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Charles Waldo Haskins (1852-1903)

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ACCOUNTANCY

By

CHARLES WALDO HASKINS, C. P. A.

A Paper read before the Massachusetts Society of Public Accountants, at Boston, June 14, 1900
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President of the New York State Society Certified Public Accountants, at a dinner of the Massachusetts Society of Public Accountants, held in Young's Hotel, Boston, June 14, 1900.
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By CHARLES WALDO HASKINS, C. P. A.

I think I have an honest appreciation, Mr. President, friends and fellow-accountants, of the honor bestowed upon me in the cordial invitation that has brought me to Boston to-night. The first communication to me through your worthy Secretary was forwarded from New York by my friend and business partner, Mr. Sells, and reached me at the capital of Greece, where I was stopping for a time during a tour of the Mediterranean. I found myself figuring for an hour or two over dates and distances, endeavoring to embrace the opportunity thus offered me of discussing accountancy in the native city of my father and of my earlier ancestors. From old Athens, however, to our own American Athens is a long look, and a hazy look if a number of intermediate engagements are clouding your line of observation. The attempt was in vain; and I reluctantly relinquished the hope of making ends meet in Boston. But on returning home, I learned from your Secretary of the postponement of date which would enable me, after all, to enjoy this genuine pleasure of being with you to-night at your last monthly dinner. I only ask you, brethren, not to expect too much of me. Such as I have, as a plain man, with a practical subject, I gladly give; remembering the two latecomers at Plato's "Banquet," one of whom knew too little and the other too much for comfort: Alcibiades, because he was drunk, and Socrates, because he had a thought and was stuck stock still in the middle of the road with it and wouldn't budge until he had worked it out.

Scientific accountancy is the "hub of the universe" of commerce, trade, and finance; the pivot, as it were, of the wheel of fortune; the point, if truly centered, about which all the business world revolves with the velocity and ease and restful silence of a spinning top when, as the boys say, "It's gone to sleep."

The power and greatness of Massachusetts, intellectual and moral as well as material, is fitly illustrated in the smooth and orderly working of that immense and complicated world of wheels, her manufacturing machinery. Let this New England microcosm typify
the stupendous and intricate mechanism of the modern
world of affairs, and it is the mission of professional
public accountancy to guard and maintain, in the move­
ment and springs of action of this dangerously vast and
complex machinery of interchange of interests, the prin­
ciple of order, so that all shall be timed to the music
of the spheres.

Accountancy—the higher accountancy, if we must
thus distinguish it—is a science, an erudition; and not,
as some have seemed to suppose, a mere collection of
approximative and hardly certain rules indicated by ob­
servation and intuition, and to be applied with tact and
wariness. It thinks out, and thus finds out, with logical
and mathematical accuracy, the condition of affairs of
any business enterprise; and is therefore none the less
a science whether it work with the knotted strings of the
old Peruvians, or the jack-knife and tally-stick of the
European baker, or the checkered cloth and counters
of the Norman-English Exchequer, or the logismo­
graphy of the Italian Government, or the human brain
alone without even a slate and pencil. Accountancy—
shall I still say the higher accountancy?—gives account,
not only of its employer's affairs, but of its own ac­
counts; so that a manager or proprietor, whether nation,
municipality, company, body of voters, or individual,
may know how matters stand; may render in turn the
same intelligent account to any third interested or dis­
interested party; and may keep a complete surveillance
over all the accountable agents of the enterprise. Out
of this science of accountancy has arisen, in the develop­
ment of modern business, our young and sturdy pro­
fession.

A thorough study of this science upon which our pro­
fession is founded would include, desirably at least, the
history of accountancy. But the history of accountancy
has not yet been written; and, for the present, we must
get it as we can from such works, for example, as re­
late to its development in certain limited spheres and
times; from the history of finance, the history of com­
merce, the history of banking; from biography; from in­
cidental mention; from, perhaps, at times, a careful and
well-guarded use of inference.

