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Early Days of American Accountancy*

BY JAMES T. ANYON

II

Early in the year 1887, I became a partner in the firm of Barrow, Wade, Guthrie & Co. along with E. H. Sewell, an actuary, who was later retired, and, as might be expected, I was pleased and proud to be raised to this position.

The clients the firm had at this time were very few. The one we prized the most, and felt proud in keeping, was the New York, Ontario & Western Railway Co. This company was the first railroad in the United States to employ public accountants to act as auditors and to certify to the correctness of its annual statements to its shareholders. My firm has acted in this capacity ever since, and I believe there has never been any criticism of its accounting methods or any fault-finding with these statements on the part of its stockholders during all these years. Other clients we had were the Royal Insurance Co. of Liverpool; the British and Foreign Marine Insurance Co.; the London Assurance Corporation; the Sun Fire office; York Street Flax Spinning Co., and several others.

With this very moderate volume of business as a nucleus, I launched out as the head of the firm on my new career as a practising accountant in this great United States of America, full of ambition, a love for my work and a determination to make good. I had the advantage of being a fairly good accountant,

* The first portion of these reminiscences appeared in *THE JOURNAL OF ACCOUNTANCY* for January, 1925.

but the disadvantage of being an Englishman, for the people generally, at that time, did not take very kindly to men of this nationality. They were looked upon as rather slow and stupid and, while admittedly honest, were not considered overcapable. Besides there was somewhat of a national feeling of prejudice against Englishmen, arising I think in the old colonial days, which was still apparent. It was a fact, nevertheless, in spite of this feeling that if any real and important accounting work had to be done, it would in the majority of cases be given to the foreign-trained accountant in preference to the native one. The usual explanation for this was that the giver of the work had greater confidence in the precision and accuracy of the work of the foreigner and greater faith in the honesty of his conclusions. This may seem rather an odd statement to make, and, while it was true then, it is gratifying to know that this discrimination no longer exists even to a slight extent in these times, as both native and foreign-born accountants equally represent the highest point of efficiency in their profession.

By reason of the limited amount of business my firm had to start with, as already stated, I could not afford to engage any assistance in the office, beyond the employment of an office boy. I was, therefore, called upon to fill the several rôles and discharge the duties of the following offices: accountant, acting auditor, correspondent, cashier (this latter position did not take up much of my time for reasons quite obvious), firm bookkeeper, writer of reports, traveler, time-keeper, computer of customers' bills for service and, in fact, everything but dusting the office desks, filling the ink stands, mailing the letters and doing other minor things which were the duties of the boy.

For the whole of this service, and the fact that I was a partner, my salary was fixed at \$208.33 a month. My total annual income, therefore, was salary, \$2,500, and a proportion of the net profits of the firm, if there were any; and this I had very grave doubts about at the time. However, it was very gratifying to find that at the end of the first six months, viz., June 30, 1887, the operations of the firm including all the departments above referred to, resulted in a gross service credit of \$4,842.08 and a net profit, after charging my salary of \$1,250, of \$2,133.50. I state these particulars just to show how simple and moderate the business of an accounting firm was in those years compared to the many and wonderful firms of today.

I now return to the fortunes and affairs of the American Association of Public Accountants. It soon became known around New York and adjacent cities that public accountants had taken steps to organize themselves as an association, and a number of letters and enquiries very soon came forward from persons interested in the movement asking what were the requirements for membership, the entrance fees, annual dues, etc. It must not be considered that all these enquiries came from persons connected with the profession of public accounting. Some filled positions as head bookkeepers in mercantile and manufacturing concerns; a few were men who apparently had no particular status in the field named but evidently loved accounting for itself and liked to be in association with those who understood and practised it; while one or two were professors or teachers of bookkeeping who wished to be in touch with anything appertaining to the latter's progress and advancement. One letter was an enquiry as to what the association would charge for a certain piece of accounting work the writer required to have done.

