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THE HISTORY OF ADVERTISING BY ACCOUNTANTS

The accounting profession has changed to meet the requirements of business, government and other economic influences. In particular, standards of practice and principles to guide the selection of choices have been developed, modified, restated and fine-tuned over the past 70 to 80 years in response to the needs of an expanding American economy.

The common body of knowledge of accountants also has changed. The attest function grew in pre-eminence because shareholders and others wanted and needed accountability. The Internal Revenue Code demanded tax experts. Complex business and government operations and organizations came to need expertise in a wide variety of services, from systems design and installation to advice on other internal functions, sometimes called "management advisory services."

A framework of ethics was adopted (and amended) governing the attitudes and conduct of accountants in the course of their engagements. Independence and the strict adherence to standards and principles were considered as the foundations of ethics; ethics and a common body of knowledge, were the foundations of a profession.

Accountants wanted to be a profession, and advertising was believed to be unethical. This belief has also changed, and accountants have come full circle in the matter of advertising. Historians may be prompted to recall that history does, after all, repeat itself, or perhaps to quote from the Book of Ecclesiastes ". . .there is not a new thing under the sun." The intention of this paper is to trace the history of advertising by accountants in order to answer the question: have accountants changed their philosophy about advertising in order to meet a change in the environment in which

accounting functions? A possible side issue is the effect of advertising (in this case, nonadvertising) on the making of a profession. The principal focus is on the United States, with some reference to concurrent developments in England and Canada.

Early Experience With Advertising

The first restriction on advertising by accountants in the U.S.A. was adopted by the American Association of Public Accountants (forerunner of the American Institute of Accountants) in 1894, when its council resolved that “. . .all members (of the AAPA) be prohibited from advertising their vocations, but, insertion of a card in journals giving profession and address is permissible”.¹ The AAPA had little prestige or power, and the rule lacked an effective enforcement vehicle; it was largely ignored.

Previously, in the late nineteenth century, Webster noted that accountants advertised, and described a circular referring to planning and remodeling books for business firms, preparation and adjustment of partnership accounts, and periodic auditing and verification of statements.²

During the same period, British accountants were wrestling with the issue of advertising. In 1881 the Institute of Chartered Accountants in England began a movement to eliminate accountants “touting” for business, although as Montgomery notes, it was nearly twenty years before the practice died out.³ By 1907 the Institute prohibited any use of initials affixed to the accountant’s name in advertised announcements, which was not “. . .authorized by statutory enactment of this country or by well-known associations established for a similar purpose in the British Empire.”⁴

The *London Accountant* in 1909 editorially supported the council of the Institute of Chartered Accountants for having ousted a member-practitioner who was a director of an organization which advertised itself to be available to undertake the business of a professional accountant. “It is high time that no further indulgence should be given to those who apparently wish to hunt with both hare and hounds”, the editorial concluded.⁵

Two years later, *The Accountant* (London) published a letter from an outraged chartered accountant who criticized that journal for printing advertisements of “coaching” classes taught by other chartered accountants. The writer found no difference between advertising for business and advertising as a teacher of accounting. *The Accountant* responded by rationalizing its actions on the

grounds that advertising "coaching" was not unlike advertising a book written by an accountant. Even the medical profession placed no restriction on advertising for a book by a physician. Further, the prohibition on advertising was not to prevent an accountant from gaining a share of the available work, but rather because advertising lowered the dignity of the profession as a whole.⁶

The Journal of Accountancy Responds

Meanwhile, in America, accountants were advertising unfettered by any prohibition. *The Journal of Accountancy* was motivated to publicize what it considered ". . . particularly offensive . . ." advertisements.

A letter from an accountant seeking employment from a large business firm described himself (the accountant) as an expert in the field of accounts and production costs. In fact, the accountant continued, "I have yet to be pronounced or to find myself second in point of ability to any man engaged in this work."⁷

An audit firm responded to a help wanted advertisement placed by a commercial firm seeking a clerk. The auditors offered to "check the books" before the new bookkeeper commenced his duties.

