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Some Difficulties in Practice

By A. J. LYNN

A better and possibly a more appropriate title for this article would be *Some Difficulties in Public Accounting Practice in Cities of Twenty-five Thousand Population and Under*. Students of accounting, present and future practitioners seeking a place to practise their profession frequently inquire concerning the opportunities in the smaller cities having populations not exceeding, say, 25,000. It has been said, too, without much possibility of absolute proof, that there is a lucrative field in these cities for the professional accountant and also that the profession may be slightly overcrowded in the larger cities. While one illustration, or even a small number of them, statistically speaking, does not furnish satisfactory evidence to prove a proposition conclusively, the writer of this article presents a few observations on the difficulties of practice in the small cities, as well as some hopeful arguments in behalf of the opportunity for the professional accountant in such a place.

It should be said here that this article has not been written with any sense of regret or recollection of bitter past experiences of the writer, but with a feeling that the professional accountant is slowly gaining ground. However, the prospective practitioner should be informed of some of the difficulties which may arise in the course of building up a good practice. The term accountant, as used in this article means one who is certified or one who belongs to the American Institute of Accountants.

The files of the *Bulletin* of the American Institute of Accountants in its announcements concerning accountants indicate that there is an increasing number of offices being opened in the smaller cities. This is certainly indicative of the growth of the demand for the services of professional accountants.

Numbers of difficulties arise in small-city practice. Many of them apply typically to the smaller cities and some of them, no doubt, may apply also to a great extent to practice in the larger cities, but the points subsequently mentioned in this article are those which more strongly concern accountants in the smaller places. In these cities the opportunities for practice are limited, because there are many branch stores and offices of larger or-

ganizations whose books and records are audited by staff auditors or public accountants from the large cities where the home offices of the respective branches are situated. Or the work may be done by public accountants in the larger cities where district offices are located.

The installation of records or so-called system work is usually done for the branches by representatives from the home office. There are many branches in the smaller cities—for example, those of oil companies, telephone companies, chain stores and branches of wholesale houses. Then, too, the respective trade associations, by endeavoring to develop uniform accounting, do a considerable amount of local work, for example, in the building supplies and lumber companies, where the local dealers belong to city, state, district or national associations which are strongly advocating a uniform system of records, prepared by some firm of accountants chosen by the association to do installation work and to spread information among dealers on the advantages of an adequate system. These associations are correct in their policy of attempting to spread information on the importance of records, as a means to the end of good business administration with a resultant higher percentage of profit. Many "complete systems" prepared by blank-book and stationery publishers for retail stores, garages and other businesses should be mentioned also. Such systems may not always be entirely satisfactory, but they are better than none. Sometimes they serve the purpose and may be obtained at a minimum cost and be operated without a large amount of clerical assistance.

In the smaller cities, there is noted in many instances a lack of stimulus among business men for better records, because the community is typically one of small firms with possibly not more than two or three that may be considered large, and because small merchants and business men are not educated to the benefits of the services of public accountants. Suffice it to say that accounting is looked upon, regrettably but frequently, as a superfluous and somewhat useless thing which may be foisted upon a business by an over-enthusiastic public accountant. And it is true, no doubt, that some small firms, as well as large ones, have been misled as to the benefits to be derived from accounting, and accordingly have been over-systematized with a set of books and records too large for the particular business and too expensive to operate.

The local press in the small communities is sometimes reluctant to give space to matter dealing with accounting questions. The reason usually given is that the importance of the profession of accounting is not sufficiently known, and the material sent in for publication is branded by the editors as a mild form of propaganda. It should be added, however, that most editors in smaller cities are eager to publish such matter when it is of national importance and readily give it prominent space.