All these things tended not only to give some little publicity to the movement, but also steadily to increase the membership of the association. At the date of the birth of the latter, December 23, 1886, its members numbered some eight or ten individuals, but from this time forward the increase was steady and continuous. The interest therein of these members continued unabated. Each worked to do his own part, and all worked in one special direction, viz., to get the association in a position where it would be recognized as having something of a legal status. This was eventually accomplished, and in August, 1887, the association became incorporated under the laws of the state of New York with the name and title of "American Association of Public Accountants."

The by-laws of the association were prepared, approved and adjusted, officers appointed and all other things done to facilitate the start of the association on its new career. Its first president was James Yalden, New York; vice-president, John Heins, Philadelphia; secretary, James T. Anyon, New York; and treasurer, W. H. Veysey, New York. Its offices were in the old Equitable building, rooms 50 and 51, for which the association paid no rent, these offices being the ones rented and occupied by my firm in the regular practice of its professional work.

The first council of the association, the members of which were selected to regulate and conduct its affairs, consisted of the following gentlemen:

AMERICAN ASSOCIATION PUBLIC ACCOUNTANTS

Members of first council

James T. Anyon	New York
Louis M. Bertheil	New York
George H. Church	New York
John Heins	Philadelphia
Mark C. Merick	New York
Rodney McLaughlin	Boston, Mass.
C. H. W. Sibley	New York
William H. Veysey	New York
Walter H. P. Veysey	New York
James Yalden	New York

The by-laws of the association provided, amongst other things, that the members should be divided into two classes, styled, respectively, "fellows" and "associates," the fellows to have the right to use after their names the letters "F. A. A." and the associates the letters "A. A. A." to designate their degree of membership.

It was provided that the fellows should be: (1) the original incorporators of the association and those who subscribed to the constitution and by-laws; and (2) all persons who had practised as public accountants continuously for three years previous to their admission to membership in the association. The associates should be all persons who obtained certificates of their having passed the final examination.

The entrance fees payable by a fellow on admission were \$100.00—one-half on admission and \$50.00 on call of the council at any time after two months; by an associate, \$75.00, viz., \$25.00 payable on admission and the balance on call of the council any time after two months.

Other provisions in the by-laws concerned the powers of the council, meetings of the association, examinations and so forth. One of the provisions appeared almost to require the council to make an annual inventory of members who were actually in public practice. It read as follows:

The council in every January or at any other time, and in such manner as they may deem reasonable, shall satisfy themselves that every member either continues to practise as a public accountant or continues in the

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employment of a public accountant, and on being so satisfied shall issue to such member a certificate of membership, for which there shall be paid to the council by each fellow \$25.00 and by each associate \$10.00. Such fee hereinafter styled "the annual certificate fee" shall be due and payable in January of each year, or at the date of a member's election or admission, or beginning to practise, and until payment thereof no annual certificate of membership shall be issued. The secretary shall keep a register of the members of the association, which shall contain their business addresses.

At the time of incorporation the association had thirty-one members of whom twenty-four were fellows and seven associates. This number with a few others outside who did not or could not join for various reasons (the main one being that the payment of the entrance fee for the time being stood in the way) practically constituted the total exponents and representatives of the profession of accountancy at that time in this country.

It must not be imagined, however, that all these were men in full professional practice connected with firms having regular offices, names inscribed on the door, and several assistant accountants as part of their staff, as we find the case in these times. There were a few of this kind, but not many. The majority had merely desk-room in other offices with no assistants; a few had their offices (mainly for reasons of economy) in the back parlors of their homes, while one or two others did not seem to have any visible address anywhere but when wanted were usually on hand.

It might be interesting at this point to study the character and standing of the men then engaged in the profession as a comparison with those who practise it at this time. They can be divided into two classes, the first consisting of a few who stood out somewhat conspicuously from the rest in trustworthiness and proficiency, men who were imbued with the spirit of the profession and by thought and experience had learned and acquired all there was to be known in the profession as understood and practised at that time. The first of these I think was John Heins of Philadelphia, a man who was by natural instinct an accountant, reliable, intense and a gentleman. George H. Church of New York was of the same type. James Yalden was a good accountant. Mr. McLaughlin of Boston, Mr. Veysey and Mr. Haskins of New York possessed many sterling professional qualifications. There were of course a few others possessed of a certain proficiency and intensity whose names I need not specifically mention.