When we read, in the story of the earliest recorded use,
of money—the purchase by the patriarch Abraham of
a field wherein to bury out of his sight the body of his
beloved wife—the vivid description of the dignified and
gentlemanly parley that took place between the afflicted
buyer and the friendly seller; and contrast this with that of Galton, who, in buying of an African two sheep at two plugs of tobacco each, must needs lay down his two plugs beside each sheep because the savage could not understand that the lump sum of four was equal to twice two; we irresistibly infer from the two accounts different degrees in the development of our science, and hope for the better result in following the former clue.

Antiquarians hope that, as commercial transactions have been found recorded on bricks of Babylon, something may yet be unearthed describing the accountancy of that most celebrated commercial nation of antiquity, the Phoenicians. Meantime, they refuse to believe that expeditions of so great monetary importance as were directed by them across the waters to Cyprus, to the coasts of Asia Minor, through the Dardenelles, into the Black Sea, to Greece, along the north coast of Africa, to Sicily, to Spain, out beyond the Pillars of Hercules, up to England, and around to the north of Germany; by caravan to the north, to the east, and to the south as far as Arabia; and their founding of cities such as Sidon, Tyre, and Carthage; could all be accomplished without some adequate system of accounting. This use of inference is valuable in historical investigation, so long as we are careful not to state for fact what has not yet been certainly discovered. Astronomers, in the same manner, inferring from many signs the existence of a planet near the sun, have named it Vulcan; but are careful to state that they do so tentatively, confidently hoping to succeed in its discovery.

By "incidental mention" in our study of the history of accountancy, I mean such references to accounting as one may pick up here and there in the course of his reading, and which prove the writer to have known that some kind of accountancy existed in his day, and perhaps gives a hint of its development or of the author's opinion of its value. As, for instance, where Hugh Latimer, preaching in Westminster, March 8, 1549, and using a term of our science merely as a figure of speech, says: "I believe that the general accomptyng daye is at hande, the dreadful daye of iudgement I meane, whiche shall make an end of al these calamities and miseries."

In our reading of biography, we shall not only find as by accident these nuggets of gold, but here also we may use, with more of method and with encouraging success, the inferential method of research. We know, let us say, that Shakespeare was a man of business; a very
successful theatre manager. We surmise, then, that in his writings, in which we already notice that he says a little about almost everything, accountancy may also have a place. We examine Shakespeare with this in view, and the surmise is found to be correct. "Keep thy pen from lenders' books;" "Call me before the exactest auditors;" and so on, till quotation would savor of pedantry.

Chaucer was another man of business; the son of a wine-merchant, and himself a comptroller of customs, even holding two such offices under the King at once. We infer that in his writings he will utilize what knowledge of accountancy he may have. And we find that not only does he mention it in isolated cases, but in one story, the "Shipman's Tale," a living picture is given us of the business life and surroundings of a merchant, especially of his examination of his books and bags of money and of his wife's opinion of it all while dinner waits.

Mahomet was another son of a merchant, and in early manhood the commercial agent of a rich widow who later became his wife. We may reasonably expect to find, then, in the Koran, his ideas of business methods. Nor are we disappointed; for in this very miscellaneous moral guide are not only such theological sayings as that "everything they do is in the books; every action, small and great, is written down;" but near the end of the second sura, full and explicit injunctions are given as to the proper writing down of debts and keeping a record of all sales.

A somewhat more satisfactory approach to a chronological account of the development of the science of accountancy would be a collection of such notices as may be gathered from the history, say, of finance, or of commerce, or of commercial law, or of banking, and the like. Much light was recently thrown on certain phases of this latter subject by an address of Professor Mahaffy before the Institute of Bankers in Ireland on "Banking in Ancient Times." The lecturer proved, from the classics and from inscriptions, that banks, conducted substantially as they are conducted to-day, and passing through experiences of financial crises and other monetary misfortunes, existed in Greece hundreds of years before the Christian era; and that in Egypt there was an excellent banking system under the Ptolemies, with a "Royal Bank," not only in fact but in name, in every village in Egypt as well as in Alexandria.
The Royal Academy of Sciences, of Berlin, has recently published, in its great collection entitled "Corpus Inscriptionum Latinarum," facsimiles of a treasure-chest of documents found at Pompeii, and which belonged to a great banker and broker of that city named Lucius Caecilius Jucundus. The old box fell to pieces when exposed to the air, displaying receipts made out in the handwriting of the great capitalist for sums of money paid to his clients and employees, with other records depicting business life in the great fashionable resort of the Romans during the decade A.D. 52 to 62. The receipts are scratched on wooden tablets covered with wax. One of them reads:

