cases and a loss of revenue that might have been avoided in large measure had congress been willing to think about the matter.

The secretary's proposals have been received with a chorus of approval from nearly every section of the country and it is especially gratifying to note that this approval shows little evidence of partisan politics. This is as it should be. Internal revenue is not a matter for party politics and, unlike the tariff, it has

seldom been a party question. The issue is now before the country and upon it accountants have an opportunity and an obligation to make their influence felt.

**An Opportunity
for Accountants**

One of the corollaries of success is notoriety, and a corollary of notoriety is the mail burdened with offers destined to lead the buyer into the fields of fortune.

This is by way of introduction to a consideration of some openings that have recently been presented to members of the profession. For example, one of our most eminent accountants has recently received an offer to sell to him "the most up-to-date, complete and busiest blank-book manufacturing and auditing concern in _____, ideally located in its own building _____, doing the largest business of its kind, with highly satisfactory per cent. return on money invested and a net annual profit of between \$8,000 and \$12,000 from the auditing department alone. A real he-man's business, clean and progressive, capable of being expanded into a million-dollar concern with expenditure of little effort and time. . . . With an investment of \$100,000 the concern can attain any size; its possibilities are limitless. It is really a beautiful business, and we know that if we can find the right person or persons to acquire it they would be as keenly interested and alive in owning and running it as the owner has been in establishing it."

It seems a pity to add anything to this modest and conservative estimate of what a book-manufacturing and auditing concern may do. One can imagine, however, the kind of auditing which is involved. It seems almost possible that at times the auditing staff would find itself compelled, out of sheer affection for the client, to recommend the blank books manufactured by the other half of the family. Dr. Jekyll could never quite forget, in such circumstances, the existence of Mr. Hyde.

**The Unholy
Alliance of Trade
and Profession**

There was a time, in the early history of accountancy, when some people thought that an auditor's duty was the introduction of an elaborate and always expensive system of bookkeeping, and there have been purchasers of such systems on the recommendation of so-

called auditors. But it is a little astonishing and wholly discouraging to find that the idea has not yet been utterly abandoned. A very safe rule for those who engage the services of accountants in professional capacities is to have nothing whatever to do with any accountant, or person who represents himself to be an accountant, whose affiliation with any manufacturing concern whatsoever is even remotely possible. In the letter which is before us the person who would sell this precious business does not realize that there is anything amiss in the proposition; and this indicates that in that particular part of the country where the business is situated there must be a lack of knowledge of professional accountancy, at least on the part of many business men. Otherwise the vendor would have heard an echo if not the direct voice of protest against the idea of combining profession and business.

And then there is the concern which offers accountants special inducements to bring financial business its way. The following is a typical sentence from a letter insulting the profession: "If you will bring to our attention situations in which a company is in need of additional capital we shall be delighted to make arrangements with you to divide equally with you all commissions accruing from such business." One wonders what would become of the professional standing of any man who, for any inducement whatever, would seek to establish a relationship between money-lenders and borrowers in which he, as the go-between, would derive a commission. Will the people never learn that a professional man is above that sort of thing, and that the acceptance of commission or any compensation from anyone except his client is utterly contemptible? Where would be the value of professional advice if the client had the slightest reason to fear that the accountant giving the advice might have an ulterior motive, dictated by a lively expectation of commissions to be received? Accountants know, and lawyers, architects, engineers, physicians know, that there is nothing so destructive of professional standing as any doubt of the absolute integrity and disinterestedness of the practitioner. When the public has thoroughly absorbed this professional ideal it will be a happy day for all of us. On the other hand it is not only the man on the outside of accountancy who is guilty of debasing, or attempting to debase, the profession. What should be said of the man describing himself as an

accountant who wanders out into fields far from his home? Not long ago we wrote of the accountant who wished to undertake social service labor. He was either a wit or witless. Now comes the man who wants to do the accounting, auditing, advising, directing and all other functions for his clients, and lest those functions should be insufficient he would add plans for enlarging capacities, standardizing manufacture, advertising, improved sales methods, and inducing people to invest their money in the companies in which he is interested as an accountant. It is all very wonderful and beautiful, from one point of view, and all very damnable from the other, and we confess our preference is for the second view.