The second class was by far the larger in number and in character and standing of a very mixed order.

With the limited amount of accounting work available and the relatively large number of accountants ready to do it, business was necessarily scarce, fees were few and far between, and the net result of the work performed was at the best meagre. This condition to a certain extent had its effect on the personal appearance of the class of practitioners I am referring to, the majority of whom certainly did not look exactly prosperous and probably impressed prospective clients accordingly.

I remember the occasion of the first social meeting of the members of the American Association which I attended. The event was to take the form of a dinner to be held at the old Astor house in lower Broadway, New York. There were about fifteen or twenty members present, many of whom had evidently hired a dress-suit and white tie for the occasion; and taking them all round, their general appearance hardly suggested successful professional men. Nevertheless they all seemed happy, thoroughly enjoyed the occasion, made appropriate speeches, got full of dinner, enthusiasm and cocktails, and altogether had a splendid time. Although full of zeal and ambition to excel, the average man of this class lacked personality and impressiveness. He failed to convey to the business man the conviction that he was an expert in his profession, or that he was especially expert in anything. He knew his business in a simple, elemental way, but possessed few ideas and little or no vision. He certainly loved what he regarded as his calling in life, and had an intuitive feeling that there was a good deal in it and that some day this would come out and recognition of his services by the public would be in evidence. He felt, in any event, that he was in a class much higher than the usual commonplace bookkeeper, although the latter, on his part, had a feeling that the former was not a bit better than himself and, in a good many ways, not as good. The man in this class loved to discuss his business with brother accountants and usually dwelt on the simple little problems that cropped up in his every-day practice. But these were entirely bookkeeping problems and had no semblance at all to the higher questions, theoretical or practical, that constantly confront members of the profession in these days.

As illustrative of this simple condition, I might relate an incident which happened at about the period to which I am referring. The occasion was an informal meeting of a number of accountants, and general accounting topics were being discussed. The con-

versation turned on the procedure necessary to be followed in the case of opening up the new books of a corporation, copartnership or other business. One of the accountants present, who considered himself somewhat of an authority in these matters and had been freely expressing his views thereon, was asked by another how he would proceed to open up the books of a trust when a person had died and left an estate. He thought for a moment and then replied: "Well, I should say, as there are funeral expenses, the cost of the burial lot and opening up of the grave, that it would be as well first to open a 'cemetery account' and charge all these things to it, and in my opinion that's all there is in the matter."

There certainly were a number of oddities (I was about to say curiosities) among the "professionals" in those times. Here is another and rather amusing example.

The occasion was, as in the other case, an informal assembly of accountants met for general discussion. After a time the conversation turned on the subject of the desirability of requiring accountants to pass examinations as a test of their fitness to practise in a public way and as a basis for obtaining degrees in case laws should later be formulated to regulate the practice of the profession. There was general agreement that this would be a good thing to do, and one of the accountants present went so far as to state his views of the several subjects such examinations should cover. In his opinion the suggested examinations should embrace English grammar and composition, arithmetic, elementary branches of mathematics, the theory and practice of bookkeeping and accounts, and "I would further suggest," he continued, "that there be one or two other outside subjects, such as one foreign language, say French or German, and the rudimentary branches of natural philosophy and physics." Just as the speaker uttered the word "physics" an elderly accountant, sitting next to me, who had been listening intently to what was being said, turned to me suddenly and eagerly remarked, "Mr. Anyon, I know I would pass easily on the subject of physics because I used to work in a drug store."

