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History of Accounting in the State of Illinois

BY ERNEST RECKITT

BEFORE addressing you on the subject assigned to me, I desire to say that I feel highly honored and very happy to be with you in the capacity of a speaker at this first meeting of our Society, when successful candidates at the last C.P.A. examination are presented with their diplomas by the President of the University of Illinois. It is now thirty-seven years since the certified public accountancy act was passed by the Illinois legislature. Our board of directors and the president and trustees of the University of Illinois are to be congratulated for having initiated this new procedure. The receiving of a degree and diploma from any college or university of high standing is an important milestone in the life of any young man or woman and it is most fitting that such an event be celebrated with dignity and suitable ceremony.

Lord Bacon, in one of his essays, said that "Histories make men wise." I think that Lord Bacon must have been an optimist. If he had said that "Histories *should* make men wise," I would heartily agree with him. My own observation has been that while any search into, or account of, the origins of things is a highly entertaining pastime, very few people, or nations for that matter, are willing to learn anything from the past. The younger generation rarely accept the advice of their parents; they must get wisdom from their own sad experiences. Similarly, some nations today accept dictatorships notwithstanding the histories of Greece, Rome, and other civilizations.

While a history of accounting in the State of Illinois may not therefore make you much wiser, at least I hope it may

have some virtue in the shape of entertainment. But, if an account of work well done by the pioneers of our profession in the years since 1891 will create in you of a younger generation a determination to live up to their ideals, to conquer obstacles as they did and to realize more than ever before that you are indeed members of an honorable profession, the history which I will attempt to describe will have been worthwhile.

OUTLINE OF EVENTS

The history of accounting in Illinois up to about the year 1910 may be subdivided into the following captions:

1. Conditions prior to 1891.
2. Events from 1891 to 1897, at which latter date the first association of practising accountants was organized.
3. The six years' struggle to secure the passage of C.P.A. legislation in the State of Illinois, culminating in the year 1903 in its passage.
4. A description of accounting practice from the year 1891 to 1903, of the difficulties experienced and of the men who were most influential in promoting the interests of our profession.
5. An account of the first congress of accountants held in 1904 at the World's Fair in St. Louis, this congress having been initiated by the Illinois Society of Public Accountants.
6. The publication by the Illinois Society of Certified Public Accountants of the first magazine within the United States and Canada, named *The Auditor*, devoted exclusively to the interests of accountants. This magazine was published in Chicago for about eighteen months when it was transferred to the national body under the name of *The Journal of Accountancy*.
7. The creation of the school of commerce of the Northwestern Univer-

An address before the Illinois Society of Certified Public Accountants, March 21, 1940.

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sity about the year 1909, which was due to the direct appeal of members of our Society and a few far-seeing businessmen.

I might say in passing that we had the greatest difficulty in persuading the trustees of the university to organize a school of commerce, as they thought it would be a drain on their resources, but finally they consented provided a sufficient number of members of our Society and some businessmen would guarantee to make up any loss sustained during the first three years, each guarantor to be liable up to the sum of \$300. As I remember it, this guarantee cost each of us about \$150, as the first year's operation was a considerable loss, the second year a small loss, after which the school of commerce has been more than self-sustaining.

From the above, I think you will all realize that you, of this generation, are the heirs of a fine heritage made possible by the ideals and the work of those who have, for the most part, passed on.

To attempt, in the time allotted me, to give you a complete history of accounting in Illinois is, of course, impossible, as each of the captions described in the foregoing paragraph could, in itself, be the subject of at least half an hour's talk. There may be time, however, to carry the story of our profession up to the year 1904, when our present Society was organized, leaving later events for some future occasion.

THE EARLY NINETIES

Accountancy as a profession in the State of Illinois may be said to have started in the year 1891. Prior to that time there were no public accountants with those qualifications which today we consider essential. I have chosen the year 1891 because at that time two well-known British firms of accountants opened offices in Chicago in order to serve their clients' interests at close range rather than from their New York offices. The accountants I refer to were

Messrs. Barrow, Wade, Guthrie & Company and Messrs. Price, Waterhouse & Co.

Soon after Barrow, Wade, Guthrie & Company opened their Chicago office I was engaged as a member of their staff and, although I was very inexperienced according to present standards, I was soon placed in charge of audits. Later in that year I opened my own office. I presume that it is due to the fact that for nearly fifty years I have been more or less active in our profession and closely associated with many of those who were responsible for its growth, I have now the privilege of addressing you.

