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The British Accountancy Profession and the War

BY MARY E. MURPHY

THE confidence placed by the British Government in the accounting profession and the utilization of its services has never been greater than today. Practitioners have responded to governmental demands and have maintained at all times a unified front based upon professional solidarity and mutuality of purpose.

REGISTER OF ACCOUNTANTS

In June, 1939, it was decided to compile a register of practitioners 25 years of age or over, whether or not in active practice, and of practising accountants' senior employees 30 years or over who would be willing to offer their services to the country. Registration was voluntary but the response was gratifying; by September, 14,500 accountants were listed on the central register. The purpose of registration was to provide the government with names of competent practitioners who could be called up in case of emergency.

In April, 1940, the age was lowered to 25 years for all accountants and for audit assistants with ten years' experience in an accountant's office. All persons coming under these categories were required to register under the national service (armed forces) act and from this list the government calls up accountants as needed.

TRANSFER OF PRACTICE

To cope with the inevitable depletion of staffs whose members are temporarily occupied with military or home service, the London Members' Committee of the Institute of Chartered Accountants devised the scheme of compiling two lists, one of firms and individuals willing to aid other firms and individuals in conducting or supervising their practice, and another of

firms and individuals requiring assistance in their practice. The first list was made available to the individuals on the second list; particular arrangements covering such matters as responsibilities and finances were left to the parties concerned. The Institute's plan came into effect in September, 1939, and similar ones have been adopted by the Society of Incorporated Accountants and Auditors and other professional bodies.

The actual arrangements for transfer of practice are of two general types: First, the absent accountant may appoint a substitute accountant as his agent to carry on his practice. In such a case negligent performance rests with the principal (absent accountant) although duties are performed by the agent (substitute accountant). The principal may sue his agent for breach of contract, and in the event of negligent performance the court would have to consider the degree of care which, in view of the circumstances, was required to be exercised by the agent. It is essential under this plan that arrangements in effect between the principal and the agent be conveyed to the principal's client. The powers granted to the agent may be withdrawn at any time at the discretion of the principal.

The second type of arrangement is one in which the absent accountant, after discussion of the issues involved, hands over his practice, and the rights and responsibilities inherent therein, to a substitute. This plan rests to a great extent upon the degree of confidence and trust each party reposes in the other. At the conclusion of the first party's absence the practice reverts to him.

If the audit involves the accounts of a public company, the directors should explain the situation in their report to

the shareholders. In the first arrangement discussed, the agent should sign his name on the balance-sheet and follow it by a statement similar to the following: "on behalf of . . . absent on military (or national) service." In the second arrangement, that of transfer of practice, the balance-sheet should bear the signature of the substitute.

EMERGENCY LEGISLATION

Innumerable emergency measures have been passed as national problems have arisen; many of them incorporate the services of accountants. The emergency powers (defense) bill of 1939 provided for the organization of a number of ministries regulating production, storage, transportation, distribution, use or consumption of articles of any description, and for controlling the prices at which such articles were to be sold. Provisions were stated for obtaining all relevant information concerning such undertakings and enforcing the maintenance of books and accounts as specified. Accountants carried out the provisions of this act, assisting both the government and clients in ascertaining that the details of the law were observed.

An amendment to this piece of legislation was enacted in May, 1940, giving precedence to war industries and export trade. Production of luxuries is to be brought to a close as soon as possible, and accountants have been called upon to calculate compensation to be paid owners of plants destroyed, operated at a loss, or converted for other purposes. The Ministry of Labor can direct any person to perform any service and prescribe the remuneration, hours and conditions of work, as well as require employers to show their books at any time. Controls under ministers have been set up to cover, besides labor, banking, agriculture, transportation, mining, war industries, and export trade. This measure is one of the most drastic and far-reaching in the history of Great Britain. Accountants, of necessity, will be

retained by companies to prepare and present data demanded by the various ministers.

ADVISORY SERVICE

Many accountants are serving as members of committees or panels advising the ministers administering the controls. The Minister of Labor has obtained the services of C. J. G. Palmour, F.C.A., to aid him in utilizing practitioners in the most efficient manner. The Minister of Supply exercises control over the accounts of the firms with which he deals. Accounting activity is largely concentrated upon contracts for raw materials, an advisory selection panel recommending accountants having specialized knowledge of the trades and commodities involved. The chairman of this panel is Sir Nicholas Waterhouse, K.B.C., F.C.A. Its members include: Prof. William Annan, C.A.; T. A. Gillespie, F.S.A.A.; Sir Thomas Keens, F.S.A.A.; Matthew Mitchell, C.A.; Sir Herbert Smith, F.C.A.; Percy Toothill, F.S.A.A.; R. W. Bankes, Secretary of the Institute.

