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Editorial

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EDITORIAL

Scientific Business Management

Efficiency in business enterprise happens to be a very live subject at the present time, and the readers of The Journal are to be congratulated on having a chance to read the four excellent papers on that subject which are contained in this issue. These papers constitute the leading addresses at a recent meeting of the New York Economic Club, and were heard with great interest by an audience of over a thousand men. Grouped together they make a stimulating symposium, for each approaches the topic from a different point of view. The discussion before the club was in no sense a debate, yet the reader will discover that each speaker had in mind some of the points that were made by the others, while Mr. Brandeis, who closed the discussion and whose address as printed in The Journal is a transcript of stenographic notes, evidently spoke, not as the representative of either employer or employee, but as the advocate of a policy which he believed must result to the advantage of both.

As an academic proposition nobody will be foolish enough to deny that scientific business management, if it increases the output of a given number of men and machines, must in the long
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run tend to raise the wages of labor and the rate of return on invested capital. It does not mean that the men must work harder or have longer hours. It means rather the elimination of unnecessary work, and hence a larger output per man. It means that good generalship is as important in industry as it is in war. If machines are permitted to be idle part of the time, or if skilled labor is called upon every day to do the work of unskilled labor, there is evidently something wrong; and it is to prevent such conditions that the advocates of the so-called new conception of industrial efficiency are bending their energies.

It is not strange, however, that the spokesman for working-men should look with suspicion at this new conception, for there is no doubt that many employers will find in it an excuse or an incentive for adding to labor’s burden without a commensurate increase in its reward. Laboring men know very well that employers, as a rule, are much more concerned about profits and the rate of dividends than they are about the fatigue and hardships endured by their workmen. They also know that the average employer, especially if he is the officer of a corporation whose directors will scrutinize only results, will be inclined to interpret scientific business management in terms of cost of production, and that when he seeks to lower costs he will first of all direct his attention to the pay roll.

The reader of these addresses will discover that in the opinion of at least three of the speakers a manager who seeks to increase his profits by a reduction of wages or by the imposition of additional burdens upon his employees belongs to the old and unscientific school of management. Scientific business management does not enter the field with a whip or with a cheese-paring knife. It is really a friend of labor quite as much as of capital. It seeks to make every moment of labor count for the most, to produce the most, and hence to deserve the highest possible reward. In the same way it seeks to prevent any waste on the part of capital and so to increase the profits of industry and business. In short, scientific business management is nothing more or less than an attempt by thoughtful, shrewd, practical men to make concrete application of the long-accepted principles and theories of orthodox political economy, and thus to help bring on the economic millennium in which there shall be no idle or misapplied capital and no wasted or underpaid labor.
The Journal of Accountancy

The Association’s Responsibility

One of the distinguishing marks of any profession is its sense of obligation to the community. The members of a profession enjoy certain benefits by reason of their calling, and while these benefits may be intangible, they are none the less valuable; hence members of a profession must recognize their obligations to the public at large—obligations which are not imposed upon members of a trade. Everyone who has been observant of accountancy development in this country must be impressed with the exceedingly rapid progress being made towards a solidarity of the profession and with the growth of a true professional spirit among the members of the American Association of Public Accountants.

It is exceedingly gratifying to the well-wishers of accountancy to observe the growth of this spirit of unity and the recognition of a need for organized and unselfish efforts towards placing business methods and conditions upon a higher and saner basis. This development is clearly traceable in connection with the movement which started less than two years ago for a more efficient business organization in the national association itself. When the matter was first broached, many members of the Association felt that however desirable it might be to have an executive officer, or permanent secretary possessing a high order of administrative ability, such a plan must prove impracticable. Others were opposed to the movement as being contrary to precedent, and we regret to say that there was some feeling that through such a movement benefits might accrue to some members of the Association in larger measures than would be enjoyed by others. During the earlier stages of the discussion even those in favor of the plan appeared to think that it should be tried out with a younger man who might be expected to develop with the position.

It is, however, obvious that accountancy is approaching a critical period in its development and that such important problems as are involved in corporate regulation, railroad and public service rates and securities, revision of the tariff and monetary system of the country, not to mention other highly important subjects, have a vital bearing upon the development of the profession. What is more important from the public standpoint, the correct solution of these problems can be greatly facilitated by
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the cooperation of the accounting profession; and without such cooperation, the business interests of the country will be seriously jeopardized.

The average legislator, for instance, looks upon accounting as an exact science, the operation of which can be safely entrusted to a clerk attached to a government bureau, and while business men of any breadth of training realize that such an attitude is both foolish and dangerous, they logically enough expect the accounting profession to be vigilant and energetic in its efforts to protect business interests in all matters of legislation or other public form in which accounting problems are involved.

