

Constructive Public Practice

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BY ALEXANDER RICHARDSON GRANT

After listening to the several excellent addresses already presented to us here, I feel it incumbent upon me to make certain apologies. What I have to say to you is derived from considerably shorter experience than most of you have enjoyed in the profession. My conceptions may recall to you the story of the editor who was confronted with the necessity of replying to a contributor who had presented a manuscript which was unacceptable to his publication. You may remember that his reply, among other things, contained the following statement: "What you have written is both original and good, but the part that is original is not good, and the part that is good is not original."

What I have to say to you has to do principally with the individual accountant rather than the firm.

It is not my desire to see the accountant at large become an industrial engineer. It is, nevertheless, entirely possible and, I presume, feasible for the firm of moderate to large proportions to have a department capable of functioning in this capacity. As a matter of fact, several firms have such departments at present. I feel, however, very much like Will Rogers when Dr. Funk threatened to sue him for defaming his *Literary Digest*. Will said that they compromised the difficulty by his agreeing to stop issuing the *Illiterate Digest* providing Dr. Funk would agree not to chew gum or throw ropes.

I hope you will not infer by what I may say that I am unmindful of the value to the public of properly prepared statements—accurately drawn balance-sheets and income reports. The accountant's contribution in these respects is of the highest social importance. It is unquestioned that the accountant must be prepared to certify to the financial and operating condition of a manifold variety of enterprises; and to act as master mechanic of bookkeeping. It is, nevertheless, the public's inclination to accept this contribution as constituting his entire scope.

Haven't you often heard it said of a certain type, "Why he's more than just an accountant?" But in reality he is not more.

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He is exactly what I am talking about—a constructive accountant—a business man with a special training in the genuinely broad field of accountancy. He recognizes the necessity of accuracy. He utilizes the work of the man who has correlated the historical elements. Based upon this foundation, he plans for future operations, weighing hazards with benefits, and giving due consideration to the changes in commercial methods or in public demand. And the utility of his judgment is tempered only by the quality of his observations. Let us bear in mind, however, that a proper conception of what to observe is prerequisite to valuable results from observations.

There must always be the auditor, the systematizer, the practitioner with a talent for exactitude; but I feel that there is room for a distinctly constructive type, and I suggest that the modern public accountant, if you please, should be capable of embodying the historical, the analytical, the imaginative and the constructive. Why should not the accountant accept all of these elements as part of his proper function? What should he do with the knowledge he gathers in his unusual intimacy? He sits in the key position. He is a genuine *fidus Achates*. His may logically be the function of coordinator. Must he recite only that last year such and such happened—the year before such and such happened—which results in a difference of 3.4%? I agree perfectly that all this should be done. I am not by any means decrying the functions of the accountant that are generally accepted. I am only suggesting that from an economic standpoint there appear many functions which should be a part of the accountant's work if business as a whole is to absorb the maximum benefit to be derived from a group of people especially trained as accountants are trained. It is conceded that the qualified public accountant should have a rather general knowledge of law. Is it not equally reasonable that the accountant may be more valuable to his client if he has a fair working knowledge of the principles of economics, of the principles of industrial engineering, or, to be all inclusive, of the principles of modern sound business practice? To be sure, he must be an auditor capable of certifying to statements, but is he not qualified for the equally high function of business consultant? I think this is true.

But how often does the accountant, in insurance parlance, “deny liability” with respect to the many constructive elements of his subject. We require of ourselves that we have this general

knowledge of law. But we do not practise law. Our need for this knowledge is based on our function of coördinator. The same idea may, I think, be extended in the direction of industrial engineering and similar services.

