

2-1915

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Recommended Citation

Duncan, John C.; McKean, David C.; Miller, Hy. C.; and G., A. L. (1915) "Correspondence," *Journal of Accountancy*. Vol. 19: Iss. 2, Article 10.

Available at: <https://egrove.olemiss.edu/jofa/vol19/iss2/10>

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Correspondence

Priority in Educational Methods

Editor, The Journal of Accountancy:

Sir: On page 488 of the December JOURNAL, there appears a letter from Mr. M. E. Peloubet, in reference to my recent article and address delivered at Washington.

In the course of the letter Mr. Peloubet makes the statement:

"Mr. John C. Duncan is apparently under the impression that his method of teaching system building is unique and original with him."

I have re-read my article carefully and have spoken to a number of accountants who read it and heard the speech delivered. In no case does any one feel that such a claim was made.

I am aware of what is being done not only in New York University, but in every other important university in the country.

As a matter of fact, it would be very difficult for anyone to prove priority in installing a course in system building. In 1905, when teaching a course in industrial management at the University of Pennsylvania, I required a cost accounting system from every student. This exercise was suggested by Professor Edward S. Mead, who is now professor of finance at that institution. A movement of this kind is so large that for anyone to make a claim of being the originator of the basic idea is absurd. Every science advances by one man building on the ideas of another. His ideas, in turn, are built upon and possibly are relegated to the background before he has finished admiring them.

As a matter of fact, the teaching of system building is just one of the things touched upon in my speech. It is true that I did state at some length how I handled my courses in constructive technique and did say in the course of the article:

"This, after ten years of observation, study and experience, is the speaker's contribution to the method of teaching constructive accounting technique."

One reason that statement was made was to suggest to men like Mr. Peloubet and others interested in this phase of the accounting field, that they let us know the general details of their contributions along this line. It may be observed that the following sentence occurs in the same paragraph:

"If this paper will arouse discussion and center the attention of experienced practitioners, a new force will be brought into service on some of these vital points."

The vital points referred to are:

1. Terminology
2. The development of the science of administrative criticism
3. The development and perfecting of the science of constructive technique.

It can be seen from that that in no case do I claim to have originated anything. It will also be observed that I have made no claims as to hav-

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ing developed or perfected even such a small division as that of the science of constructive technique.

Very sincerely,

JOHN C. DUNCAN.

University of Cincinnati, January 6, 1915.

Shipbuilding Accountancy

Editor, The Journal of Accountancy:

Sir: I shall consider it a favor if you will answer me the following questions:

Do any of the large shipbuilding corporations on the Atlantic coast have very large accounting staffs?

Are there any firms of certified public accountants which specialize in accounting in connection with shipbuilding?

Yours truly,

DAVID C. MCKEAN.

Detroit, Michigan, Dec. 29, 1914.

[Shipbuilding operations require a great deal of clerical work so that every well-organized company of this kind necessarily maintains a substantial accounting staff. The shipbuilding industry in this country is scarcely of a sufficient volume to provide a field for much specialization and, so far as we are aware, no such specialization exists, although perhaps all of the leading accounting firms number shipbuilding concerns among their clients.—*Editor, THE JOURNAL OF ACCOUNTANCY.*]

Treatment of Cash Discounts

Editor, The Journal of Accountancy:

Sir: In *THE JOURNAL* of December and under the caption *Valuation of Merchandise Inventories* the statement is made that "leading practitioners now agree that cash discounts should be deducted in arriving at values for inventory purposes."

It seems to me that to be really consistent this principle should be applied in making the initial entry of purchase items. Is not the current value of goods approximately measured by cash price? Can it be assumed that a credit extension does not imply a valuable consideration? Where you are billed

Merchandise \$500.00, terms 2/10 net 60
is not \$490.00 the current cost—\$500.00 that of 60 days hence; \$10.00 the cost of the credit extension (borrowed capital)?

In other words, rather than state that discounts are an earning of surplus capital, might we not better insist that failure to discount implies shortage of capital and measure the shortage by the cost of credit? Put the horse before the cart.

Suggesting discussion by economists and accountants.

Very truly yours

HY. C. MILLER.

Announcements

Treatment of Cash Discounts

Editor, The Journal of Accountancy:

Sir: In your issue of December, 1914, under the heading *Valuation of Merchandise Inventories* you say:

"The leading practitioners now agree, however, that cash discounts should be deducted in arriving at merchandise values for inventory purposes."

Would you kindly advise how this is possible when, as is generally the case, there are articles which are purchased from different manufacturers in the store-room, some of whom give cash discounts and others do not. For instance, you have bolts on which one firm will give 5 per cent 30 days, and another firm will not; how is one to ascertain what bolts are from one concern and what from the other, and it often happens you buy from many firms? Of course it would be simple if it was the custom for all manufacturers to give the same cash discount on certain articles, but unfortunately such is not the custom.

Yours truly,

A. L. G.

Davie Shipbuilding and Repairing Company, Lim.
Lauzon,
Levis, Que.

[Some purchasers require all prices to be stated on a strictly net basis but where this is not done it is comparatively easy to subtract from the face of the invoice the discount deductible and to put through a charge for the net amount. Certainly any such discount as 5 per cent thirty days should be recognized in making an inventory.—*Editor, THE JOURNAL OF ACCOUNTANCY.*]

California State Board of Accountancy

The California state board of accountancy met in San Francisco on December 31, 1914, and organized for the ensuing year with the following officers: President, John F. Forbes, San Francisco; vice-president, Reynolds E. Blight, Los Angeles; secretary-treasurer, William Dolge, San Francisco. Examinations for certified public accountants will be held simultaneously at San Francisco and Los Angeles on May 27, 28 and 29.

Massachusetts C. P. A. Examinations

At the recent examination of candidates for registration as certified public accountants in Massachusetts sixteen out of the eighty-three presenting themselves passed the examination. Certificates have been