These professional gentlemen were usually referred to by the general public as "experts" or "expert accountants" and sometimes as "checkers." It was quite customary for them to advertise their calling in the daily papers and financial magazines, and these advertisements would run something like the fol-

lowing: "John Doe, expert accountant, books written up and balanced, tangled accounts straightened out" and so forth. The word "tangled" seemed a favorite word to use and appeared quite often in these advertisements. However, business men generally did not take very kindly to these new "experts" and the service they advertised. If some real accounting or bookkeeping problem had to be taken in hand, the average business man would often go to his lawyer or, better still, as costing less money, to his banker, and obtain the services of one of the bank clerks. Just as the general public was not particularly impressed with these experts, so bankers on their part had very little or no use for their services, while lawyers looked upon them more in the light of trespassers on their own business preserves than anything else, for lawyers in those times did or rather tried to do special work in accounting matters that now falls to members of our profession.

At the initial period of which I am writing and for a year or two thereafter the profession did not advance in public favor to any pronounced extent. It did progress somewhat but not in a way and to a degree at all proportionate to the desires of those engaged in its practice. The reason for this I believe was partly the fault of the professionals and partly the fault of the public. The former seemed to be unable, mainly on account of limited knowledge, to impress the latter that accounting services were different from those involved in bookkeeping, and the public on its part showed no disposition to be convinced that such a profession as public accounting was actually a needed one.

It is true that there were a few business men who had a fairly good conception of the character of the profession and saw advantages in it which when better understood would undoubtedly be of benefit to business at large. On the contrary there were a great many who had very mixed ideas as to just what the business of the expert accountant was and exactly what he professed to do. Some considered that he was an experienced bookkeeper and no more; others looked upon him as a man whose business it was to detect fraud, embezzlement and stealing, and that his employment was of value only in this direction; while many had a vague idea that he was merely a man of figures, a rapid and unerring calculator who could add up two or three columns of figures at a time, could tell you immediately the square or cube root of any given number or say off-hand, for example, what one dollar put

out at six per cent compound interest per annum at the time Columbus discovered America would amount to today.

As an example, a lady called at my office one day and announced that she wished to see me on an important business matter. The lady in question proved to be the late Mrs. Hetty Green, whom many will remember as being a rather picturesque figure in New York some years ago. She entered the office and after scrutinizing me fully and carefully said: "I understand from Mr. Williams of the Chemical National bank that you are an expert calculator and figurer and can decipher accounts that are wrong." I hastened to assure her that I was not a particularly quick or expert calculator—that I was an accountant. "Well," she replied, "I suppose it's the same thing and I'll tell you what I want," and thereupon set out in a voluble and business-like way to state her case. She was the residuary legatee under a certain will in a large estate and was much dissatisfied with the acts of the executors and trustees of the estate and desired to know if I was sufficient of an expert "figurer" and calculator to find out and lay bare these wrongful acts. I informed her that as an accountant I felt I could do this fully and satisfactorily, but that I was not solely an expert figurer or calculator and that it was not essential I should be in order to do the work properly. This did not seem to satisfy the lady, who evidently thought I had proved myself to be incompetent, for I failed to get the work. Instead she engaged the services of one of the Chemical bank clerks in the matter, and probably he successfully unearthed by his ability as a rapid calculator all the wrong acts of the executors and trustees of which she complained. There were many similar instances and each one tended to indicate the somewhat distorted conception many people entertained of just what the accountant's work actually was.

It was, therefore, not only the character or rather lack of character as well as lack of knowledge on the part of the majority of accountants that tended to retard the advance of the profession in public favor, but another thing of equal importance, namely, that practitioners seemed unable to create in the minds of business men the faith and confidence in their integrity and honesty which is the essence of the profession in these days. And there was some reason for this.

I feel free to say that in those times there were many practitioners who did not seem fully to realize their responsibility to

their profession or to third parties who might be called upon to act on the results of their work. They did not consider themselves bound to precision and truth in the same degree or to anything like the same extent as their brother accountants of these days. It is most gratifying and satisfying in these times to see how careful and thorough accountants generally are in the presentation of the results of their work, and how strictly they adhere to truth and precision irrespective of the outcome or of any outside considerations. Such was not entirely the case in the early days. It was not an uncommon thing to find certain accountants "stretching a point" in favor of their clients (mainly in matters relating to the preparation of statements for presentation to banks or for the sale of a business) to show a financial condition more favorable than was actually the case; and in many instances clients expected them to do this. I remember on one occasion being called upon to check a statement which had been given to the National Park bank by a borrower in order to obtain further credit (this statement had been prepared by the borrower's accountant) wherein an "asset" appeared for quite a considerable sum under the heading "cash with brokers." I found this item actually represented an aggregation of losses arising through speculative transactions of one of the partners in Wall street, and the "cash with brokers" referred to was the total of the cash paid over by the firm from time to time to make good these losses. This was not an isolated case: there were many like it.