A New York accounting firm with a Canadian office sent the following card of solicitation to a Canadian business in 1915 (one may assume "The Bull" to be John Bull; "underpaid alien assistants" probably refers to junior accountants in the New York office; the reader may draw his or her conclusions as to the meaning of the rest):

"We neither worship The Bull (a he cow), nor follow him, nor throw him. We simply can him.

"Consistently we say with plain directness, and uttering no boast, that you could advantageously use our recognized front rank ability as accountants and appraisers in the matter of

"An Efficient Operating and Cost System.

"We shall be glad to confer with you by appointment relative to our service in this matter.

"_____ & _____
Public Accountants General

"_____ Brooklyn, N.Y.

"Our service is by principles only, not by underpaid alien assistants."⁸

Advertisements appeared rather frequently. The following was printed in the *New York Times* on March 19, 1915.

AUDIT-ACCOUNTING SERVICE

Available for probate, adjustments, investors and general business interest. Exactness and quality of service attested to by large firms and corporations.

FEES MODERATE

_____ Company (name)
Phone _____, N.Y.
(telephone number and street address)

One accounting firm, The Accurate Audit Company, seemed intent on reminding the public of the approaching deadline for filing tax returns. On March 18, 1918, the following 2½" by 2¾" ad appeared:

Income and Excess
Tax Experts
Supervised by

_____, C.P.A.
Certified Public Accountant

Formerly U.S. Deputy Collector
of Internal Revenue

Our service insures pleasing results and often SAVES IN ACTUAL CASH many times its moderate cost.

There are ONLY 9 MORE DAYS TO FILE RETURNS, during which our offices will remain open until 9 p.m.

We invite consultation at your or our offices after telephone appointment.

ACCURATE AUDIT COMPANY

(address and telephone no.)

On March 20, 1918, Accurate Audit Company sponsored another box advertisement. This one, 7" by 3" had essentially the same

message, except that there were now "ONLY 6 MORE DAYS TO FILE RETURNS."

Finally, *The Journal* referred to advertisements spotted in newspapers written in language suggesting the superior ability of the advertiser-accountant. An editorial judged that the accountants were on the wrong track, anyway, even if accountancy was viewed as a trade, for no businessman was going to retain an accounting firm because of claims of the value of its services or the expertise of its assistants. "In our opinion. . .", *The Journal* continued, ". . .no business that is worthwhile can be got in that way." Advertising, *The Journal* concluded, should be both dignified and enlightening. That kind would increase receipts while not hurting the status of the profession.⁹

The Journal did not flag in its role as chief critic of advertising. Advertisers of accounting services were described as "undesirable elements",¹⁰ "simply disgusting",¹¹ or one who ". . . helps the public to a just apprehension of his merits;"¹² however, to its credit, *The Journal* printed both sides of the argument. The August, 1914, issue carried two articles by CPAs, both of whom wrote in support of the proposition that advertising by accountants was proper. Gore's rationale was that advertising was necessary to make one's ". . . ribs less visible when one bathes."¹³ The ". . . heroes. . . whose statues will never adorn a hall of fame, who steadfastly adhere to what they conceive to be ethical and wait day after day for the client who is to be attracted by their dignified attitude . . . are distressing . . . and are usually relieved by the ethical party's being taken over and added to the staff of more prosperous brother practitioners."¹⁴ "Viewing things from that position," he concluded, "one must concede that advertising has nothing about it of which to be ashamed."¹⁵

Shorrock was somewhat similarly inclined, believing that

". . .this, at least, is true, viz: That we shall never realize what we believe to be our possibilities of usefulness to the public or profit to ourselves if we permit ourselves to be bound by any rule which compels the public to seek us and does not permit us to seek the public."¹⁶

