Editorial

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EDITORIAL.
Submit or Co-operate?

The attitude of the railroads, when the Interstate Commerce Commission began its supervision of their accounts, was distinctly hostile. The first question of railroad accounting officers was, Shall we fight or submit? It was urged in favor of fighting that the Commissioners and their representatives were impractical and arbitrary and that uniform accounts at the best would impair the efficiency of each company’s own system. It was successfully urged in favor of submission that fighting was useless.

The Journal is glad to note that the original question is being replaced by, Shall we submit or coöperate? And, further, unwilling submission seems to be no longer the prevailing spirit. Their new readiness to coöperate may be observed in the able papers by Mr. Blauvelt and by Mr. Lawton which appear in this issue. Both gentlemen, it is true, find much to criticise in the rulings of the Commission, and neither can be called an enthusiastic advocate of federal supervision of accounts. On the other hand, however, both admit that the Commission has acted fairly and has sought

133
The Journal of Accountancy.

advice from competent authorities. Both evidently favor the policy of meeting these advances at least half way.

The Interstate Commerce Commission is working under two heavy handicaps. It has behind it a twenty-year record of bad judgment and inefficiency. At the present time not one of its members is a trained expert in railroad traffic, accounting or operation, the three subjects with which the Commissioners deal. Naturally even their most necessary acts are regarded with distrust.

However natural such a prejudice may be, it is a great mistake to indulge it. Though the Commission is not made up of experts, it does include able men who are bent on redeeming the body's reputation. They are not repeating the original error of deciding complicated problems by applying arbitrarily some general theory. Finally, the Commission is backed by an irresistible public opinion.

The officials of electric and steam railroads do well to recognize these facts. Publicity is demanded with more force and clearness than any other reform in corporation management. Publicity implies supervision. The Interstate Commerce Commission offers to make its supervision—in the case of steam roads, at least—elastic enough to permit each road to adapt the classifications to its own needs. It has not yet established the hard-and-fast rules which we usually associate with governmental action. It asks for aid in making its supervision intelligent. Such supervision may be irritating at times, but it is inevitable, and in the long run desirable. The heartier the cooperation of railroad accountants, the less painful will the transition to supervision prove.

A Code of Ethics for Lawyers.

A committee of the American Bar Association appointed to prepare "canons of professional ethics" has submitted to members a draft of the report they propose to present at the annual meeting in Seattle next August. In view of the interest which this subject is arousing among accountants, we think it well to call attention to some of the recommendations in the Committee's report.

Shall a lawyer defend a man whom he believes to be guilty? This question the Committee answers in the affirmative, declaring
Editorial.

that a lawyer, having undertaken the defense of such a man, "is bound by all fair and honorable means to present such defense as the law of the land permits, to the end that no person may be deprived of life or liberty but by process of law." Experience has shown that in a code of ethics for accountants a similar canon is necessary, for accountants have sometimes been employed upon the understanding that they shall make out for their client the most favorable statement possible. If the accountant for the prosecution shows that the defendant's defalcation is for $100,000, whereas the accountant for the defense shows it to be for only $1,000, does it or does it not follow that one or the other of them has taken unwarrantable liberties with figures? Must not accountants make up their statements absolutely without bias? In other words, can an accountant ever be justified in acting as a partisan or ally of his client? We believe that these questions must be answered in the negative and that the reports of two reputable firms of accountants, one engaged for the prosecution, the other for the defense, should be in substantial agreement upon all important points.

With regard to advertising, the report declares that the most effective advertisement possible is the establishment of a well-merited reputation for professional capacity and fidelity to trust. It does not regard the circulation of simple business cards as per se improper, but does condemn the solicitation of business by circulaires, by letters, or by personal interviews. The time is not far distant when the accounting profession will be ripe for a strict canon of this sort. Indeed, the leading firms of the United States are living up to the letter and spirit of this canon at the present time.

The proposed code contains a declaration against stirring up litigation, whether directly or through agents, which is aimed at the whole tribe of "ambulance chasers." The accounting profession furnishes analogous cases and must have a similar rule. There are shyster accountants who solicit work by calling on business houses and offering to prove that their accounting methods, no matter by whom installed, are bad in principle and costly in practice. This is contemptible as well as unprofessional.

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Harvard University, the oldest University in the United States, has seen the new light in education and has decided to open next October a "School of Business Administration," in which courses will be given in accounting,
The Journal of Accountancy.

business organization, commercial law, transportation, insurance, and kindred subjects. The new school, like the Tuck School at Dartmouth, will be conducted primarily as a graduate school, only college graduates being admitted as candidates for a degree. An ample endowment has been provided. The Official Register, in its announcement of the new school, declares that the governing boards of the University, in voting to establish this graduate school, "have recognized in the amplest manner the claim of modern business to be regarded as a profession, equally with the applied sciences, medicine, law, or divinity."

The President of the New Jersey State Board of Accountants writes that in response to the resolution of the New Jersey Board published in the May issue of The Journal, calling a meeting of members of state boards at Atlantic City next October, he has received a communication suggesting the formation of an association of the various state boards for the purpose of maintaining a uniform standard of examination. This is an exceedingly good suggestion and we would strongly urge all members of state examining boards, not only to accept the invitation of the New Jersey Commission, but also to send in such suggestions as occur to them, in order that due preparation may be made for a profitable meeting. Our state boards of examiners might well adopt the plan which has proved so satisfactory with American colleges, namely, of having a national committee on examinations, all candidates for admission to the profession being thereby subject to the same test. If some such plan as this could be adopted, the accountants of a state would themselves be to blame if their educational standard was brought under suspicion.

Classification of Railway Accounts.

Circulars have been issued announcing the appointment of an executive committee to consider the report of the committee on accounting and statistical inquiry of the American Railway Association. The executive committee is now arranging for a conference with the Interstate Commerce Commission, and the meeting will likely be held in Washington. As a result, it is believed that important changes will be made about July 1.

At a recent meeting of the Association a committee on accounting and statistical inquiry reported that until a proper general classification of revenue and expense is finally determined the adoption of a system of physical statistics should be deferred, as it is the purpose of the Interstate Commerce Commission to promulgate a system of classifications of accounts to take effect July 1. The committee also submitted a proposed classification of revenue and expense accounts in place of the tentative classification of the Interstate Commerce Commission. In the opinion of the committee the new classification should carry the minimum number of accounts which would meet the requirement of small lines and which could be subdivided to serve the purpose of the larger roads.

—The Railway World, May 15, 1908.

136