Here is one probably a little more amusing. A lawyer walked into my office one day with somewhat of an aggressive look and his manner indicating a certain degree of contempt for the situation generally. He abruptly started: "My name is So-and-so. I am the attorney for Mr. John Doe and I have here a statement you people got up for his company two weeks ago. I want to say to you, you haven't made up that statement in the way he told you to. You show more liabilities than his company owes; he has \$12,000 notes receivable from his customers and you don't show a dollar for these [John Doe had previously discounted these receivables at his bank], and worse still, he has over \$30,000 of orders on his books, good orders, with a good profit in them, and you have put nothing in this statement for these at all. My client wants you people to make that statement right and when you've done that and included these things as they should be, Mr. Doe will pay you your bill, but not before." Of course I waited

until he had finished and then the reader can imagine how refreshing it was to be able to give him a full reply, informing him amongst other things that the only mistake that had been made in the matter was that he and his client had come to the wrong firm.

It is, of course, to be understood that in all professions there are the good and the bad practitioners, the staunch, trustworthy and conscientious ones and necessarily a number quite the reverse, and at the time I am referring to the profession of accounting had its due proportion of each of the classes mentioned. Time, training and experience, however, I am glad to say have worked decidedly for the good in this respect.

While on this subject, I should like to refer to what appears to me to be a unique and exceptional feature of public accountancy, and seems to set it apart from the other professions. I refer now to the work and attitude of the professional and the way these are looked upon by the general public. In the public mind his work, so far as quality is concerned, must be faultless both clerically and in principle. A mistake on his part must not be expected or imagined. Men in other professions and vocations may be guilty at times of error and their name and standing may not be seriously impaired thereby, but the accountant is different; he must not err, he is a man of precision and correctness—an error can not be forgiven or overlooked. Besides, in his work and findings he must not be biassed in any way in favor of his client, but must keep in mind to the same degree the interest of any second or third party who may be called upon to review the results of his work. In other words, in his work, service and findings he must act as much for the other man as for his client who alone engages and remunerates him. In this way only does he preserve his reputation and standing.

It is interesting to note the qualifications of the average practitioner in those old times judged in the light and requirements of modern accounting. His qualifications were simple and restricted compared to the complex and advanced knowledge of the accountant of today. Questions relating to such subjects, for example, as the principles of costing, sinking funds, reserves, earned surplus, capital surplus, fixed and liquid assets, capital and income charges, invested capital, working capital, depletion, amortization, etc., were very indefinitely understood, and as a rule were hardly considered matters coming within the scope of

the accountant's practice. Even the important subject of depreciation was in the same class and failed to be dealt with in anything like a scientific way. It was of course generally known what depreciation meant, but its application to practical accounting was no more than partly understood. I have in mind the case of an "expert" at that period who received his early training in the office of one of the large railroad companies. He was called upon to testify in the matter of certain litigation connected with one of those companies involving the determination of the actual net earnings of the road in question for a specific period. He was asked by counsel for the opposite side, evidently to test his knowledge of the subject, to define the meaning of the words capital additions, betterments, extensions, replacements and renewals and how he would treat expenditures under these headings as between capital and income. He failed to give a satisfactory reply, and was excused from further testifying on the ground that he was not a competent witness. Now, while many accountants today could give a full and intelligent answer to these questions, they were a little beyond the capacity and the average intelligence and experience of the practitioner in those early days. I would be inclined to say that at the present time the average young accountant, just through his studies, would not have any difficulty in dealing with these questions and others of like kind.

(To be continued)