But *The Journal* had the last word. In 1919, it printed an editorial by the chairman of the professional ethics committee of the American Institute of Accountants. The editorial followed, by a year, a recommendation by the ethics committee for the establishment of a standing committee with power to censor advertising by AIA

members. The chairman's eloquent views were said to reflect the majority of AIA membership:

"The specious arguments which are made in favor of advertising and publicity campaigns are sometimes presented in such alluring form as to silence, if not convince, those who know in their hearts that no calling or vocation can consistently aspire to a professional status and dignity while it countenances unprofessional and undignified conduct. Oil and water will not mix — you cannot wed science to charlatantry without producing a sterile hybrid, and you cannot lay claim to membership in a profession while engaging in unprofessional practices. The things are incompatible — they cannot be reconciled, no matter how ingenious and eloquent the argument."¹⁷

Subsequently that same year, the council of the AIA added Rule 9 to the rules of conduct. "For a period not exceeding two years after notice by the committee on ethics publicity, no member or associate shall be permitted to distribute circulars or other instruments of publicity without the consent and approval of said committee."¹⁸

The AIA Bans Advertising

Rule 9 did not work. In 1920 the ethics committee warned that, short of a marked improvement in the form and content of members' advertising, the committee would recommend a rule prohibiting advertising. The committee did recommend such a rule, and the next year the council of the AIA adopted a resolution banning all but the circulation of ordinary business cards. This resolution in 1922 became Rule 10, prohibiting advertising by a member through the mail, in public print, or by any other written word. Excluded was a card which could indicate only name, title and address, without further qualifying words. The size of the card was specified.

Interestingly, in the *New York Times* of March 21, 1922, on page 10, the following advertisement by a still well known firm appeared in a 6" x 2½" "card."

Certified
Balance Sheets Reveal to Interested Executives
a business as it really is, not as they imagined
it might be.

(LOGO)

_____ & _____ (firm name)
Certified Public Accountants

_____ (street address)
New York

_____ (other city locations)

John L. Carey reports that following the adoption of Rule 10, A. C. Ernst and two of his partners resigned their membership in the Institute after having been called before a trial board appointed to investigate claims of violations of rules against solicitation and advertising.¹⁹ A. C. Ernst never returned to membership, although his partners did, thirteen years later.

Nor did Rule 10 end either the raging controversy over advertising or acts of advertising by accountants. The council of the American Institute of Accountants, sitting as a trial board, was active hearing advertising violations cases, with “. . .comparatively few acquittals.”²⁰

Advertising and the Courts — 1930

Of particular note in the period subsequent to the adoption of Rule 10 was a ruling by the California Supreme Court on June 30, 1930. While this case involved advertising by an attorney, the court's findings were essential support for the anti-advertising stance of the AIA, and especially for Rule 10. California attorneys were precluded from advertising by the rules of the California Bar, and the court found that a rule of professional conduct prohibiting advertising was not an unreasonable rule:

Notwithstanding the declaration of the petitioner, we do not believe that the profession of law is, or ought to be, merely “a highly competitive business.” And because it is not and because it is necessary that the public should not be given the idea that it is so considered by the members of the profession, the rule against the sollicita-

tion of business by advertisement is a reasonable regulation.²¹

This and other similar rulings of the time, were reversed by the United States Supreme Court nearly 50 years later.

Rule 10 was re-written in 1941, perhaps in clarification:

Members or associates shall not advertise their professional attainments or services, but publication of what is known as a card is not prohibited by this rule. A card is defined as an advertisement of the name, title (member of the American Institute of Accountants, CPA, or other designation), class of service, and address of the advertiser, or an announcement of a change of address or personnel of firms, not exceeding two columns in width and three inches in depth. . .²²

The institute continued to draw the advertising line tighter. In 1947 the "card" was limited to publication only in event of a firm name change or a change in firm location. At the same time, directory advertising was restricted in content and style.

The End of the First Era of Advertising

By 1958, the first era of advertising ended when the American Institute banned all advertising, including "cards". The Institute had ensured that accounting was safely on its way to becoming a respected profession.