"On the 11th day before the kalends of March, in the duovirate of Sex. Pompeius Provulus and C. Cornelius Macer, I, Privatus, slave of the Municipality, hereby declare, in writing, that I have received from L. Caecilius Jucundus the amount in arrears of 1,652 sesterces as payment for one year of the rents of the laundries. Done at Pompeii in the third consulship of Nero Caesar and the first of M. Messalla."

Another is for 1,386 sesterces on account of goods sold at auction. On the sale of a slave Jucundus makes a commission of 4 per cent.; and out of every transaction he gets from 2 to 8 per cent.

Popular interest in the national accountancy of the ancient Greeks may be said to have begun with the appearance in 1817 of a German work on Athenian finance by Professor Augustus Boeckh, of Berlin. It was translated by a Chancellor of the Exchequer, who was also editor of the Edinburgh Review; but the Boston translation by Lamb, under the title "Public Economy of the Athenians," has the advantage of having been founded upon an important revision of the original. It has been remarked that the editor of this great work sees accountancy out of the eyes of a scholar and recluse, and fails to grasp its practical principles. On the other hand it may be said, however, that in his statements of fact, aside from his groupings and deductions, he has laid bare about all we shall ever know, perhaps, of the business life of the greatest nation of antiquity; and in this light the book is worthy of perusal. In a chapter devoted to the description of certain functions of the secretaries, comptrollers, and auditing boards connected with the accounting system of the Greeks, the author says: "Accountability in Athens was widely extended. No person who had any part at all in the Gov-
ernment, or administration of the affairs of the State, was exempt from it. The council of the five hundred, even the Areopagus itself, at least after the loss of its higher power, were bound to render their account. Even the priests and priestesses all of them had to give an account of the presents which they had received. Even the sacerdotal families, as the Eumolpides and Ceryres, for example, and also the trierarchs, although they always expended their own money, were required to render account. No one who was liable to this duty could, until he had performed it, set out on a journey, dedicate his property, or even make a votive offering to the gods, or make his will, or cause himself to be adopted from one family into another. In a word, the legislator had constituted a lien upon the entire property of the person liable to render account, until he had performed that duty. Nor, until this fulfillment of duty, could any honor or reward, as, for example, a garland, be bestowed upon such person."

The bibliography of the monetary matters of ancient Rome is quite extensive. This literature is largely in French; and is mostly summed up, I believe, in Humbert's recent work, not yet translated into English, on the "Finance and Public Accountancy of the Romans." The Greek and Latin classics, and the collections of Roman law, show that European civilization, more than two thousand years ago, found room in its economy for auditors and other accountants and a more or less complete system of accountancy.

From the Koran, as we have seen, and from our knowledge of the Arabic system of numbers, we may infer a fair development of accountancy among the Mohammedans. And, though during the middle ages the Kings of northern Europe had no royal central treasury, it seems incredible that the great commercial cities of Germany could have maintained their opulence without at least a counting-house knowledge of the same indispensable science. As to the Vatican, writers on Catholicism assert a series of accounting officers and functions belonging to an original system of administration now in abeyance during the suspension of the temporal power of the Pope. In the early Church of England, the diocese coincided with the entire kingdom, and the bishop's only officer was his deacon acting as his secretary, companion in travel, and interpreter. His house, however, contained a number of clerks, priests, monks, and nuns; and his economic administration must have
been of some respectable importance. But even under the later system of tithe it never became very complicated. It may be remarked in passing that parochial moneys in the Protestant Episcopal Church are at the disposal of the vestry, except the communion alms; and that of these it is customary for the rector, for his own protection, to submit his account to a warden.