**Women in
Accountancy**

One of the questions most frequently asked of practising accountants concerns the opportunity which accountancy offers or fails to offer for women. The number of women engaged in preparation for the accounting field increases year by year, and there is hardly a school of accountancy in the country which does not number women among its students. The great majority of these women find their way into employment as bookkeepers or officers of corporations, but a few are earnestly imbued with an ambition to enter public accounting. This magazine is frequently requested to give advice and assistance to women who have finished accounting courses and now feel themselves competent to enter the office of a public accountant as a member of the staff. The fact that most such efforts fail utterly causes a good deal of distress and heartburning, both of which are quite justifiable. But the fact of the matter is that women are not wanted as accountants on the staff of practising public accountants. Their ability in accountancy is unquestioned. In many cases those who have completed courses of instruction and have taken examinations have passed with distinction. Probably it is safe to say that the average female student surpasses, in application and ability, the average male student. There is, of course, the traditional belief that the female mind is not so adapted to analysis as to other mental activities, but the results which attend the examination of students indicate the fallacy of this belief. As to loyalty to their employers, there is no doubt. The great increase in the number of women employed by companies of all kinds, and to some extent in managerial capacities, is a

well-deserved testimony to their worth. And yet, the accountant has no room in his organization for a woman as a member of the accounting staff—and herein lies the seeming paradox.

**What Militates
Against Them**

Yet the matter is quite simple. When a member of an accounting staff is engaged it is understood that he is to hold himself in readiness to serve whenever and wherever called upon to do so. In the wide variety of modern accounting practice a staff member may be required to go from one end of the country to another, in company with groups of staff members, working at high pressure and under living conditions not suitable for what might be termed post-graduate co-education. Then, again, there are many assignments to which staff members are sent, involving working all night long in places of difficulty and inconvenience. For example, an audit of a bank must be performed between the hours of closing and opening, particularly as to the counting of cash and securities. Large numbers of men are sent to work, but any attempt at heterogeneous personnel would hamper progress and lead to infinite embarrassment. Further, there is the utterly unwarranted objection, raised by some clients, when a woman appears as a representative of the accountant. Many of our business men are still living in the age when woman's place was never outside the home, and to such men it is not only a shock but almost an indication of disregard if a woman is sent to undertake the work of a practitioner. There are several women who are members of the American Institute of Accountants and are conducting accounting practices. The range of their activities is, however, somewhat restricted, and until the business world has advanced to a point at which the equality of the sexes is universally acknowledged, their practices will be restricted. The number of women who are certified public accountants is increasing slowly, principally in those states which have no requirement of preliminary practice before taking examination. In states like Pennsylvania, where no one is allowed to take the examination who has not had actual public experience, women find it difficult to obtain admission to the examinations. Few accountants display a willingness to employ women on their staffs, even for the purpose of giving them the experience required under the preliminary-practice clauses of law

and regulation. In a word, then, the prospects for women in the field of accountancy are not brilliant. For that kind of accounting work which is involved in comptrollerships, treasurerships and the like, women have a distinct opportunity. In many such instances their abilities and characteristics render them far more suitable than a man would be likely to be. But as to the public field, it must be admitted, with regret, that the woman who succeeds is the rare exception.