The conditions in Chicago in 1891 were very similar to those existing five years prior in the City of New York, so well described in the biography of Charles Waldo Haskins, published by his partner, Elijah W. Sells:

"At this time accountancy in America was a poor, weak, struggling thing, with its possibilities unrecognized even by those within its ranks. It was not a profession; it was but a business adjunct, and not much of one at that. The accountant was little more than a bookkeeper and the line of demarkation between the two was slight indeed. Accountancy had no ideals, no organization, no inspiration and influence."

I remember well in the early nineties hearing the members of our profession described as "bookkeepers out of a job." I would explain to the speaker that the public accountant stood in the same relationship to a bookkeeper as an architect did to a bricklayer, but even so it was difficult to put this concept across, for unfortunately there was a good deal of truth in the businessman's belief. Recently I made an examination of the Chicago Classified Directories published from 1839 to 1897 to see if I could secure any information as to our profession. Commencing with the year 1864 these directories always contained a classification described as "Account-

ants" and from that year until 1897, a period of 33 years, the names of 230 individuals appear. Most of these names only appeared in one or two directories, some few names appearing in three to five consecutive years. Of these 230 only 33 were still in practice in the year 1897. It is only too evident then that the men who styled themselves as accountants were bookkeepers, probably good bookkeepers, who having lost their positions, kept the wolf from the door by public practice until they got a new job. The character of the work carried out by these men was in large part locating errors which threw the books out of balance, writing up monthly the books of small concerns, installing simple books of account for new concerns, preparing statements of the accounts of executors and trustees under the direction of lawyers and auditing (with a question mark) the books of building-and-loan associations, these latter being in those times very numerous. I said "auditing with a question mark" purposely, for many defalcations finally came to light later in these associations though supposedly their accounts had been regularly certified to by accountants.

In the period from 1891 to 1897 at which latter date the first association of public accountants was organized, in addition to the two firms already referred to, the following men, whose names will be familiar to many of you, entered our profession:

John Alexander Cooper	in 1891
Lawrence A. Jones	in 1892
R. S. Buchanon	in 1892
J. Porter Joplin	in 1894
Frank M. Boughey	in 1895
Seymour Walton	in 1895
George Wilkinson	in 1896

All of these men did splendid service for our profession, not only in Illinois, but some of them nationally. I would have liked at this time to give an account in some detail of the history of accounting in the State of New York,

because it had a very strong influence upon the future of accounting in the State of Illinois, but I must refrain from doing so, as it would take too much time. I must, however, refer to the splendid work of two men in that state, namely, Mr. Charles Waldo Haskins and Mr. J. T. Anyon. It was largely through their efforts and those of a few others, that the first national association of public accountants was organized under the name of the American Association of Public Accountants in the year 1887. This Association was organized with the object of taking into its membership all practising accountants of good repute throughout the United States. While this Association largely failed to accomplish this purpose, due to the fact that accountants outside of New York City felt it was run purely for the benefit of New Yorkers, yet it must be credited with having secured the first C.P.A. law ever created by any state legislation. This was in the year 1896. The passage of the New York C.P.A. law gave a strong impetus to accountants in other states to secure similar legislation.

ORGANIZING THE SOCIETY

At this point I must ask your indulgence if I give some personal experiences which necessarily form a part of the history of our profession in Illinois. The year was 1897. My office was in the old Royal Insurance Building, torn down some years ago to make space for a part of the Federal Reserve Bank Building at the northwest corner of LaSalle Street and Jackson Boulevard. Mr. George Wilkinson, a public accountant and a good friend of mine and later my partner, also had offices in the same building. He had been manager of the Chicago office of Barrow, Wade, Guthrie & Co. from 1891 to 1895, and had then started on his own account under the firm name of George Wilkinson & Co. We often met one another and discussed the affairs of our profession. On one such occasion

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we decided that what New York had done, Illinois could do; but that first we must organize an Illinois Association of Public Accountants and thus secure the strength and the necessary influence to initiate a strong campaign in support of a C.P.A. act in Illinois.

Prior to that time it seemed that accountants avoided one another. Their competitors were bad men and, of course, as accountants were no good. Such were the foolish prejudices of those days. Mr. Wilkinson and I, however, knew a few accountants, though not intimately. Mr. Frank Boughey, an English chartered accountant, I knew well. He had desk room in my office. Then a Mr. Shaw and Mr. R. S. Buchanon, partners in the firm of Kidson, Buchanon & Co. also had offices in the Royal Insurance Building and we naturally had a speaking acquaintance with them. We knew by repute Mr. Lewis D. Jones, the manager of the Chicago office of Price, Waterhouse & Co., but had never met him. However, a start had to be made and our first call was on Kidson, Buchanon & Co. and we were met with a favorable response to our project. It was, however, discouraging that some of those accountants who later became very active and influential members of the Society did not respond at that time. Some of those we called upon and who desired to assist in the organization of a Society may not have been first-class accountants, but at least they were men of high character and enthusiasm. Our efforts finally met with success and on March 15, 1897, the Illinois Association of Public Accountants received its charter. The following fourteen men were its charter members:

