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Growing Responsibilities of the Public Accountant*

BY J. PORTER JOPLIN

Some four years ago I had the pleasure of appearing before you in this city and at that time I was gratified to be able to congratulate you upon the event—the first meeting of your tri-state gathering. I feel that now I can congratulate you upon the continuation of these meetings and assure you of my appreciation of being invited to attend on this occasion. At the meeting of 1915 I gave a short address in which, among other things, I referred to the possible necessity of a change in the organization to which at that time we all belonged, so as to bring about a greater uniformity in the qualifications for membership in our national body and to invest a control therein which would insure fair standards of efficiency in its members and a general improvement in the practice of the profession.

Since that time changes have been brought about, with the result that we now have the American Institute of Accountants in which we are all individual members and I feel that it can be said without danger of contradiction that much has been accomplished in the way of advancement of the profession of accountancy through its activities which would have been impossible under the old organization, which, however useful it may have been in the past, was limited in its scope because of the very nature of its organization.

I refer to this change in our national body so as to introduce the subject selected for today, and I trust that you will bear with me if I seem to touch upon matters which you consider trite, for on occasion it may be necessary to refresh our memory in certain particulars.

It may be well to make it clear at the outset that there is probably little doubt that the accountant has fully recognized his responsibilities and—with a few exceptions here and there, where members of the accountancy profession have sacrificed their sense of duty to their desire for increased business and the revenue created thereby—has endeavored to live up to his understanding

* An address before the tri-state meeting of Delaware, Maryland and Virginia accountants at Baltimore, Maryland, June 25, 1919.

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of these responsibilities. Nevertheless, as he is beset by so many quagmires and pitfalls on all sides it may not be amiss to emphasize the fact that these responsibilities are vital and their observance of extreme importance in his practice. A discussion of the matters related thereto may serve as an encouragement to him in the conduct of his profession.

While the client's affairs should receive full consideration and careful analysis so that they may be presented in such form as to procure for him all the benefit to which he is entitled, it is most essential at all times to remember that his interests are not the only ones to be considered. This is particularly so at the present time, inasmuch as the revenue acts have made the government to all intents and purposes a partner in the affairs of each citizen as well as in each corporation or association of citizens. In the practice of our profession I am sure that there is not one of us who when preparing a statement of partnership interests would not be most punctilious in seeing that in every particular a fair division of profits is made. It would seem that the same attitude should be maintained in the preparation of figures to be used in making income tax returns—and in most cases this is the attitude of the accountant. However, there have been cases where accountants have sent out literature stating that a saving could be made by the client through the employment of their services, giving the impression that their services were to be employed for that purpose only. Undoubtedly in many instances (perhaps in most) legitimate savings have been made by the taxpayer through the employment of the accountant; but primarily the accountant's activities are to ascertain the facts regarding the affairs of the institution he is investigating; and in general he is not swayed by a desire or an intent to reduce the figure upon which the tax is to be based except in legitimate and well recognized ways.

I do not intend to infer that one should not avail one's self of all proper advantages to the client, for the treasury department is as desirous as the accountant that the returns should be fair, and there are times when the client's view may well be accepted on a doubtful point; but in no circumstances should an accountant subscribe to a statement of conditions which is doubtful of standing the test of close investigation, and his attitude to his client should clearly show his position on this question.

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The cordial relations which have grown up and now exist between the profession of accountancy and the government through its several departments, the army, the navy and the treasury, are an indication of the growth of the profession and it is quite obvious that a well recognized position in the community has been attained. This makes it necessary for members of the profession at all times to be on the alert and ethically sound so as to measure up to the requirements which this position creates.

Perhaps I may be permitted to revert to the time of our entrance into the great war. From the very first, members of our profession were extremely active in helping to promote the activities which later proved so essential to the final victory. In the construction of the cantonments, the navy matters and in the treasury department were to be found men, members of this profession, doing all that lay in their power to forward the interests of the different departments. Many of these men gave their services without remuneration and all of them made great sacrifices in assuming the duties which they performed so creditably. And now that the war is won and we are back in civil life, it is more than ever necessary that we live up to the high standing attained which these activities helped to establish.

This profession has now a chance for the performance of great good, and, confident of the esteem of men high up in the councils of our nation, its members are called upon to grasp their opportunities and go forward in national affairs, building up and carrying on with the intent of fulfilling a destiny for which they are undoubtedly qualified—a destiny which will class them among those other older professions which have so nobly stood the test of time.

It is important that greater attention be paid to academic matters. The young men whom we employ in our offices should have received an education which will ensure a foundation upon which to build. Much will depend upon the character and degree of education of the young men who will be the practitioners of this profession in the future, and it is the duty of each accountant to see to it that his employees are properly equipped. Should the junior assistant be so unfortunate as to have been deprived of the advantage of a high school education he should be encouraged to make up his studies by extra effort through such sources as are available for this purpose. In addition to this fundamental

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necessity, there should be close observation to make sure that the young man in the office is imbued with the right ethical thought in his work. This ethical viewpoint should prevail throughout every accountant's office, as it is of prime importance to the profession in the fulfillment of its proper functions.

The accountant of today must of necessity be more or less of a student. That a careful and prolonged perusal of the revenue acts of 1916-1917 and 1918 is an essential part of his study goes without saying. To this may be added the necessity of a thoughtful and even meticulous consideration of the regulations and decisions of the treasury department issued through the commissioner of internal revenue.