The rapid spread of the knowledge of accounting through correspondence, secondary, evening, continuation and collegiate schools of business is training annually an increasing number of people in accounting and related subjects. In the small cities such training is often sufficient for the small business and the services of certified public accountants are, therefore, not desired by individual firms. A "complete system" may be installed and operated by a person who is not in any sense a specialist in accounting. Again, attorneys in these communities do considerable tax work, and banks do a good deal of tax work gratis, especially in small cases where no particular accounting complications arise. Now and then a professional accountant may be called in where there is considerable accounting involved. Lawyers handle estates, bankruptcy cases and other matters without the apparent need of a trained accountant. The reasons for this are, first, that there are slight, if any, complications in the nature of cases handled and, second, that there is a lack of knowledge as to the value of the services of the accountant trained not only in accounting and business statistics, but in business administration. Most bankruptcy cases of the smaller type are taken care of by the trustees in charge without any need for professional accountants. The matter of selling the stock of a bankrupt concern is left to the wishes of the creditors and frequently they are not aware of the advantage to be derived by calling in an accountant. In observing dozens of small bankruptcy cases, the writer has not yet seen a single case where the services of a public accountant were engaged.

Coöperative associations for fruit growers and producers of cotton and other products usually do not have audits made. The local bookkeeper in charge is sufficient, as there is no desire on the part of the members of the association to have an outside audit of the records. The administration of such associations is usually left to the general manager in charge, who is frequently not

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accustomed to dealing with records and consequently does not know the importance of the aid of an experienced certified public accountant. The members of the boards of directors of such associations, while successful in their respective vocations of farming and the like, pay little attention to the function of keeping the records of the organizations. The records are often kept by a local bookkeeper who may or may not have other regular employment, but has time to work for such associations during the busy season.

A few years ago, when the federal tax law touched more people than it does now, there was a heavy demand for accountants, but as the years have passed there has developed, on the part of the public, more or less general knowledge concerning the federal tax law, its provisions and administration and the procedure to be followed in preparing income-tax returns. Under the present act, fewer persons pay taxes than at any other time, except prior to the act of 1918. Local government work and city and county audits are in the hands of the local council or its representative committee and the county affairs are usually under the direction of the fiscal court. The fees paid for city audits are frequently enough to attract certified men of high standing. County audits are often paid for on a very low basis, not more than low daily wages which are not sufficient to attract trained accountants. Consequently this work is frequently done by some local person who has had experience only as a bookkeeper. But there are some indications that county officers are thinking in terms of better records with a desire for periodic audits by certified public accountants.

There is also some feeling in small cities, on the part of business men, and even some professional men, for example, physicians and dentists, that they know enough to design records for their individual use, or they resort to complete systems specially designed, and accordingly make income-tax returns without the aid of a certified public accountant. Especially is this true as regards federal tax returns. It is generally felt that a copy of the federal tax law and the regulations is all that is necessary.

Where the bankers know personally almost every one in the community, there is apparently little need or demand for certified statements to be submitted for credit purposes. Some bankers even say that to demand a statement of condition or balance-sheet would tend to drive customers away, because the banker's

patrons have not been educated to the use and importance of certified statements, whereas the business men in the larger cities have already arrived, mentally speaking, at the point where it is often taken for granted that a certified statement is very desirable and will serve to impress the banker with the customer's good business sense.

Another difficulty that accountants in small cities must face—one which materially affects individual educational development—is the lack of opportunity for obtaining a variety of experience. There is not sufficient opportunity to gain wide experience. As mentioned before, many of the larger engagements are taken care of by firms from distant cities at the instance of the home office or the work is done by a company's traveling auditor. It is sometimes difficult for an accountant in a small city to keep a staff that is sufficient to meet the needs, because the demands are not evenly distributed throughout the year. Then, too, the amount of practice may be too large for one, two or more men, but not large enough for two, three, or more.

