

11-1915

Accounting Profession: Its Demands and Its Future

Elijah W. Sells

Follow this and additional works at: <https://egrove.olemiss.edu/jofa>



Part of the [Accounting Commons](#)

Recommended Citation

Sells, Elijah W. (1915) "Accounting Profession: Its Demands and Its Future," *Journal of Accountancy*. Vol. 20: Iss. 5, Article 1.

Available at: <https://egrove.olemiss.edu/jofa/vol20/iss5/1>

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in Journal of Accountancy by an authorized editor of eGrove. For more information, please contact egrove@olemiss.edu.

The Journal of Accountancy

Official Organ of the American
Association of Public Accountants

Vol. 20

NOVEMBER, 1915

No. 5

The Accounting Profession:*

Its Demands and Its Future

BY ELIJAH W. SELLS, C. P. A., M. A.

Time was when attention was focused on the professions of law, medicine, ministry and pedagogy as alone worthy a young man's ambition, but to-day the one greatest interest of this country, *business*, calls him with no uncertain voice to a career co-equal in importance and quite as worthy of his consideration from the standpoint of the intelligence it demands and its usefulness in the progression of the world.

In my practice as a public accountant I have been brought in contact with men administering pretty much all classes of business, and also with those administering the affairs of government—federal, state, county and municipal—educational and eleemosynary institutions, and with members of various professions; and from this experience I have no hesitation in saying that our men of business are the peers of any of them. They do not seem to have the faculty of expressing publicly their defense to the frequent unjust attacks upon them by the many would-be reformers whose only qualifications appear to be glib tongues or facile pens. And if it cannot be said that these business men are always wholly blameless in their methods, I do say that the men of the expansive type concern themselves more with the character and usefulness of their productions than with the financial or money-making end of business, and that they are possessed of certain ideals in practically equal degree with men in professional life, and in a much greater degree than those in public

*An address delivered before the College of Business Administration of Boston University, September 29, 1915.

life. Moreover, I have found that men in charge of the administration of business are quick to discern and utilize the knowledge and ability of other men—a matter in which you are especially interested or will be when you conclude your work here.

As proof conclusive of the importance of business as a career, it may be stated that the great educational institutions of this country are making signal strides in this particularly practical field by the adoption of accountancy and kindred courses which will redound to their credit—as they should—and which will be of enormous benefit to the country's business interests. These courses have created a most favorable impression on the minds of the men of business affairs, many of whom in the past, we must admit, perhaps reluctantly, have looked with some misgivings on university education for those whose subsequent activities were to be outside the professions.

In your college of business administration the greater part of the courses relates directly to subjects necessary to accountancy education. The other courses, while not entirely unrelated to accountancy, relate more particularly to business administration. As a matter of education, the two—accountancy and business administration—are more or less interrelated, but there is a clear distinction between them in the careers that will be open to you when you will have finished your scholastic work. Without minimizing the importance of business administration, I can say to those of you who have chosen public accountancy for your profession that there is a great and growing field before you, for it is estimated that only about ten per cent of the public accounting work in this country is now being done that should be done. So, going to the public trained and equipped to discharge the many functions of your profession, you will not lack opportunity.

For those who enjoy ancient history there is some solace and interest in this subject because the antiquity of accountancy is well authenticated. Baked clay tablets found in Assyria reveal the existence of private accountants in that country as long ago as 464 to 424 B. C. But it was not until the fourteenth century in Italy that double entry bookkeeping was regularly employed. There are indications of the existence of professional accountants as early as the year 831, and in 1581 there was formed in Venice an association of accountants which, in course of time, came to

The Accounting Profession

have more power and influence than our present day associations. There were professional accountants in Scotland over one hundred and forty years ago, the Edinburgh directory of 1773 designating seven as accountants, though the Society of Accountants in Edinburgh was not organized until 1853 and received its royal warrant during the following year. The profession in England to-day is represented by several organizations, the principal of which are the Institute of Chartered Accountants with a membership of about 5,000, and the Society of Incorporated Accountants and Auditors with a membership of about 3,000.

There is much that might be said of other incidents in the more recent history of accountancy, notably the organization of the professional associations throughout the world during the last fifty years. The American Association of Public Accountants was incorporated nearly thirty years ago—August 20, 1887. It is the representative professional body in this country.

But accountancy as a profession in this country received its first legal recognition some years later from the act of the legislature of the state of New York, August 17, 1896, empowering the regents of the university of the state to pass on the qualifications of applicants and to grant certificates authorizing the use of the title "certified public accountant." Since that time similar enactments have followed in other states, until to-day there are only nine states that are without C. P. A. laws. Societies have been organized in practically all of the states having C. P. A. laws, and these societies are members of and form a part of the national organization—the American Association of Public Accountants. This association has for its purpose the elevation of the profession; the consolidation into a single professional interest of all the various component parts; making uniform so far as practicable state legislation affecting accountancy; spreading knowledge of the capacity and usefulness of the public accountant; and giving attention generally to the affairs of the profession. The association now has a membership of about 1,050. When the time is propitious it is well to join a state organization which will bring you in contact with this representative national body.