Perhaps the past year has been the most strenuous of any in the experience of some of us, and we are frequently told by our assistants that pressure of work with the resultant lack of time has prevented them from being as studious as would clearly seem desirable. However this may be—and my sympathy in many cases is with the assistant—it is absolutely necessary for the welfare and advancement of the profession that the assistants in our offices prepare themselves for higher duties, for the future is theirs. The demands of that future will be for increased attainments on their part and a further increased scope of the profession. It is our duty to do all in our power to assist the men growing up in the profession so as to prepare them to become worthy exponents of the practice of accountancy.

It must be patent to all of us that much more is expected of the accountant as the years roll by and business and national affairs take on new forms which bring us face to face with more intricate problems.

When called upon for consultation with clients and their various advisors in other matters, we invariably find that much is expected of us in the way of information, and unless we are supplied with a fund upon which to draw for the occasion we may be discredited, although perhaps unjustly. A fair allowance of time for preparation in looking up matters which are to be discussed is only right, but the better we are prepared to deal with such questions as are commonly accredited to the accountancy profession as coming within its activities, the better we can measure up to the standards we have set, even though this cannot be accomplished without diligent effort.

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On some occasions we must face the difficult decision as to whether some man employed in our office is capable of taking on higher duties and responsibilities. There may be limitations in his character or in his fundamental education; and it may be desirable for the sake of both the individual and the profession that the matter be taken up with him fearlessly so that his future may not be a disappointment, and the profession may not suffer from his lack of fitness when he becomes a practitioner.

Every man who has some knowledge of figures and has had experience in an accountant's office is not necessarily an embryo practitioner, and the sooner he faces the fact the better for him and his future welfare. Were he to apply himself in other directions he might reasonably expect to make a success of his life, whereas his efforts may be utterly thrown away in following the accountancy profession for which he is entirely unfitted.

Each junior accountant in our offices should be encouraged to prepare himself for the position of senior accountant and, if he is of the material necessary for advancement to such position, our efforts should invariably be toward helping him to consummate this progress. In the same manner senior accountants should be helped to prepare themselves to qualify for membership in the American Institute of Accountants both for their own sake and for the good of the profession.

There are far too few accountants in the country today to care for the business demands, and if we are to live up to our opportunities we must prepare more accountants so that they may qualify to swell the ranks of the profession with credit both to itself and to them. I must again refer to the desirability of inculcating in our office staff a stronger ethical attitude in all matters connected with practice, for without doubt, if the practitioners of the future have a sound education and a good accounting training in addition to being ethical in their practice, they will reflect credit upon the profession.

Numbers will be of no avail without proper qualifications, and as the demand is for more and again more accountants, it is our bounden duty to do all we can to see that the qualifications are of such nature as to prevent discredit to the profession, the standards of which must be maintained. I am constrained to speak strongly on this subject as there have come under my observation many instances in which those practising accountancy seem

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to care little or nothing for the ethical side of the question, forgetting that as a part of the professional world we must have a strong ethical strain in our make-up. This in my opinion is quite as essential as brilliant accounting ability.

It is within the profession that the highest ideals should obtain, and the earlier the young men who are expecting to make accountancy their life vocation are imbued with these ideals the better for the future. On occasion it has been noticed that men who have come out of the commercial world to take up the practice of accountancy have not given as much attention to the ethical side of the practice as could be wished. Perhaps this will hold good in other directions, as some of our members who have been trained within our ranks have likewise been derelict in this matter. Therefore it would seem most desirable that the young man growing up in the profession should be helped to acquire the grounding which will fit him to be classed with the best element in the community both from the viewpoint of ability and from that of true professional attainment.

As previously stated, it will be expected that the members of the American Institute of Accountants will be a strong support to the government in giving their best efforts to create the right impression when assisting in making returns to the internal revenue bureau under the revenue acts. In our practice we shall be enabled to build up for ourselves a name which will be of great fame in the business world.

I will only touch upon that part of our practice which calls for the certifying of statements for the purpose of credit, as that phase has been repeatedly presented for our attention, and I am sure that we are all of one accord in our attitude on the balance-sheet audit and the entailed responsibilities.

A condensed balance-sheet should have the most careful consideration in preparation and at no time should we be forced into signing any balance-sheet without being allowed the necessary time to ensure its correct presentation in conformity with our findings.

Who among us has not faced difficulties arising from the lack of time to enable him to complete his mission so as to conform to the demands for a report at a given time and who among us has not had to take his stand on such occasions? The client's interest may be jeopardized should there be delay in the presen-

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tation of the report desired, but never may we condense a balance-sheet to an extent which will not conform with the best practice.

We have as a guide a reprint from the *Federal Reserve Bulletin*, "Approved methods for the preparation of balance-sheet statements" which is a most valuable document to which we can at all times turn when wishing to assure ourselves of our position. And I am sure that no client will gainsay us or disapprove of our attitude when presented with this reprint in corroboration of our position.

The responsibilities of the accountant to the client are doubtless well recognized by the practitioner and it would be impossible in the brief time at our disposal on this occasion to enlarge upon them. They seem to be obvious. It might not be out of place, however, to emphasize the necessity of observing the strictest confidence in all matters pertaining to the client's affairs. General practice will call not only for this, but for many other related things.

It is not my purpose to go into that phase of the question which would include the accountant's relations to the client, but more particularly to bring out other responsibilities which must be as fully recognized. Therefore in summing up the matter I would point out the following as being prime essentials in our practice and would bespeak of you an earnest attention thereto:

- Our duty to the government;
- Our duty to our employees;
- Our duty to the profession.

If I have in any way clarified the situation in relation to the foregoing summary I have served my mission and I hope that I have also voiced a word that may be beneficial to the profession.

Certain standards have been set which will demand much of accountants and to live up to these standards will require watchfulness on the part of the members of the American Institute of Accountants.