Whatever the feelings of individual practitioners at the time, it seems clear that not only did the Institute prevail, but it was in the right. If the appearance of dignity and professionalism is important in the public eye, as was the view of the California court in 1930, to create a profession on a par with law or medicine, there must be restrictions on advertising. But how important is this factor? Other events may have turned accounting into profession in spite of a ban on advertising. For example, the Securities Act of 1933, the Securities Exchange Act of 1934, and the Public Utility Holding Company Act of 1935, together with requirements that filed financial statements be certified, impacted with force on the role and scope of accounting practice and accountants' responsibilities. To these pieces of legislation we may add the Internal Revenue Code of 1939, and the Investment Company Act of 1940.

The Second Era of Advertising

The second era of advertising by accountants began with the case of *Bates v. The State Bar of Arizona*, 97 S.Ct. 2691, in which two Arizona attorneys were successful in having the Arizona Bar Association's restrictions on advertising ruled unconstitutional as violating the First Amendment to the United States Constitution, in rejection of the 1930 California Supreme Court ruling. The AICPA reacted, after polling its membership, by amending Rule 502 of the Code of Professional Ethics in 1978 allowing advertising which is not ". . . false, misleading or deceptive."²³

Not unexpectedly, advertisements began to appear everywhere. Many national accounting firms bought full page advertisements in such magazines as *Time* and *Fortune* and half pages in the *Wall Street Journal*. A local newspaper carried the following advertisement in a large 6" by 6" box:

This year let a CPA do your tax return.
\$6.00 per page. (We also do write-ups,
audits, management services, etc.)

_____, _____, _____, CPAs

_____ (address)

_____ (phone number)

It was observed that, in the same advertisement the following year, the price went up to \$8.00 per page. More recently it was \$10.00 per page.

Another firm chose a different approach, in an advertisement that appeared as follows:

When we handle business people, we know how to talk to
business people.

(pictures of three distinguished
men, one bespectacled)

We also know how to handle and talk about corporate
taxes; real estate; business and finance (etc. and
etc.) And, indeed, we provide timely preparation of
financial statements and tax returns. If you would
like to talk with us, phone us.

Certified Public Accountants

We know how.

_____ (firm name)
 _____ (address and :
 telephone number)

The Competitive Environment of the 1970s and 1980s

Whatever brought advertising back to public accounting, its justification does not seem to be substantially different from that of Gore and Shorrock, some 70 years ago. Accountants (through advertising) can deal with competition from banks, attorneys and others.²⁴ “. . .The financial supermarket is on the way. . . . The banks are now learning about merchandising and within the next three to five years they will have financial services well packaged. When that day comes the U. S. accountant is going to need all the marketing skills he can muster. . .” else, banks could “. . .cut off the whole bottom level of accounting services.”²⁵ (And make one’s ribs more visible when one bathes?).

Chartered accountants in England and Canada who had restrictions on advertising similar to those in the United States, began a reassessment. The Canadians acted first.

Provincial Institutes in Canada in 1974 were called upon to “. . .review their policies on publicity to see whether some easing of their advertising restrictions might be appropriate and, indeed, welcomed by practicing members.”²⁶ They did ease the restrictions. An advertisement in the March, 1982 issue of *CA Magazine* appeared in a 5” by 2” box as follows:

_____, _____ & Co. (Firm name)
 Chartered Accountants
 (picture of a smiling CA)

_____ FCA, ACIS (name)

At the recent general meeting of the Partners of _____, _____ & Co., Mr. _____ FCA, ACIS was elected Chairman of the Firm’s executive committee. _____, _____ & Co. provides professional services in accounting, auditing, income tax and related financial and business matters, and computer services in systems and software design and processing.

The firm has offices in _____, _____, _____ (etc.)

