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Accounting as a Profession*

ITS SCOPE IN SECONDARY SCHOOLS

By H. T. SCOVILL

During the last decade a fad has been spreading over the country for the study of accounting. The fad started more than a decade ago, but it did not become extremely popular until about 1911-12. This was soon after the first income-tax law, which was applicable only to corporations as an excise tax, became effective in 1909. Prior to that time several universities had offered courses in accounting. In some cases, they were offered at the suggestion of, and with some financial backing or guarantees by, the state societies of certified public accountants. Prior to 1911 only 25 states had C. P. A. laws, and there were only 1,100 C. P. A's. in the United States. The average business man knew of a professional accountant or auditor only as one to be called on in case of defalcation or embezzlement, or to help find an error which the bookkeeper could not find after three or four weeks of diligent search. Thousands of business men, I am confident, did not know of the accountant even in these capacities.

It was in 1910, I think, that at least two of the largest and best-known correspondence schools in the country offered their courses in accounting for the first time. Like some of the university courses in their infancy, they were handicapped by the lack of an adequate accounting literature. They relied to some extent on books and articles published by British accountants who had at least twenty or thirty years' experience and tradition back of them as a result of the earlier development of the profession in the British isles.

Gradually business men learned more of the work of the professional accountant, as an advisor, an auditor, a systematizer, and one who could arrange the accounting elements of a business in a way that would make them render a distinct and valuable service to the business executive or owner. Such a realization meant greater demands on the time of the professional accountant. More men were needed in the profession. More junior accountants were taken into accountants' offices. These juniors as well as their employers, some of whom were not too well prepared for the professional work, realized the advantages of studying in conjunction with the practical work. This increased the enrol-

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ment in correspondence courses and night schools in accounting, and caused a considerable stimulus to the courses in bookkeeping and accounting offered in the regular university and secondary school curriculum. Practically every weekly or monthly periodical had some advertisement portraying vividly the advantages of accounting study and the unlimited heights to which one might soar in the business atmosphere if he were only to study the subject for a comparatively short time.

These conditions were modified and intensified to a very marked degree by the enactment of the federal income-tax act on October 3, 1913. The professional accountant became better known than ever after the act was passed. In the first few months of 1914 the practising accountants found difficulty in handling all the income-tax and other engagements that arose. News spread in a variety of ways that there was a scarcity of accountants. Young men were advised to study to be accountants, without knowing any more about the profession than the fact that an accountant had to do something with the books of account, that he was paid well and that it was easy to get a job if one studied the subject for a few months and had some natural ability.

About this time, the federal trade commission called attention to the fact that probably 90 per cent. of the manufacturers of the country did not know what it was costing them to produce. Cost systems were advocated. Public utility commissions were created in a number of the states, thus requiring the services of trained accountants in auditing and checking reports. Then the federal income-tax act was amended in 1916, making it more far-reaching than ever and requiring the services of more trained accountants. Also, about this time, some of the states enacted income-tax laws. Notable among these were Massachusetts and New York which had followed the example of Wisconsin set in 1911. Following the entrance of the United States into the world war in April, 1917, there was effected the passage on October 3, 1917, of a greatly amended income-tax law with the excess-profits and war-profits tax provisions added. To handle the situation arising from the creation of these somewhat complicated features, the accountants were worked almost to the limit of human endurance during the first few months of 1918. It is doubtful, however, if the peak of the load was reached as a result of income-tax legislation until the time for preparing the 1918 returns came in the early months

of 1919. It was for those returns that the treasury department for the first time required a reconciliation of the profits shown on the returns with the balance-sheet and surplus account of a corporation as shown by the books. Up to this time a considerable number of business concerns had made up the income-tax returns for themselves, in more or less of a conscientious manner, without necessarily having them agree with any account books. This new provision caused many business houses to decide that accountants were necessary in the preparation of the returns. It also convinced many that their accounting systems were inadequate.