The prices-of-goods bill aims at the control of prices to prevent profiteering. Panels of assessors, with accounting experience, have been set up to enforce this act. The price-and-regulation committee under the bill has E. E. Spicer, F.C.A., as one of its members. It may serve notice on any person carrying on a business including the sale of any price-regulated commodity to "produce and allow to be examined by a person appointed by the committee such accounts, books, and other documents in the custody of the person so required or under his control relating to business as may be specified or described in this notice." It applies to goods specified by the board of trade and provides that prices of these goods must not be raised above a basic price by more than a "permitted increase reasonably justified in view of changes in the business." Acceptable changes are covered by a

schedule which accountants must interpret for their clients.

Other important appointments of accountants to governmental posts include: Sir Harold Howitt, D.S.O., M.C., F.C.A., as member of Air Council to advise the minister on financial matters; F. R. M. de Paula, O.B.C., F.C.A., as deputy director-general of progress and statistics at the War Office; Sir Alan Rae Smith, O.B.C., F.C.A., as financial adviser to the Minister of Shipping; H. G. Judd, O.B.C., C.A., as controller of salvage in the Ministry of Supply.

TAXATION

Sir John Simon's budget of October, 1939, incorporating an excess-profits tax, placed upon accountants the tasks of determining the standard for each company and of comparing that standard with adjusted results of each successive period of business activity. The amendment to the emergency powers (defense) bill, already referred to, raises the excess-profits tax to 100 per cent. Accountants must ascertain that their clients' interests are protected in matters of taxation; at the same time they must satisfy the Government that all taxes assessable under the bill are computed so that the full benefit of the measure is attained.

ARTICLED CLERKS

The council of the Institute of Chartered Accountants in May, 1939, changed the by-laws to permit such portion of services with His Majesty's forces of any articulated clerk as seemed reasonable under the circumstances to be equivalent to service under articles. Six months' service under the military training bill was also allowed. In January, 1940, postponement of military service was granted if, after a period of at least one year's study, an examination vital to the student's career was to be held within nine months of the date of his registration.

For the duration of the war, Institute examinations are to be held in January and August of each year at the Imperial Service College, Windsor, and at the Shrewsbury School, instead of in the usual centers. The immediate effect of the war has been a decrease in number of candidates for these examinations, and it is possible that the number of entrants into the profession will continue to decline in the next few years as more youths are engaged in military service. The number of Institute examinations which must be passed by candidates at one sitting has been decreased. Higher grades, however, are to be demanded when these deferred subjects are finally taken, and so there is no actual lowering of examination standards.

PRESENT POSITION OF THE PROFESSION

A casual observer of the contemporary British scene might remark that the accounting profession operates as usual. Professional magazines are published with regularity; councils sit; meetings occur. Public auditors for 1940 for industrial and provident and friendly societies, and for industrial-assurance companies have been appointed at the customary time by the Lord Commissioners of His Majesty's Treasury.

As activities of the home front have assumed proportions of importance comparable with those of the battlefield, accountants are utilizing every opportunity for public service. Although staffs are badly depleted, work progresses as the services of the skilled, impartial practitioner are demanded to an ever increasing extent. Irrespective of events on the battlefield, all governmental departments and ministries must operate smoothly and efficiently, well-regulated business activity must proceed, the national economy must be maintained. The British Government and citizens know they can rely implicitly upon the integrity of the profession and upon its operating effi-

ciency. The public looks to accountants to secure reasonableness and limitation of governmental expenditure and fair distribution of orders among suppliers.

Scopes of audit, in certain instances, have been curtailed, and company accounts may not be rendered so promptly as formerly because of decreased staffs and difficulties attendant upon obtaining confirmation of foreign assets. Practitioners are challenged daily to devise auditing techniques which, while retaining the audit's purposes, emphasize essential confirmations and delete all unnecessary details. In some cases, notably relative to railway accounts, restrictive reservations have been intro-

duced into audit reports, but British readers have taken these as indices of war-time requirements rather than as permanent deviations from standards.

In whatever niche of public or private life accountants are found, they are carrying on with renewed vigor, attacking the problems of statutory audits, taxation, and ministry activity with skill and persistence. The indomitable spirit of the British profession, its traditions, skilled services, and ethical tenets permeate the minds and hearts of all practitioners. It is reasonable to believe that from these tragic days the profession will emerge with renewed strength and vigor.