Another difficulty or disadvantage is the lack of association with other members of the accounting profession. In the large cities enough accountants are often found to make possible the formation of a local society. On account of the lack of such professional intercourse in small places the accountant must resort solely to reading accounting literature and to an occasional visit to a regional or state meeting. In public practice, it is almost absolutely necessary that every accountant be supplied with some of the best tax services, but these are expensive for those whose practice is somewhat limited. Circulars received from time to time indicate that the larger accounting firms are subscribers to more than one of the various services, of which there now seems to be an epidemic. Each one, however, has some merit. On this point of educational development no local accountant can compromise by doing without some of the services on the ground that practice does not justify them, even though the overhead expense is high. Professional advancement requires that an effort be made to keep up to date in the profession. In addition to services, many books must be purchased, as is the case in any kind of effort which is of sufficient importance to be styled a profession.

One other difficulty, which has been reserved for last mention, relates to the term C. P. A. Used after one's name, these letters signify to the minds of some people in the small communities a

very high-priced type of service. The public has somehow gained an idea that a certified public accountant charges a tremendous per-diem rate. The application of this statement here is to the small communities, but possibly it may apply in a degree to the smaller merchants and other business men in the larger cities as well. To quote a rate of forty, thirty, or even twenty dollars a day, for each man, sounds high to the business man who possibly has no one on his payroll who is receiving more than one hundred or one hundred and fifty dollars a month. On the other hand, there are some men to be found in a community who instead of employing a local accountant see magic in the practice of obtaining accountants from the large cities. This evidently rests upon the idea that those from the large firms have had a greater variety of experience, and that thought is at least partly justified.

There are very encouraging signs, however, which should be noted in this discussion of difficulties. Some evidence that the local accountants are gradually making a place for themselves is present in the smaller cities. The general spread of education which leads to a better understanding of our industrial system and how it works serves to point out that we exist in an age of great specialization, which is ever on the increase. With the growth of this idea of specialization, the accountant is coming in for his share of consideration as one who is equipped by proper professional training and experience to render a specialized and very important service. The better educated the business man, the more he is likely to recognize the services of a professional accountant as a specialist not only in technical accounting but in business administration in general. Even those business men who may have had technical training for business themselves are willing to turn some of the responsibilities of their organization over to professional accountants, at least for an annual or semi-annual audit, and an occasional firm goes to the extent of obtaining the services of accountants on a retainer-fee basis.

There are also some signs which indicate that the non-resident managers of organizations having branches in the smaller cities are willing to employ local accountants for audits of the respective branches. Such a plan saves traveling and hotel expenses of accountants and at the same time satisfactory results are obtained. As accounting practice becomes more standardized this procedure, now in its infancy, will probably become more common. Local certified public accountants are really in a position to render

greater assistance because they are on the ground where close supervision may be exercised over the records of local branches. Some of the trade organizations, through their accountants, are showing a fine spirit in this direction. The officers in charge of such trade associations employ accountants to design a standard system and after it is installed state that it makes little or no difference to those using such systems what accountants do the periodical audit work. Installation of the system by a central office of the trade association serves its purpose when those who belong to the association have begun to use the proper records and standardized reports.

Local accountants sometimes establish an affiliation with accountants in one or more of the larger cities, in order to be able to obtain assistance when needed for the more difficult cases which arise occasionally in practice. These affiliations are also convenient when some circumstance may prevent the local accountant from completing the job at hand as it should be done.

There are also accountants in small cities who handle the affairs of persons serving in the capacity of secretary, treasurer or general manager who desire the services of a certified public accountant at least once a year as a desirable protection to themselves. This idea is spreading and even applies to non-profit-making organizations where funds of a semi-public nature are handled.

An attempt has been made in this article to point out a few of the difficulties to be met in professional accounting practice in cities of twenty-five thousand population and under. Certainly no claim is made that the list of difficulties mentioned in this article is complete. Accountants practising elsewhere may have met many others that should be added to this list. Furthermore, an effort has been made to show that there are signs of encouragement for the growing importance of the profession in small cities. Those who are willing to strive hard in order to render a high type of service, but at the same time to be content with a slow but steady growth, appear to have plentiful opportunities for establishing what may possibly not be the most lucrative practice, but a practice that brings substantial return for the professional services rendered.