A Song of Degrees There was a time within the history of mankind, in the United States and perhaps elsewhere, when those who desired to have degrees attached to their names could do so without much difficulty. There were places where one could buy a degree in medicine or philosophy or law, and above all, in music. The writer of this note remembers well a member of a British colonial legislature who was always known as Dr. So-and-So. There was profound mystery surrounding the origin of his title, but after deep research and much cross-questioning it appeared that he was a doctor of music, granted by some hitherto unknown degree-factory in the extreme northwest of the United States. But he had no knowledge of music, except the sound of his own voice, which was more or less cacophonous. But he was a doctor of music, save the mark! We had hoped that that sort of thing was as dead as Queen Anne, but apparently it is not, for it has been reported to us, and evidence has been submitted, that an organization describing itself as a "university" is prepared to issue degrees in nearly every known science and art. The list of degrees available presented in their abbreviated form looks as though a page of a dictionary had been dropped and pied. The only letter that seems to be missing is Z. In order to obtain any of these precious degrees one must take a course in home study. Payment may be made in instalments. The courses are not described, and perhaps it is as well that it should be so. Special examinations will be held. In a word, nothing seems to have been omitted which could possibly be desired by the least industrious of aspirants for a degree. There is a serious omission, however, which was overlooked, and that is, there seems to be no provision for the issuance of C. P. A. certificates. The error must be purely typographical.

**Wall Street's
Fundamental
Purpose**

A young man who recently made his initial effort and failure in Wall Street expressed the opinion that he had been exceptionally unfortunate and seemed to feel as though the Fates had singled him out for attack. This theory was based upon the assumption that at least fifty per cent. of the people who go into Wall Street, and by that we mean those who go into speculation, for which "Wall Street" is the proverbial synonym, come out of Wall Street with more money than they had originally. The fact of the matter is widely otherwise. The percentage of men or women who can succeed in speculation is probably smaller in stock-market affairs than in horse racing, and the sooner the public learns the fact the better for all concerned. The recent epidemic of bucket shops reminded everyone of the fact, which some had been inclined to forget, that the public likes to gamble and will gamble even if loss is comparatively certain. The psychology of the thing is quite incomprehensible, and yet the procession of speculators lengthens year by year. During the past few months we have been passing through a period of market depression, or softness, which has not been explained and probably cannot be explained by any other reason than manipulation and a certain amount of timidity. Whatever the cause, the market has been little better than no market at all. Many explanations are offered, and many excellent exhortations are delivered with the purpose of preventing speculation; but the lure still draws and people go down into the Street with the idea that they can buy and sell at a profit. If the foundation upon which the stock exchange and all similar agencies are based were understood, there might be less eagerness to participate. For the word "exchange" is a misnomer. It is not a place in which exchanges take place, but it is primarily a place for the selling of securities, and when this point is grasped it will readily be seen that with selling as its chief objective, the function of exchange is secondary. There have been many pages devoted to the discussion of the iniquity of short selling and the foolishness of margin trading. Perhaps they may have some effect. But what should be understood by the public is the fundamental fact that the sale of securities is the thing for which the exchange exists. Having sold, the interest of the exchange largely ceases, and those who have bought must shift for themselves.

**Difference Between
Sale and Resale**

Take the analogy of the ordinary town market in which meat, vegetables, etc., are offered for sale. Would anyone dream of going into such a market, purchasing a side of beef, and then moving around among the throng of purchasers in the hope of making a profit by reselling the beef? That is the kind of thing that our simple friends who enter Wall Street expect to do and are bitterly aggrieved when they find that they cannot do. The number of successful speculators is eloquent by its smallness. In most things our daily papers emphasize the unhappy events and lay no stress upon the pleasant things. Wall Street, however, aside from notorious failures, is an exception, inasmuch as we hear far more of the people who succeed than we do of the hundreds of thousands who lose by gambling. Of course each one of us has his own little system for breaking the bank, whether it be at Monte Carlo or at the corner of Broad and Wall Street, and once in a while the system seems to work. But sooner or later, if we keep returning to the tables, the wheels will go against us. The market has a useful purpose to serve so long as it is engaged in selling. Let the public grasp the fact and cease to endeavor to make a medium of exchange out of what is merely an undertaking to sell.