Frank M. Boughey
R. S. Buchanon
Henry F. Butler
John A. Cooper
S. B. Foster (of Price, Waterhouse & Co.)
William Fries
Charles W. Hawley

Lawrence A. Jones
Lewis D. Jones (Chicago manager of Price, Waterhouse & Co.)
F. F. Judd
G. S. Marchand
George E. Shaw
George Wilkinson
and myself.

I regret to say that of the above fourteen men all, except myself, have gone to their eternal rest.

The first board of five directors consisted of the following men:

Lewis D. Jones, president
Ernest Reckitt, vice president
George Wilkinson, secretary and treasurer
R. S. Buchanon
Henry F. Butler

Immediately upon organization active steps were taken to introduce a C.P.A. law in the Fortieth General Assembly of the State of Illinois. Mr. George Wilkinson was very active in this campaign and, notwithstanding the fact that a large majority of the members of the assembly came from agricultural districts and many other members had no comprehension of the duties of a public accountant, the law was passed by the Senate and went up for third reading in the House. The Speaker of the House, Curtis, had promised that it would be passed the following day, the last day of the session, June 4, 1897. Unfortunately in the last hour's rush it failed to pass due to a lack of a quorum, only 65 members being present out of a necessary 75. The proposed act was substantially the same as that passed by the New York State Legislature.

The failure to pass the C.P.A. law was, of course, a great disappointment, but it did not discourage us. It meant that another two years would have to go by, before the legislature would reconvene, and a new attempt could be made. In the meantime it was decided to strengthen our Association by enlarging its membership with good material. In this we were very successful. In the

years 1898 and 1899 about twenty-five new members were elected, amongst them being such men as J. Porter Joplin, Seymour Walton, Allen R. Smart, C. J. Marr, L. H. Peloubet, J. B. Niven, Arthur Bentley, William J. Caesar, A. Lowes Dickinson, Charles Waldo Haskins, Elijah W. Sells and Arthur Young.

The second attempt to secure a C.P.A. law was made in 1899, but it failed to pass due, if my memory be correct, to some lack of interest on the part of the University of Illinois to coöperate, fearing that the cost to the University of conducting examinations would be considerably more than the fees collected from candidates.

The third and final attempt to secure C.P.A. legislation was not made until 1903. By that time there was, on the part of the public, a much greater recognition of the duties of a public accountant.

Furthermore, we then had as members of our association two men who were very close to certain political factions that could be, and were, very influential in securing the passage of the C.P.A. law. I refer to that genial soul, so much beloved by all of us, Edward E. Gore, and a Mr. C. W. Knisely, who passed away many years ago, but who at that time was the manager of the Audit Company of Illinois, a subsidiary of the National Bank of Illinois, of which John R. Walsh was president, and who at that time was a powerful influence in all political affairs. Mr. J. Porter Joplin was also very helpful, spending a great deal of time at Springfield.

But probably an equal, if not a greater, factor to our success was the splendid coöperation we secured from the University of Illinois in the person of Doctor David Kinley. Doctor Kinley was, I believe, at that time dean of a

school of accounting recently inaugurated at the University. He was also a Scotchman and as such knew the value of recognizing the accountancy profession by suitable legislation, he having had experience in the British Isles of its services to the public. As probably many of you may be aware, Doctor David Kinley later became the president of the University and in that capacity served many years with great distinction. He retired a few years ago, but is still active mentally and in every other way. As a member of the first board of examiners under the C.P.A. law, it was my privilege to come into very close contact with Doctor Kinley and to work out with him some of the problems incidental to putting into effect the C.P.A. law. The name of Doctor David Kinley should ever stand high in the annals of our profession in Illinois.

The passage of the Illinois C.P.A. law necessitated the organization of a new Society and our present Society received its charter in 1904. The old Illinois Association of Public Accountants was disbanded.

I fear I have already exceeded the time allotted to me, but I desire, in concluding, to extend on behalf of our Society a warm welcome to the gentlemen who have received their diplomas this evening and to express the hope that the brief account of those events which led up to the organization of our Society may encourage them to join it at an early date, and that they will be proud to be members of a Society that has done so much for our profession. The degree of certified public accountant is a most honorable one, but it must be borne in mind that it is only the first step in securing that greater knowledge and experience which can only be obtained by diligence and the lapse of time.