We have thus traced briefly the development of events which seem to have caused the accounting profession to receive such favorable consideration from young people looking toward a life work. It might be added also that, somewhat unfortunately, it caused a great many people to transfer from other professions and occupations who were not trained in accounting nor especially fitted for the work. It was not uncommon to see a registered pharmacist, not especially successful in his chosen profession, or a former bar-tender, only slightly reformed, or a bank clerk, a school teacher or an individual from almost any other occupation trying to serve as an income-tax specialist.

Is it any wonder that the enrolment in bookkeeping and accounting courses increased beyond all reasonable expectations? Is it any wonder that the enrolment in the regular day-time courses in accounting at the university of Illinois, for example (where there are no night school nor extension classes), increased from 135 in 1913 to 1,864 in 1921? Is it any more remarkable that the enrolment in accounting courses in the great metropolitan cities like New York and Chicago should mount up to 5,000 students in a single institution as it did in one of the large universities this fall offering both day and night courses? It seems to be merely a tendency supporting the economic theory of supply and demand.

Looking at the problem from the point of view of the institutions offering courses in accounting, is it any wonder that they attempted to meet the situation by offering greater opportunities for the students to prepare themselves? Is it very remarkable under the conditions that some universities and colleges were finally practically compelled in the interests of self-preservation to offer courses in accounting when they had never done so before?

Incidentally, is it strange that under this great pressure, many secondary public and private schools attempted to go farther than they had ever gone before in offering advanced courses in bookkeeping and accounting? All these steps seem to be the ones that should have been taken by the average prudent administrative educator.

The question before this body today is: How far shall this enlargement proceed—this inflation of accounting instruction? Shall all institutions proceed on the assumption that the supply of good accounting humans is to be far below the demand for many years to come, or shall they pause to survey the situation before taking further steps? This is a good time to pause for careful consideration. Has not a period of reaction set in? The general business depression has left many good bookkeepers out of employment. They shift to other less remunerative positions of the same general nature, or perhaps take the place of some of the pharmacists, teachers, attorneys or others who entered accounting work when the entering was good, but who now are the first ones to be eliminated from the race when it begins to grow exciting as a result of the stronger competition. The peak of the load having been reached in the early part of 1919 it appears there should have been a tendency to permit supply more nearly to catch up with the demand even without a business depression. Coupling these things with the fact that the federal excess-profits tax returns will not be called for after this year's returns have been completed, one is inclined to think that institutions offering bookkeeping and accounting courses may well afford to look into the future with a more settled air than for several years past. We should hardly look for such marked increase in enrolment except as it is accompanied by increases in students in general.

This condition will be a very welcome one to some of us. It may not be so welcome to others. If the time is approaching when bookkeeping and accounting teachers can take time at least to analyze the situation and catch their breath after an uphill run, as it were, before settling down to a steadier pull on the plateau, should they not consider carefully the whole educational situation involving these courses? Two of the questions that might arise for consideration are:

1. Should colleges and universities offer elementary courses in bookkeeping and accounting?

2. Should secondary schools and private business colleges offer advanced courses designed to train for professional accounting work?

Our meeting today is concerned more with the second of these questions—hence we shall answer the first one rather briefly. I believe that the next decade will not see any material change in the elementary courses in accounting taught in university schools or colleges of commerce. Several of the recent elementary texts seem to fit university conditions and provide an ample amount of illustrative or so-called practice work to supplement the theories and principles. In my opinion universities must continue to teach the elementary courses in accounting or bookkeeping until such time as they see fit to prescribe that at least one year of high school bookkeeping must be offered for entrance into the school or college of commerce. One unit of high school bookkeeping is quite commonly accepted for entrance at present, but it is not required.