I remember a few years ago I had occasion to make an examination of a company whose treasurer had been a former auditor. We had a series of disagreements on principle, which you might expect from a former auditor. Finally, in exasperation, this chap said to me, "Do you know what you auditors remind me of?" Being a curious soul, I confessed ignorance. He continued that some years prior to my entrance into public accounting he had been an auditor and had had occasion to make an audit of the — company. In examining the vouchers he had run across one which read as follows: "To — — (\$25.00 for testimonial): 'I have used — soap for some years and consider it an indispensable requisite of my toilet.'" "Now," said this chap, "that is what your audit reports remind me of"—and to be quite honest, gentlemen, I am more in agreement with this fellow than I would care to admit publicly. For the last few years, my association with investment and commercial bankers has convinced me that too many annual audit reports are similar to soap recommendations.

How many times are you called upon to analyze reports presented to you by your banking friend, and, after having given them thorough study, are forced to the conclusion that like the Two Black Crows, you haven't any idea why white horses eat more than black horses unless it is that your client has more of the white horses.

It is not beyond the function of the qualified accountant to have dynamic ideas. Agreed that he should never forget that he must never be wrong—must this element, however, be made forevermore exclusive as well as paramount? Must the accountant confine his activities to the historical? Must his function deal solely with the numbers of the past? Of course not. But doesn't there seem to be an inherent fear on the part of the profession at large to reach beyond the point of certification? Many of the leaders of the profession, nevertheless, are doing the constructive things to which I refer; although, for some reason or other, there seems to be reluctance on the part of the profession at large to admit these things as part of our proper practice.

It seems sufficient for an auditor to say that the cost of sales has gone up seven or eight per cent., but it seems quite beyond his function to state in his report that the marginal value of certain products has decreased eight per cent. and that the particular people in question have not kept pace with modern engineering methods—that they take raw material into the first floor; that they start their process on the second floor; that their second process is on the third floor; and that their final process is on the second floor and their shipping room on the fourth; and that they waste an immense amount of money back-tracking throughout the plant, and that this is why the cost of sales is seven per cent. too high.

We are part of an age of tremendous industrial development. Physics, chemistry and the other sciences alter our commercial activities almost daily. What was sound yesterday is no longer sound today. To all of these ephemeral conditions imagination must be applied. The profession of accountancy has, I think, rather discouraged the constructive, the imaginative forces of the mind.

I recall that some years ago, while an employee of another accounting firm, I was requested to make a survey of the city of Denver, for a client local to Chicago. This client had for many years maintained a store in Denver. I spent a week there. My assignment consisted of ascertaining whether or not the store should be closed. When I returned to my office the partners informed me that it would be much better if my report were rendered orally. They seemed to think that I had exceeded the scope of a public accountant to a large extent for I had made recommendations above and beyond their conception of his proper field. They probably thought I had been crystal gazing.

I have an idea that a careful check-up would result in the discovery of few genuinely constructive minds on the average staff. Is this due to the natural scarcity of constructive minds or is it due to the fact that, with the public's conception of public accountants as a sort of policemen, the men generally attracted to the profession are of the policeman type? I incline mainly toward the latter opinion. And in closing, may I leave you with the following thoughts:

(1) Would not a more constructive viewpoint on the part of the profession at large attract more constructive minds?

Admitting, as I do, that all men can not be of the type I describe—if, nevertheless, those of the profession who are its real

leaders would openly admit that the constructive side is a legitimate function, then would not the public at large have a more accurate picture of the talents of accountants and both the latter and general business profit thereby?

(2) There is the trial lawyer; there is the lawyer who is particularly able in the preparation of briefs; and there is the lawyer whose talents lie in slightly different directions. But they are all lawyers—all law trained.

Now by way of parallel. Can not the profession of accountancy contain men and women of slightly varying talents—all accounting trained? As a matter of fact, doesn't it contain several varying types?

(3) Might not our schools lay greater emphasis on sound business building without minimizing the authenticity of balance-sheets and income statements, but rather admitting that these are only part of a more comprehensive field?

(4) Would not the inclusion of some constructive questions in our regular examinations for fitness exert a decided influence on the type attracted to the profession?

(5) And finally, will you not agree that there is a possibility that the future of our profession and its advancement lies principally in a constructive and partly diagnostic service to modern business?