Only about eighteen years ago a well-known public accountant, anticipating the development in this country of accountancy as a profession and realizing the importance of education for the profession, approached the president of one of our largest uni-

versities—a man reputed to be progressive—with a proposal to establish in his university a course in accountancy. The proposal was ridiculed and called absurd because universities taught only the arts and sciences, and accountancy, the president of the university said, was only a branch of business which had no place among them.

But this is an age of advancement; and that university did not long defer its recognition of the importance of the subject. After some of the other universities had taken the lead it established courses which, like this university and some others, went further than the original proposal in that they embraced the study of some features of business outside the category of accountancy. It is well that these added features should be included, for business in this country overshadows all other interests. It is so big, so important, and so susceptible of further development and improvement, that the opportunity for the student of its administration is boundless.

The demands on the public accountant are various. In this country to-day the work in general terms embraces auditing, which has to do with the verification and proper statement of assets and liabilities and of the accounts of operations, and determining fiduciary integrity; special examinations and reports on the affairs of those engaged in every field of activity, for the most part for bankers and others interested in investments; devising and installing new systems of accounts and revising and improving existing systems; a miscellaneous class of work such as making statements of the accounts of executors and administrators and special data for cases to be litigated or arbitrated; organization of administrative and other branches of business; supervising inventories and appraisals; the preparation of reports and sometimes certificates relating to these undertakings; and numerous other incidental matters.

The profession in the discharge of its functions deals only with conditions, facts and figures. It has no place for bias, perversions, fancies, or narrow and contracted viewpoints. It calls for breadth of vision, discretion, tact and diplomacy. The continuance of the advancement of the profession, which heretofore has been marked, is necessary in order to keep pace with the demands upon it. Its importance is recognized by governments, states, municipalities, corporations—including railroads, public utilities, banks and trust

The Accounting Profession

companies, manufactories—firms, individuals, and undertakings of nearly every description, including educational, charitable and ecclesiastical, as is indicated by the increasing extent to which the services of its members are requisitioned by all of these.

Let us glance at the financial return. It is estimated that, with the members of professional organizations, their staffs and other practising accountants, there are from 10,000 to 15,000 engaged in public accountancy in the United States. Based on the past five year experience of my own firm, I find that the average annual return per accountant is about \$4,000.00. Probably this would be a somewhat higher average than obtains for all public accountants, but assume the average to be \$2,500.00 which is slightly more than sixty per cent of our return. If there are 12,000 people engaged in public accountancy the annual return would be say \$30,000,000.00. This, bear in mind, covers only about ten per cent of the possible field of public accountancy.

Carrying the calculation further, according to the income tax returns there are about 400,000 corporations in the United States, and there are at least 600,000 firms, institutions or individuals engaged in all classes of business and undertakings. If all these corporations, firms, institutions and individuals required the services of public accountants annually—a somewhat chimerical supposition no doubt, although in nearly every instance their services, if available, could be utilized advantageously—and the experience of my firm as to the gross return from each engagement, again reduced by forty per cent, be used, the annual return would be something like \$300,000,000.00, or ten times the estimate of the present annual return.

These figures may seem alluring, but you must not be carried away with the prospects they hold out. Anything approaching such a high measure of practice can only be brought about through the development of an adequate and efficient profession.

As large as the field of public accountancy appears to be from these rather imposing figures, and however proficient you may be at the outset of your career, it is not to be expected that you will have immediately a clientele sufficiently large to engage your entire time and attention. This leads me to venture the suggestion, even if it appears rather bold, that there is open to you a new field as an incident to public accounting—that of public office. I believe there is urgent need for the services of men who, by reason of

their training and knowledge, are particularly qualified for consideration of and action on public affairs in general, and public financial matters in particular. The time is past when we can afford to continue to have untrained men administering such public affairs as call for expert knowledge.

There are many public offices available to you which would not require all your time, and your incumbency would enable you to foster and protect the business of the country which it is assumed you are preparing yourselves to serve. Your capacity for judgment, your knowledge of efficiency and economy, your high ideals—which of necessity as public accountants will be your principal stock in trade—and your undoubted attitude of fairness towards business, equip you for the undertaking, and would present a refreshing contrast to the characteristics of the average office-holding and office-seeking politician. You, perhaps, will need some practice in speaking from the platform. This can be obtained without any loss of time in your work here by debating your accounting problems and especially those dealing with public affairs.