At about the same time, the Institute of Chartered Accountants in England and Wales was restating its ethics code. The code generally provided that members not advertise professional skills or services. Announcements were allowed (restricted in form and content) for office openings, changes in membership, office removals and appointment of new members. District Societies (similar to U. S. State Societies) were permitted advertisements to inform the public of the services available from Chartered Accountants generally. Firm names in the district may be listed, but no indication of specific services by individual firm was allowed.²⁷

But debate opened up, according to the title of an August, 1983, article in *The Accountant*.²⁸ There were “. . .hard commercial realities. . .” and “. . .the accountant’s traditional preserve is being invaded by outsiders. . .” Accountants should not have to “. . .fight with one hand tied behind their backs.”²⁹ (Visible ribs again?) All this is not to mention pressure exerted by the Office of Fair Trading, comparable with the U. S. Federal Trade Commission.³⁰ The Institute was “moving steadily toward liberalization of professional publicity and advertising.”³¹ While English accountants presently lag behind their Canadian and United States counterparts, it may be surmised that they will soon catch up.

In the second part of the same article, Gail Counsell reported on the first TV advertisement “on the other side of the Great Pond.” Early in 1983, Alexander Grant:

“. . .Ran the first television campaign by an accountancy firm (though limited to the Chicago area). Two puppets, BJ and Larry, middle-aged businessmen, discuss BJ’s financial worries in a restaurant. Larry: ‘What’s eatin’ you, BJ? BJ (gloomily): ‘It’s my accounting, Larry, its driving me up the wall.’

BJ, it transpires, gets to sleep at night by ‘counting mistakes.’ ‘Go to see my guys at Alexander Grant. Smart partners. Problem solvers. . .’³²

The punch line, as reported, was “. . .at Alexander Grant, you can take their service for granted.”³³

In 1926, not long after Ernst resigned his membership in the AIA, four years after Rule 10 forbade all but “cards” while *The Journal of Accountancy*, editorially, was still attempting to clean away the mess, it made a rather hopeful prediction regarding advertising by CPAs: “The next generation of accountants will probably be unanimous in acceptance of the dictates which are so often the

subject of argument and bitterness today.”³⁴ Two generations later it appears that *The Journal* erred. We are essentially where we were sixty years ago.

Conclusion

The question posed at the outset of this paper can now be answered. Have accountants changed their philosophy about advertising? The answer is, yes. Between the 1930's and the late 1970's, accountants were virtually unchallenged in their roles as auditors, tax consultants, and bookkeepers. Federal laws passed in 1933, 1934 and 1940 required financial statement certification by public accountants. The 1939 Internal Revenue Code was a complex law to which accountants rightfully responded with vigor. The examination for certification of accountants, aside from becoming uniform for all, became substantially more rigorous. The supply of accountants tended to be constrained by an entry examination and experience requirements, while demand increased. In short, there were no pretenders to the accountants' throne, and advertising was very likely unnecessary. Again, the power of the Federal Government to “regulate trade” is vast. Since the 1960's, forces in support of expanded competitive environments and freedoms have gained considerable power. Consider the number of “rights” acts passed or proposed by Congress since 1964. Advertising existed before 1922 (and for a while afterward) because it was necessary. It may well be necessary again.

Accountants wanted to be a profession. That aspiration realized, there is no real reason for banning the marketing of services. But does a prohibition on advertising help make a profession? At the beginning of the paper it was stated that professions have two attributes: a common body of knowledge and a code of ethics. The *perception* of the users of professional services with regard to advertising will be the principal determinant of the impact of advertising on the “professional image”. The advertising phenomenon seems to have been accepted by users of all the other professions without loss of credibility. And who can resist the engaging simplicity of an advertisement which appeared in the *New Jersey Journal* on Wednesday, July 8, 1795:

Notice

A conveyancing office and office of intelligence will be opened by the subscriber on Monday next, in the brick

house of William Shute, Esq., formerly occupied by Cortland Van Arsdalen; where writings of every kind will be done on moderate terms; also, farmers' and trademen's books posted with accuracy and dispatch and those who do not understand the method of keeping their books will be shewn the form.