In certain parts of Europe, accountancy is made a very prominent part of an elaborate system of national administration; and books on the finances of these countries are therefore interesting reading. Especially is this the case with France, where even the light of heaven is taxed according to size and number of windows in a man's house. Very few of these works, however, have been translated; and those only of the more general character.

The oldest literary work in any way dealing with the accounting system of the English nation is a Latin treatise written about 1178, entitled "Dialogus de Scaccario;" that is, a Dialogue concerning the checkerboard, or Exchequer. There are several translations of this chatty old book; which, with what can be gathered from Doomsday Book and from the annual records known as the Pipe Rolls, is our only authority for the method of accounting about the time of William the Conqueror. If we try to get beyond the "Dialogue," we are swamped in the interminable controversy as to whether Normandy, Saxony, or England, was the original home of the Exchequer. The system was unique and picturesque. About a table, covered with a checkered cloth, and on which lay piles of little discs or counters to assist in computation, were gathered twice a year the great officers of the Kingdom; before whom appeared the sheriffs of the counties with the taxes which they had gathered according to Doomsday. The emptying out and counting of the bagfuls of money, the rattle of the counters and of the tallies, or wooden receipts for hunting-hawks and other taxes in kind delivered, and for payments previously made, was altogether a noisy affair. A tally was a little stick curiously notched with a knife to represent amounts of money, and split in two across the notches; one half going to the payor as a receipt, the other half kept at the Exchequer for comparison as a protection against fraud. The test of money in case of doubt as to its genuineness or weight was by the "trial of the pyx;" an assay there and then of handfuls of the coin taken at random from the bags. An old picture of the Ex-
chequer represents a cage near the table, in which are incarcerated a number of sheriffs who are short in their accounts. When the account balances, and not before, there is appended to it in the Pipe Roll the welcome words "quietus est."

The old Exchequer is a thing of the past; entirely superseded by a system more in accordance with the business methods of modern men of affairs; in which, to the popular eye, the Bank of England plays a more obvious part than even the so-called Treasury or the Exchequer as now constituted. It represented a government which was the mere business speculation of a conqueror; and it outlived the days when a King could tell his Parliament that "monarchs are not in the habit of rendering their accounts to their subjects." It left its mark in history and in the great fact of the centralization of modern government. And now, with its children the former Exchequers of Ireland and of Scotland, and with its savage offshoot of extortion the British "Exchequer of the Jews," it hath its own "quietus est."

Out of all the methods and conditions I have thus far described or referred to, and similar circumstances connected with the insistence of a growing modern trade and finance, arose by little and little a class of men devoting themselves more or less exclusively to accountancy as a means of livelihood. A bookkeeper, when the books were parchment rolls, and figures were a jumble of letters of the alphabet requiring for their manipulation all sorts of accompanying contrivances, must needs have been a brainy accountant; and with the passing of the cumbrous old Roman notation and the simplification of bookkeeping, on the one hand, and the rapid growth of business enterprise in magnitude and complication, on the other, such a man would not be slow to see the opening door for a profession which should enable administrators of affairs to keep well in hand the financial reins of their great and growing establishments. As a matter of fact, however, the evolution of professional accountancy has been very slow, especially in its beginning; and from time to time such undesirable qualifying terms as "expert" have had to be employed to emphasize, in the popular mind, the distinction between a bookkeeper and an accountant. In a speech to which I had the pleasure of listening at the annual dinner of the Institute of Chartered Account-
ants in England and Wales, a gentleman said that he could remember the time when, in Great Britain, "the term 'Public Accountant' was somewhat vague and unmeaning—it had no definite meaning."

