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## Ethics for a new generation

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Mr. Johns, partner-in-charge in Chicago for 17 years, was one of those young men discovered by John R. Wildman, who set out in the 1920s to bring to H&S the most promising accounting students in the country. John Queenan and Weldon Powell were also among the group, and all three got their early training under Mr. Wildman in the Executive Office and W. M. Coursen in Newark.

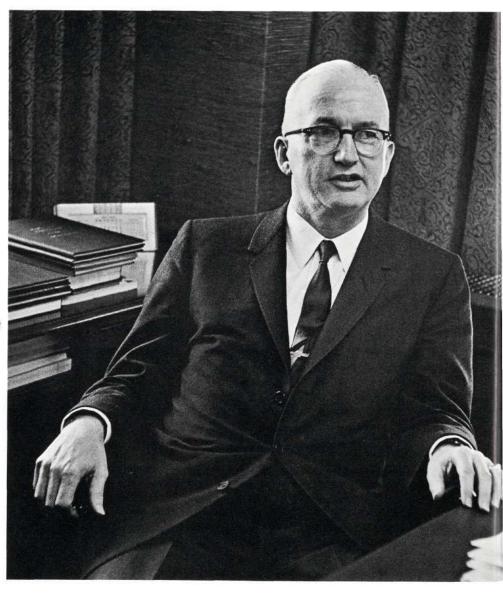
Mr. Johns showed an early aptitude for accounting. As a young staff accountant he was chairman of a committee of the American Institute—the natural business year committee—an appointment as remarkable then as it would be today. Since then he has headed many other committees, societies, and boards, including the accounting principles committees of three state societies, and is now chairman of the American Institute's ethics committee.

A prolific and innovative writer, he is responsible for the revision of two classics in accounting literature:

Accountants' Working Papers and Auditing (the latter known to accountants as "Bell and Johns").

Ardent support of his alma mater, the University of Illinois, has been accompanied by an interest in accounting for colleges and universities. He is an avid fan of Illini teams and a director of the University of Illinois Foundation.

Mr. Johns and his wife, Elizabeth, who live in Wilmette, are the parents of Gordon M. Johns, a principal in our Los Angeles Office, and a daughter, Barbara.



## ETHICS FOR A NEW GENERATION

The high priests of any profession have a way of regarding the standards of their day as sacred. After laboring to establish and uphold them, it is quite natural for them to do so. They also tend to view the younger generation with alarm as young Turks bent on disrupting cherished values.

In public accounting, no values are more cherished than those of the profession's ethics. Is it possible that such hard-won standards can be guarded too closely against change?

It has been my privilege to take part in the hundreds of man-hours of work devoted each year by ethics committees of the American Institute and state CPA societies. Those organizations assign a high place to ethics on their programs and in their publications.

CPAs are predisposed to high ethical behavior by the very nature of their function. Ethics is a favorite topic of their conversation, as one might expect of people who hold themselves out as judges of the fairness of financial statements. As long as thirty-five years ago, an article in *Fortune* magazine said: "Today it is no overstatement to say that there are preeminently three professions upon whose ethics as well as upon whose skill modern society depends: law, medicine, and Certified Public Accounting."

But let one thing be clear:

No code of ethics can go much beyond the ethics established in custom, and custom needs leadership to make progress. Ethical standards must be accepted first by a few leaders and then by most of the members before ethics committees and trial boards can exercise their authority.

As it has in technical competence, Haskins & Sells

has led the way in ethics a number of times over the years. The AICPA rule on independence, Rule 1.01, passed in 1962, is a case in point. Our Firm's policy with respect to serving as a director of a client corporation was in effect for many years prior to adoption of the Institute rule, and the similar rule of the Illinois Society of CPAs adopted a decade earlier, and even the passage of the Securities Act in 1933. One story has it that Mr. Sells established our policy in 1908, when without his knowledge he was elected to the board of directors of a textile client and declined to serve.

Similarly, it was unnecessary for the Firm to change its policy when the AICPA adopted its rule prohibiting the publication in a newspaper of an announcement of the kind known as a "card." Our Firm had long followed the practice of informing its clients and friends directly of the admittance of new partners and related matters, without resorting to paid newspaper announcements.

These illustrations show how ethics grow and how leadership operates in our Firm and in our profession.

It is difficult to imagine what the rules will look like, say, twenty years from now. They will be the expression of a new generation of accountants, men now on the threshold of their careers who are looking critically at the ethics they have inherited and who have the initiative to lead the profession to higher ground.

I have watched the profession's ethics make slow but steady progress, decade after decade, as one generation succeeded another. Remembering the unjustified fears of our elders, who watched anxiously as my generation navigated the shoals of the Roaring Twenties, I believe we can turn over the helm with confidence to those who follow us.

Ralph S. Johns