Benjamin Thomas,

Elizabethtown, April 21, 1795.

FOOTNOTES

¹Norman E. Webster, *The American Association of Public Accountants — Its First Twenty Years*, American Institute of Accountants, New York, 1954, p. 79.

²Webster, *Op. Cit.*

³Robert H. Montgomery, *Fifty Years of Accountancy*, The Ronald Press Company, 1939, p. 45.

⁴John C. Carey, *The Rise of the Accounting Profession Vol. I, 1896-1936*, p. 86.

⁵Reprinted in an editorial in *The Journal of Accountancy*, Vol. I, No. 2, December, 1909, p. 160.

⁶"Chartered Accountant Advertising", reprinted in *The Journal of Accountancy*, Vol. 21, No. 5, September, 1911, pp. 379-381.

⁷"Good Taste and Advertising", *The Journal of Accountancy*, Vol. 12, No. 3, July, 1911, p. 204.

⁸*Ibid*, p. 205.

⁹*The Journal of Accountancy*, Vol. 21, No. 6, June, 1916, p. 444.

¹⁰"Eloquent Advertising", *The Journal of Accountancy*, Vol. 21, No. 4, April, 1916, p. 285.

¹¹*Ibid*.

¹²*The Journal of Accountancy*, Vol. 21, No. 6, June, 1916, p. 444.

¹³Edward Z. Gore, "Should Accountants Advertise?", *The Journal of Accountancy*, Vol. 18, No. 2, August, 1914, p. 95, 96.

¹⁴*Ibid*.

¹⁵*Ibid*.

¹⁶E. G. Shorrock, "Should Accountants Advertise?", *The Journal of Accountancy*, Vol 18, No. 2, August, 1914, p. 101.

¹⁷*The Journal of Accountancy*, Vol. 29, No. 2, February, 1920, p. 128.

¹⁸Rules of Conduct, American Institute of Accountants, Rule No. 9, 1920.

¹⁹John L. Carey, *Rise of the Accounting Profession*, Vol. II, 1937-1969, p. 233.

²⁰*The Journal of Accountancy*, Vol. 51, No. 6, June, 1931, p. 402.

²¹*Ibid*, p. 406.

²²Rules of Conduct, American Institute of Accountants, Rule No. 10.

²³The entire Rule 502 is as follows: "A member shall not seek to obtain clients by advertising or other forms of solicitation in a manner that is false, misleading or deceptive. The direct uninvited solicitation of a specific potential client is prohibited."

²⁴Margaret Marley, "Advertising — The American Experience," *The Accountant (England)* Vol. 189, August 18, 1983, p. 210.

²⁵Marley, *Op. Cit.*, p. 210. Ms. Marley is quoting, in part, Donald C. Agnew, Southwestern Director of Main Hurdman and a member of the Ethics Committee of the AICPA.

²⁶Donald L. Atwell, "The Accountant, As A Hustler," *CA Magazine*, Vol. 104, June, 1974, p. 57.

²⁷"Ethical Guide for Members of the Institute of Chartered Accountants in England and Wales", *Accountancy*, August, 1975, pp. 42-47.

²⁸Margaret Marley, "Advertising — The Debate Opens Up", *The Accountant*, August 11th, 1983, pp. 176-179.

²⁹*ibid.*, p. 176.

³⁰Kate Atchley, "Advertising — The UK Decides, The US Reflects, *Accountancy*, September, 1983, p. 14.

³¹*ibid.*, p. 14.

³²Gail Counsell, "Advertising — The UK Decides, The US Reflects", *Accountancy*, September, 1983, p. 15.

³³*ibid.*, p. 15.

³⁴*The Journal of Accountancy*, Vol. 43, No. 3, March, 1927, p. 200.

³⁵From an editorial in the October, 1913, *The Journal of Accountancy*, Vol. 16, No. 4, October, 1913, pp. 310-311.