A writer in "Notes and Queries," under date December 22, 1894, says: "My great-grandfather, who died in 1800, held the office of Accompant to the General Post Office for Scotland, and practiced in Edinburgh on his own account for perhaps twenty years prior to his death." This perhaps is a fair example of how men became professional accountants in those early days; and many more such notices might be cited. Some three or four generations later, this class of men began to organize for mutual help and protection; and by 1880—one hundred years after the advent of this Scottish pioneer—there were three societies of professional accountants in Scotland, and others in England and Ireland. On May 11 of this latter year, the Institute of Chartered Accountants in England and Wales began its career of high moral business aim under royal charter; and on May 10, 1897, the New York State Society of Certified Public Accountants completed its organization by the adoption of a series of by-laws. The objects of these two societies are substantially the same; the New York State Society being incorporated—to quote its own words—"for the purpose of elevating and maintaining the standard of proficiency, integrity and character, and promoting and protecting the interests of Certified Public Accountants; also, of cultivating a spirit of professional co-operation and social intercourse among its members."

The organization of this New York Society, composed exclusively of legally constituted members of the profession, was made possible by a law of the State, dated 1896, bringing Certified Public Accountancy into existence. By this law, the Regents of the University of the State of New York are authorized to examine those who may apply for certificates of qualification to practice as public expert accountants, and to grant to those who pass the examination satisfactorily the exclusive right to be styled and known as Certified Public Accountants and to use the abbreviation C. P. A. The full C. P. A. certificate is accorded only to those at least 25 years of age, of good moral character, who have had three years' satisfactory experience in the practice of accounting, one of which shall have been in the office of an expert public accountant. The examination in-
cludes the theory of accounts; practical accounting; auditing; and commercial law. Two other States have passed, and still others are considering, laws founded upon this of the State of New York; and it is everywhere evident that public sympathy is in favor of safeguarding and protecting our profession and of maintaining therein a high standard of excellence.

It will have been seen, from what has been already said, that accountancy as a profession is brought into very close touch and relationship with other important departments of business activity, and that the distinction between it and one and another of these is not always clear to popular apprehension. The accountant's confidential relation is with the administrator or proprietor, and it is only as the representative, or as the helper or advisor, of his client, that he has to do with the functions of others. He is not, for instance, the bookkeeper of the concern; nor does the expression "expert bookkeeper" describe his attitude or relation either to that functionary or to any corps of bookkeepers, however large and important, much less to the establishment or enterprise in its entirety. He is, however, a bookkeeper in the sense that he thoroughly understands the ins and outs of that art; and as the representative, for the time, of the business, he critically examines the accounts as recorded in the books in order that he may give to his employer a scientific showing of the financial condition of the enterprise.

Following the same line of thought, it may be said that the accountant is not the official auditor. Every great enterprise has its auditor; and in the organization of railway and other administrations there is often an important corps of what are known as travelling auditors. The accountant is called upon, whether these officials exist or not, to make an audit; or, as it is sometimes called, an independent audit. In the performance of this duty, he must audit the auditor's accounts; and if, as in one or two recent cases, he proves that the auditor has cooked the accounts to his own pecuniary advantage, and has been false to his trust, the independent accountant, in the exercise of his knowledge and skill, has merely performed his part in the discovery of the truth.

Commercial law is also studied by the accountant, so that in his advisory capacity, not as a legal practitioner, but as merely knowing what or what not is allowable in certain cases, he may assist his employer in steering
clear not only of litigation itself, but of complications that may result in financial ruin. And let me say, in passing, that by no other profession is the existence of our young brotherhood more heartily welcomed, both in Great Britain and—as we become better and better known—in the United States, than by the legal fraternity.

And thus it will be seen that in this great new world of modern monetary affairs the place of public accountancy is close beside that of ownership and administration; and that our allegiance, as well as our responsibility and accountability, is to the business public itself. And this is not in that lower and unworthy sense in which a man is sometimes said to have been "faithful;" for, without a thought of credit or discredit to ourselves, we seek to find for our clientele the precise condition of affairs, and to show how this condition bears upon the future. And however indefinitely our work may be modified by the variety of business requirements, or however we may bend and seem to trench on the functions of this and that official, our aim, the object and end of our science, is still the same; that is, the discovery of truth.

