Current Magazine Articles

American Association of Public Accountants

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Current Magazine Articles.

Pastures New.

A fresh field for young men of ability is being opened up. The certified public accountants of this country and of Great Britain and Canada met in convention a few days ago at Atlantic City. There were London worthies, with huge jeweled seals hung round their necks, as though they were going to a Lord Mayor's banquet—typical "City" men, these, as Thackeray might have drawn them, rather proud of their lack of vacations, proud that their clerks feared the business would go to the bow-wows when the "governor" was away, convinced that the good old English employee is degenerating under the present-day love of ease and amusements. There were men from Edinburgh and Dundee. The Scots are great accountants, and it was in Scotland some fifty years ago that accounting as a profession was first established. And there were men from Montreal and Toronto, and Nova Scotia, and all over the United States. Accounting as a profession, like doctoring or engineering, began in this country in 1896, when New York State passed a law compelling all public accountants to pass a Regents' examination and receive proper certification before they could practice as "C. P. A.'s." The growth of the profession has followed the growth of corporations and holding companies. It is the business of these painstaking and meticulous gentlemen to unravel and set in order the complexities which such businesses produce. They will take a business which your grandfather set on its feet, and which you and his other decadent descendants are mismanaging, find out just where the dry-rot lies, and put the house in order. It is uncomfortable for you, but good for the business. They will sift and systematize anything, from a household account to the budget of a government. Theirs is a profession worth the consideration of young men with a turn for mathematics.—Collier's Weekly, November 5, 1908.

A Field for Young Men.

Young men who are determining upon a livelihood had better look into the possibilities of public accounting. Private business firms need increasingly the services of certified accountants, who may obtain their degrees from the State, by passing examinations prescribed by the Board of Regents. They are needed to go over the books, detect antiquated methods and systems, and substitute therefor more modern and accurate business devices. As corporations grow, these complexities become more insistent of unraveling and reform.

So likewise in municipal accounting. Mr. William H. Allen recently stated in The Journal of Accountancy that one thousand efficient
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young men were wanted immediately to perform the well paid duties of analyzing the business systems of cities. Controller Metz complained the other day that this city's bills and salary lists were not properly audited; that "the system is bad, and we haven't enough men. Until we get enough men, the city will continue to be cheated out of thousands of dollars every year." Mayor Hibbard, of Boston, undertook this week a radical reform in making up the annual budget for that city; his chief difficulty will lie in the dearth of efficient accountants. The cities of Louisville, Newark, New Rochelle, Holyoke—in fact, according to Mr. Allen, "over half the cities in the United States"—are now demanding expert leadership in business methods, so as to prevent extravagance and fraud.

The disposition that is manifest in all departments of public and private affairs to analyze improper and wasteful methods, and to supplant them, is not the least hopeful sign of our times. In this work young men of ability will take an important part.—New York Times, November 7, 1908.

Borrowers Must File Statements.

The agreement that is under negotiation between banks of New York and Chicago—and which presumably will spread to other cities—to refuse loans to all firms and corporations not willing to file a complete statement of their condition, indorsed by an independent certified public accountant, is attracting much attention in commercial paper circles here. Some of the Western banks, it is understood, are desirous even of discriminating against the commercial paper brokers, and place in effect as far as possible the Canadian idea of customers borrowing direct from their own banks, with whom they keep accounts. This idea is not likely to receive much support in New York, however, as the commercial paper brokers are very close to the New York banks and are considered necessary adjuncts for business.

The large banks regard the time quite opportune for starting a demand for statements. The failure of Booth & Co., of Chicago, and the Pillsbury Mills of Minneapolis has spread much nervousness as well as for them large losses among the country banks. Large concerns, who by their facilities for borrowing in country banks have been more or less independent of the banks in the larger cities, are beginning to feel the effects of the scare among the smaller institutions, and in one instance it is known a formal loan will soon be issued to meet the new conditions.

So far as the New York banks are concerned the statements that are desired are independent ones prepared on forms agreed upon by the New York State Bankers' Association. A copy of the desired form appeared in these columns last Friday. It is also desired that the statement be indorsed by some of the well known firms of certified public accountants. Some of the Western banks suggest that the indorsement of companies making a business of auditing be made acceptable, but there appears in certain quarters a distinct antipathy to the auditing by these companies. The
antagonism, as explained by a well known bank officer yesterday, is quite as pronounced among the large concerns whose accounts are to be thus independently audited as it is among lenders. The large industrial concerns place a very high value upon their "secrets" of manufacture and what they regard as the confidential part of their business generally. The class of employees sent by some of these auditing companies is, it is contended, such as certainly not to inspire confidence, some very young men having, it was stated, been sent in some instances on important branches of work. While their work may be regarded as routine, it has nevertheless been considered as raising the possibility that an immature "accountant" of this character may not recognize the necessity of keeping inviolable the affairs of the concerns that may come to their notice.

Another objection on the part of the large concerns to the preparation of their statements by auditing companies is, it is said, the prominence of large financiers, their own competitors, on the boards of these auditing companies. The claim is, of course, made that the directors of any of the auditing companies are in no way concerned in the practical details of their company's work, and that the leakage of any details of any company under examination is an impossibility. The explanation does not, it is argued, convince the managers of the companies under examination that any special director could not without difficulty learn their trade secrets if a desire existed to do so.

On the other hand, bank officers and other lenders would in many instances prefer statements prepared by individual accountants of known reputation rather than the "young men," as they call them, of the auditing companies.

So far as certified public accountants are concerned there can be no question, it is asserted, that a scarcity in the supply does exist in and about New York. This is ascribed to the operation of the Public Accountant Law, which was enacted as far back as 1896. By that law all certified accountants were allowed to continue in practice, but distinct handicaps were placed upon any increase after the law went into operation. The use of the abbreviations C. P. A., or any other words, letters, or figures to indicate that the person using the same is a certified public accountant, is prohibited except for those holding Regents' Certified Public Accountant certificates. The interpretation of the law is in the hands of the Regents of the New York State University, who makes rules for the examination of persons applying for certificates under the act, and appoint a board of three examiners for the purpose. This board consists of three certified public accountants, and the contention in some quarters is that the restrictions in the form of severe and complicated examinations are such that more or less of a monopoly exists in the profession of public accountancy at the present time.—Journal of Commerce (N. Y.), October 6, 1908.