It is surprising to find how woefully lacking are many of our public officers in the rudiments of accounting. Through ignorance or otherwise they seem to confuse hopelessly the most simple accounting propositions, and to start endless controversies on matters as to which—when the facts are properly stated—there should be no difference of opinion. Numberless illustrations of such cases could be cited. Let me bring to your attention just two.

Recently the governor of the state of New York, in a special message to the legislature, stated that the financial situation of the state was very grave and that it would be necessary to provide through direct taxation the sum of, approximately, \$19,000,000.00 to meet certain deficiencies. Both the ex-governor and his former counsel published statements to the effect that the tabulations of figures on which the governor based his conclusions of the necessity for such a tax were erroneous, and that correct tabulations would show not only that no such deficit as the governor claimed was imminent, but that there should be no deficit at all. Without entering into the merits of the question, it is evident that either the governor or the ex-governor was far astray on the simple matter of tabulating accounts, and that the conclusions of neither

The Accounting Profession

should have been accepted by the legislature without further investigation on its part. In investigations of this character or in the preparation of the data in the first place in such a manner as to avoid the necessity of investigation, the accountant as a member of deliberative and legislative bodies should prove to be of the greatest public importance and value.

The other example:—Our income tax law dealing with the manner in which the net income of corporations, etc., shall be ascertained reads:

“Such net income shall be ascertained by deducting from the gross amount of the income of such corporations received within the year all the ordinary and necessary expenses paid within the year in the maintenance and operation of its business,” etc.

In other words, the income account should be prepared on the basis of cash receipts and disbursements notwithstanding the fact that a creature of the government itself—the interstate commerce commission—especially provides that the methods to be pursued by the railroads of the country in ascertaining their income shall not be on the basis of cash receipts and disbursements but on the basis of income accrued and expenses incurred. And most of the larger businesses of the country so keep their accounts. Yet it does not appear that it occurred to any of our representatives in passing the bill, or to the president in signing it, that there was any inconsistency.

My point is that if a public accountant had had anything to do with the drafting of the bill, the inconsistency would have been apparent to him at once. Moreover, the whole bill would have been more logically arranged and would have been stated in language so clear as to render unnecessary the flood of rulings of the commissioner of internal revenue, some of which appear to be entirely arbitrary.

However evil may have been the enactment creating the interstate commerce commission and the subsequent enactments extending its activities and retarding railway development, which in turn has retarded agricultural development and hampered business generally, it is to the commission's credit that it has held many conferences with the representatives of the Association of

American Railway Accounting Officers, the most notable body of private accountants in the world, respecting the form of accounts for railways, and has many times heeded the association's recommendations.

The affairs of governments themselves, federal, state, and municipal, are increasing in variety and complexity, and their relations with other businesses through the somewhat socialistic tendencies of the times are multiplied many-fold. The qualifications of the trained public accountant thus appeal with special force to the conservative business element of the communities they would offer to represent in public bodies.

No doubt a legal training is of importance in considering the bulk of legislative questions; still many of them involve matters of accounts to such an extent that in dealing with them the opinion of the public accountant would be of particular importance, and you, with equal propriety with the young lawyer, could interest yourselves in public matters and make yourselves felt in the councils of the municipality, county, state, or government. I, for one, believe that your influence would be uniformly beneficial. While it is not likely that all of you intend to follow accountancy as a profession, to those of you who do I urge that this feature of your career be given consideration. I believe that the time you may devote to this kind of work will not be found to be unproductive for yourselves or for the public, and that ultimately your standing and influence in the community as well as others of your profession will be broadened and benefited.

One of these days, among other things there will be a movement for legislation calling for compulsory audits to be made by the profession of public accountants. Should you then have some affiliation with public office you would be of great value in restraining legislation until we have a profession sufficiently developed to respond to it. The Massachusetts act of 1903, as amended in 1914, which requires corporations with \$100,000.00 capital or more to file reports in the office of the secretary of the commonwealth, which shall be accompanied by a written statement under oath by an auditor, needs further amendment in order to make the qualification of the auditor professional. It would be a lamentable catastrophe, however, if the profession as it is to-day were compelled by legislation to meet the requirement of auditing a considerable amount of business because of the lack of numbers

The Accounting Profession

in the profession to do the work justice. Legislation in this respect should be by degrees and keep pace with the advancement of the profession—and you will have an opportunity to influence it when it comes, as it certainly will—so see to it that such legislation, while conserving the public interest, shall be of mutual benefit to business on the one hand and to the profession on the other. In any event see that injustice is done to neither.

If I have digressed somewhat from *The Accounting Profession: Its Demands and Its Future*, the subject on which I was invited to speak, and if my suggestion for your consideration of the possibilities for you in public office would be more pertinent at the close of your college session than at its beginning, my congratulations are none the less hearty to this institution for the establishment of business and accountancy courses and to you for availing yourselves of them.