At the university of Illinois, where students have been permitted for about eight years to present for entrance one year of bookkeeping in an accredited high school, only from ten to fifteen per cent. of those entering the college of commerce have so presented it during the last two years. This would as yet hardly justify the university in requiring students entering commerce to take their bookkeeping course in the secondary schools. Moreover, it is very unlikely even if ninety per cent. of the students presented entrance credit in bookkeeping that it would appear soon to be educationally sound to remove some of the older fundamental entrance requirements to make room for bookkeeping. Thus it appears that state universities at least must continue to offer rather elementary courses in accounting for several years to come.

The second question which is of considerable importance at the present time is not so easily settled. Of course one could dispose of it in his own mind by saying "yes" or "no" and then arguing according to his statement until he really believed it. The question is worthy of conscientious analysis. Should secondary schools and private business colleges offer advanced courses designed to train for professional accounting work?

It is to be understood first that professional accounting is that application of the science for which one receives a fee rather than

a salary. One would not be called a professional cost accountant, for example, if he was regularly employed on a salary basis. If, however, he received a fee for his services as a cost accountant and was, therefore, not considered as being on the regular payroll of the business applying the cost system, he would be classed as a professional cost accountant. Similarly, we might define a professional income-tax accountant, a professional auditor, a professional system builder and so on. All of these come under the general head of a professional accountant recognized as such when he hangs out his shingle as a certified public accountant.

Before considering how, when and where the professional accountant should be trained, it is necessary to consider his duties. The accountant is no longer a mere checker of figures, as some people believed him to be a decade or more ago, nor is he primarily interested in finding clerical errors. It is still true that the first-class professional accountant and auditor must know the sources of error, the possibilities of collusion and the methods of crooks, whether employer or employee. Overshadowing some of these things, however, the accountant must have the qualities of a business advisor, an interpreter of facts, a judge of proper treatment of business transactions, and a conveyor of clear, specific, pertinent business facts to the executive, the banker, the stockholder or the government.

In order fully to perform these duties in a way that will not react unfavorably upon the profession the accountant besides having a thorough knowledge of accounting principles and practices must know the principles of auditing, cost accounting, income-tax procedure and similar special subdivisions of the general realm of accounting. Furthermore, he must be entirely honest, conscientious, accurate, and must have the bearing of a truth-seeker. He should be to a very large degree tactful, persistent, analytical and curious. He must have the ability to correlate facts and figures. He should have the ability to handle men. He should have the powers of expressing himself in good English and of making clear explanations to others. In the allied business fields he should understand banking, public and private finance, insurance, and should be quite familiar with corporate and partnership law, the law of negotiable instruments, bankruptcy, suretyship and contracts. As an aid to all these, he should be thoroughly grounded in the principles of economics, involving the

laws of value, price, distribution, etc. A good accountant must also be familiar with the modern tendencies in business management and organization. With qualities of this sort it is probably needless to say that he should also be a good citizen.

These somewhat extensive qualifications will be required of the professional accountant much more in the future than they have been in the past. It seems to me that the time is not far distant when only the accountant well trained in the several respects enumerated will succeed. In this respect, it is not materially different from the profession of law. The American Bar Association at its last annual meeting, in considering the raising of standards for the legal profession, received a report which indicated some remarkable conditions in the profession. In effect the report brought out the fact that of all the shyster lawyers in the country, there was only an insignificant number of them proportionally who had received as much as two years of standard college or university training before taking up a more intensive study of law. This report, I understand, was used very largely as a basis for advocating that membership in the American Bar Association henceforth should be open only to those trained in law who have also received a college education equivalent at least to two undergraduate years before pursuing the legal curriculum.

Will it be necessary for the accounting profession to become as old as the legal profession before it recognizes that there are elements to consider in the professional man besides his mere narrow specific technical ability? It seems to me that the accountants may well take a word of warning from the experience of the lawyers and avoid undue embarrassments which have arisen in the past and are sure to increase in the future if precautions are not taken to keep out of the recognized group those who might, through lack of training, become the shyster accountants of the future.