That the American Association is now fully alive to its opportunity as well as to its responsibility is evidenced by the action of the board of trustees at its recent meeting, at which, as reported in another column, the recommendations of the executive committee regarding the engagement of a permanent secretary were confirmed and instructions given to the committee to take prompt steps to make all necessary arrangements with a thoroughly efficient man and to report thereon by mail to the trustees. This action is, in our judgment, far-sighted, and in pursuance of such a broad-minded policy the Association will rapidly become an important factor in shaping commercial and financial legislation and determining the business standards of this country.

C. P. A. Syllabi

The Education Department of the State of New York has just issued Bulletin No. 487, Certified Public Accountants' Syllabus. While it is only a little over one-third the size of the first and second editions of the old syllabus, the information that it gives is to the point. The first thing that strikes one's attention is the technical and yet logical definition of the term Accountancy; namely, "Accountancy is a profession, the members of which, by virtue of their general education and professional training, offer to the community their services in all matters having to do with the recording, verification and presentation of facts involving the acquisition, production, conservation and transfer of values." To those accountants who not long ago were called
upon to express their opinion with regard to the meaning of the term, Public Accountancy, such a definition coming from the New York State Board of Accountancy will be both interesting and helpful.

The new syllabus makes no important change with regard to the subjects on which the candidates are to be examined, for the reason that the law still requires the four typical divisions: Theory of Accounts, Practical Accounting, Auditing and Commercial Law. However, under the heading of Theory of Accounts, instead of there being merely single terms, as was the case in the old syllabus, this branch of study is divided into three parts, namely, Elementary Theory, Advanced Theory and Special Theory. The first covers the principles of accounting in so far as they relate to double entry and other methods of recording business transactions, dealing for the first time with the arithmetical processes such as calculation of equated date of payment, the averaging of accounts, the calculation of discount and interest, etc. The second deals with the corporate form of business organization, such as the issuing and treating of capital stock of various classes and preferences, reserves and funds, syndicate operations, the dissolution of corporations, etc. Under Special Theory is included the application of the elementary and advanced principles to special classes of accounting. As an indication of the scope of the division, the following are mentioned: cost accounting, public service accounting, municipal and government accounting, insurance accounting, accounting of executors, etc.

Auditing is also divided into two parts, which we might call principles and practice. Under principles is included all that is essential in the establishment of the accuracy of accounting records, with the exception of the working practice. The practice is subdivided into two divisions; namely, office procedure and reports and statistics. The candidate in this case is expected to be familiar with the principles of presentation, and with the construction of statements and the uses of statistics. Such a division was hardly possible in the earlier syllabi, for the reason that there were no schools offering such courses, a lack which many universities are now trying to overcome.

In the case of Law and Practical Accounting, we are inclined to think that the outline of the former is too exhaustive, while
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that of the latter is somewhat limited. The following statement is given in the syllabus with regard to Practical Accounting: "Under this subject of professional study will be considered the application of principles to states of fact given in the form of propositions." This is indefinite. A candidate could hardly tell what would not come under that heading. In this respect the outline in the old syllabus was more specific. The outline of this subject in the Pennsylvania C. P. A. syllabus is more exhaustive.

The bibliography given in the bulletin is of importance. The examiners have finally realized that accountants do not live wholly in a sphere of their own, and that they must have some knowledge of related subjects. The reading that the Board recommends in such well-known works as "Funds and Their Uses," "Anatomy of a Railroad Report," "Corporation Finance," and "Trusts, Pools and Corporations," is to be commended.

We regret that the New York Board of Examiners did not follow the suggestion of the Pennsylvania Board and include History of Accountancy under one of the main topics. It is a study of great interest and value to the young aspirant.

We are glad to note that the attitude of several State Boards of C. P. A. examiners has greatly changed within the last few years. While in some instances a policy of secrecy with regard to examination papers is still in force, most of the examiners endeavor to inform the public, especially those interested in the C. P. A. examinations, of the standards set at examinations. Many of the boards are continually at work revising the old syllabi and bringing them up to date. By advising the candidates for examinations as to what they will be expected to know, and by preparing the examination papers on the basis of the syllabus, examiners clear the atmosphere of possible suspicion as to the fairness of the examinations. Statistics of failures certainly do not justify the inference that C. P. A. examinations in the United States are conducted unfairly.

At a quarterly meeting of the Virginia Society of Public Accountants, Incorporated, held in the Chamber of Commerce, in the city of Roanoke, Va., on Saturday, March 11, 1911, the following resolution was adopted:

"On motion, it was Resolved: That the next quarterly meeting of the Society be held at Luray (Cave), Va., on Thursday, June 8, 1911. Further, that the Secretary have a notice published in the May number of the JOURNAL OF ACCOUNTANCY and extend an invitation to the members of the American Association of Public Accountants to meet with us."

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