When I referred, incidentally, to Boston as the American Athens, I had in mind, not only the fact of this being one of the deservedly popular names of your city, but that here, and at this social dinner of the Massachusetts Society of Public Accountants, our educational wants as a profession would not fail to be appreciated. The education of the accountant has been the subject of much discussion in Great Britain; but so far our transatlantic brethren have not got beyond the stage of what is known as articed clerkship; and the indications are that the introduction of a regular school or college of accountancy will be left to the Americans. Here, as well as on the continent of Europe, the question of higher education in accounting is being slowly approached from the standpoint of the general consideration of commercial education; and in this connection much has been said and written in favor of commercial high schools. Again, the subject of professional education, since it has already gone beyond that of the clergyman, the lawyer, and the physician, and now includes that of the dentist, ought, it has been said, to embrace also the profession of C. P. A. These and similar discussions will doubtless be helpful to us in their final results; but I am convinced that no scheme
of education which would recognize us only incidentally, will meet the requirements of our profession. A special educational centre, modest enough, it may be, in its inception, but conceived on a plan that shall admit of its growing into a worthy college of accountancy, is, I believe, a present sine qua non of such advancement as is demanded of us by the conditions of the business world. I confidently hope to see, as the outcome of the liberality and efforts of broad-minded and public-spirited men, the establishment in our country of a properly endowed institution in which accountants may be educated in accordance with the high aim of our profession.

This aim is essentially and only good. Some of the so-called "moral forces" of our times may be doubtful; but it could only be by a gross blunder of ignorance that any man or set of men could ever hope to secure the services of scientific accountancy in bringing to pass an evil purpose. I think it may be said, and said with entire fitness in Boston, that professional accountancy is a born Puritan. This word, in some places, would conjure memories of blue laws and shades of martyred witches and persecuted Quakers. Men of Massachusetts, however, will remember a Puritanism which, entering into the making of our great nation, left its dusty old sandals at the door; a Puritanism before which, divested of the impurities of medievalism, modern history takes off its hat. I do not thus compare accountancy in a religious sense, exactly; though a good-sized book might be filled with the teachings of theological writers couched in the language of the accountant. The Bible, and all other religious books, are full of figures founded on the idea of rendering an account. But the Puritanism of scientific accountancy is in this: that it is in itself an unbending conscience, and not a volatile emotion; that it attains its aim in a straight logical line, without fear or favor; and that therefore, consciously or unconsciously, it is a propagator of faith—a faith, "By the Eternal!" as Andrew Jackson would say, in the everlasting principles of truth and honesty.

Visions of dishonesty to be detected, of calamity to be prevented, may at times allure the most public-spirited and faithful young member of our profession into a dream of specialism, of expertism in some one narrow line of action. Ex-President Harrison tells how Theodore Roosevelt, our present Governor of New York, once came to him in a great hurry for some ad-
vice. When the President had given his views carefully and elaborately, “That’s just it,” said Teddy; “that’s exactly what I was going to do, whether you said so or not.” Whether I say so or not, my professional brother will, I most sincerely hope, labor and study to acquit himself throughout as a good all-round scientific accountant. As the whole embraces all its parts, there will be, in the well-rounded practice of our profession, details of adventure and of beneficence enough to spice our life, to satisfy our conscience, and to win the gratitude of our fellow-men. With the growth and multiplication of great business organizations, with the unavoidable increase in the complexity of their interrelationship, with the acceleration of haste and urgency pressing upon them, a growing recognition of professional accountancy, and of the absolute need of our work, is manifesting itself throughout the commercial world; and as this acknowledgment of the value of our labors—of the order and method produced, of the ease of administrative oversight made possible, of the immunity from fraud brought about, of the economy effected—as this acknowledgment, I say, continues to be more and more apparent, the temptation will be less and less sensibly felt to turn aside to secondary issues from the one worthy and honorable aim of truth which constitutes the reason for our existence among the professions.

Allow me, sir, as I bid you good night, to return my hearty thanks to the Massachusetts Society of Public Accountants for this kind invitation, and for the patient attention with which I have been heard; and to wish every member of your Society, and every true accountant, Godspeed in the accomplishment of his part of our professional mission.