In considering what would be the best training for accountants having the ideal qualifications, we do not want to be misinterpreted as implying that all people in professional work who do not have a college education in whole or in part are shysters. There are undoubtedly hundreds of good conscientious lawyers who have never been to college and whom no one would think of classing as shysters. Similarly, there will be and are at the present

time hundreds of good conscientious accountants who would not drag the name of the profession into disrepute and who have never received any part of a college education. Profiting by the experience of the legal profession, however, we might be justified in arranging for a better general training on the part of the young men who intend to enter the accounting profession.

Many of the qualities that are desirable in a good accountant may be developed in a secondary school as well as in a college or university. The latter institution, however, has many advantages in the broader training. We would mention some of these.

A university school of commerce in good standing at the present time will be found to have a much larger variety of courses than a secondary public or private school would have. It would also have much more adequate library facilities, its courses would be better organized, and the instructors are much more likely to be specialists in their respective fields. They would be specialists not only in theory but also in practice, as some of the larger institutions are able to attract instructors in accounting who have had considerable practical experience in business and in professional accounting engagements.

In addition to these specific advantages which the university colleges of commerce might offer, most of them would be able to present exceptionally good courses in allied subjects which are so essential to the success of the practising accountant, such as the principles of economics, corporate finance, banking, mathematics of investment, political science, history and similar subjects.

The secondary schools and private business colleges are not as well equipped, and, from the nature of their existence, they hardly could expect to become as influential and as successful in the training of practising accountants. Their allied subjects are in many cases confined to one or two brief courses taught by one not thoroughly trained or probably by one who has so many other courses to handle that he cannot give proper attention to all of them. The secondary schools can hardly expect to offer courses taught by specialists in a variety of accounting courses such as auditing, cost accounting, income-tax procedure, governmental accounting, or C. P. A. problems. They may be able to present adequately a course in intermediate theory of accounting. In some exceptional cases it might be possible even to offer good

instruction in advanced theory. The exceptional cases, however, are not the ones that should govern in framing policies which seem best for the future of the profession.

In view of the evidence which I have presented in some of my opening remarks that the standard of the accounting profession is to be raised considerably as the great pressure of the last few years is released, it seems quite evident that the accountant must be better trained than in the past. He must know and not guess. He cannot get through on a bluff. He must know conditions and all about their interpretation in ordinary accounts, cost accounts, financial statements or income-tax returns. The secondary schools and business colleges may teach good courses in commercial arithmetic and the equivalent of two years of high-school bookkeeping and accounting, together with a course in accounting theory. Good, thorough instruction in these courses will be a material benefit to the accounting profession as well as to the business world in general. Commercial arithmetic in the modern sense properly taught is one of the most valuable courses for a young person entering business and is especially necessary for one who would be a good accountant. We would not advocate that high schools and business schools attempt more than this as part of a training for a professional accountant, for beyond such technical courses the student does not comprehend the situations and problems until he has studied economics, business procedures and organization. In training for the accounting profession, as in other professions, the secondary schools should try to lay the foundation of good citizenship and a basis for future study. The final preparation for the accounting profession should be in university schools of commerce. I think the secondary schools and private business colleges should offer a course in accounting theory for the benefit of the industrial accountant who needs to know good accounting theory in order to understand the set of books which he is later to supervise.

This conclusion, derived after careful analysis, should not be construed in any sense as belittling the position of the secondary schools and private business colleges in their efforts to teach commercial subjects. They undoubtedly should continue, and I hope they will continue, to teach the great mass of young people who fill the rank and file of commercial positions. Undoubtedly some of the young people will have their natural abilities supple-

mented and enriched by such instruction to such an extent that they will become the leaders in industry. It must always be true that the majority of commercial jobs or positions will be of a routine nature to be filled by those who receive a fundamental training with special drills in accuracy, business courtesy and application. Such positions must be filled by the graduates of our secondary schools and private business colleges.