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Editorial

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EDITORIAL

As Others See Us

The *London Accountant* reprints a circular letter announcing that certain English accountants who have had experience with leading firms on the American continent and in Scotland have commenced business in an American city. The letter speaks of the "special facilities" which the members of the firm have had for acquiring a large and varied experience in the profession of accountancy, promises utmost care on all work and "prompt and careful attention to the interests of clients," and expresses the hope that they will in a short time "win the confidence and esteem" of the business men of the city in which they have located. Attached to the letter is a long memorandum of the kind of work which these public accountants are willing to undertake, in which mention is made of practically all kinds of audits, investigations and systems. Commenting on this letter the *Accountant* says:

The view has been expressed in some quarters that whereas it is unseemly that Chartered Accountants should under any circumstances descend to advertising or touting for business, yet regard must be had to the customs of the country where they are in practice, and that accordingly the rules against advertising ought not to be enforced too strictly

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in the case of Chartered Accountants practising in the United States, seeing that advertising is very common, even among the best native practitioners. We are not quite sure that it is a fact that the really leading firms of professional accountants in the United States do advertise at all; but even if it be, and even if there be some force in the argument above stated, it is clear that there must be some limit to what can be regarded as not unprofessional advertising, and we cannot help thinking that the following circular issued by a firm of accountants practising in the States is outside this limit.

We assure the *Accountant* that the leading and representative firms of public accountants in the United States do not indulge in any kind of advertising which would tend to lower the dignity of their profession. In other words, they do not tout for business. It is perfectly good form in the United States for a new firm of accountants to publish a card announcing the fact of its organization and to give a wide circulation to its card of announcement. It would also doubtless be considered quite proper for a firm of accountants, upon opening an office in a new city, to insert a card of announcement in the local newspapers and to keep it there for a limited period. If a firm should make special claims to ability, or with regard to the thoroughness and promptness with which they did their work, or should advertise that they were prepared to audit anything from a corner grocer to a railroad corporation, they would inevitably be regarded as "quack" or "shyster" accountants.

AS THE JOURNAL has frequently had occasion to remark, it is still possible for a cheap and pretentious practitioner to obtain business in some American communities through the medium of specious and undignified advertisements and circular letters. This possibility exists because in many American communities very little is known about the nature and importance of the public accountant's work. Business men think of him merely as an unusually experienced bookkeeper and do not regard him as a professional man. They put him on a par with building contractors, painters, piano-tuners, plumbers and watchmakers. Since these "experts" all advertise the superior qualities of their wares and work, why should not the public accountant? So long as it is possible for that question to be asked in an American community, there will be no lack of "expert bookkeepers" ready to exploit a tempting opportunity for profit by advertising themselves as pub-

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lic accountants able to save business men millions of dollars if they are only given a trial.

We regret to say, however, that indirectly the accounting profession is responsible for a certain kind of advertising which is beneath its dignity. We have reference to the newspaper and circular advertising of the audit companies which are doing business in nearly every large city in the United States. Some of these companies are under the control of directors who are not themselves public accountants, and they advertise for business quite as freely as do banks or insurance companies. The public accountants whom they employ do not as a rule get any personal advertising, yet the work they do, and the income they earn, are the product of advertising. Indirectly, therefore, they are advertisers and are violators of the code of ethics which the leading accountants of the country are seeking to establish. So long as the audit company continues to advertise and to prosper, it will doubtless be impossible to restrain individual accountants here and there from seeking to get business by means of auditing company methods.

There are two convincing reasons why public accountants should not seek to get business by advertisement or in any way claim special qualifications for their professional work. In the first place, the strong firms already established could by advertising and by opening branch offices in various parts of the country easily obtain possession of practically all the accounting business in the United States. The smaller accounting firms, being unable to spend money so lavishly in self advertisement, would gradually be compelled either to go out of business or to go to work for the great accounting firms, which would everywhere have command of public confidence. In other words, the commercialization of accountancy would logically end in an accounting trust. Evidently, therefore, it is the small man, the beginners, the weak firms—those who are now most tempted to advertise—who would suffer most should a failure attend the present effort to make accounting a dignified and recognized profession. The second reason why the public accountant should not advertise is found in the nature of his work. It is brain work, and it is an unwritten law among men that only liars, prigs and fools shall be permitted to announce themselves as specially qualified for intellectual effort.

Efficiency and Railroad Management

Mr. Louis D. Brandeis, attorney for the shippers who are protesting against an advance in railroad rates, started a very interesting discussion when he declared that the annual cost of railroad operation in the United States was about \$300,000,000 greater than it need be. American railroads, in the opinion of Mr. Brandeis, are wasting \$1,000,000 a day. The western railway presidents promptly challenged his assertion and offered him any salary he might name if he would make good his claim with regard to their unnecessary expenditures and show them wherein costs could be further reduced. Mr. Brandeis met the challenge by offering to make good his contention gratis. It is doubtful if many people have taken Mr. Brandeis seriously. The general impression prevails that American railroads are not operated with the utmost economy. There is a suspicion that their supplies are often bought, not from the lowest bidder in an open market, but from concerns whose profits are shared by directors and large stockholders. There is also a suspicion that contracts for improvements are too often given at excessive figures to subsidiary or barnacle corporations in which the friends or relatives of railway directors are interested. That practices of this sort dissipated the earnings of railroad corporations a generation ago the public has positive knowledge, and people are still inclined to believe that a railroad's treasury is a hogshead with too large a bung hole.

On the other hand, students of railway affairs, on both operating and financial sides, have discovered that within the last twenty years marvelous changes for the better have been wrought in the methods of railway management. As a general proposition it may now be safely stated that American railways are under the control of men who are looking for dividends legitimately earned, rather than for subterranean profits through the exploitation of minority stockholders. It follows, then, if Mr. Brandeis is right in his conclusion, that the owners and operators of railways are less wide-awake or less intelligent than the men who own and operate the great mills and factories. We do not believe that the railroad managers of this country can be convicted of any such lack of intelligence.

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Nevertheless it would undoubtedly be possible for Mr. Brandeis, or for any other man familiar with recent improvements in business organization and shop-management, to discover in the affairs of almost any railroad ways of saving money or of increasing efficiency. But no man could accomplish this task, even in the case of a single road, unless in the first place he were well equipped for the work, and unless, in the second place, he gave his undivided attention to the investigation for a considerable period of time. That Mr. Brandeis or any other man can demonstrate in a wholesale way the inefficiency and extravagance of American railroads is almost an absurd proposition. As businesses, no two railroads are alike and a policy that might be effective and economical with one, might be wasteful and impracticable with another. It is well, however, that the attention of railway managers has been strikingly called to the necessity for continuous and increasing economy. Railroads are in many respects monopolies, and in prosperous times, when fat dividends are assured, there is always danger that money may be spent loosely and foolishly, for minor items of expense are then less carefully scrutinized. The railroads need in their employ the services of economy experts, men whose special business it is to increase the efficiency both of machines and of employes. The accounting profession, we are glad to say, is giving more and more attention to this department of its work and might be of great assistance to the railroads if it were called upon to show how costs could be reduced. The profession must not be content with supplying the railroads of the United States with auditors and comptrollers; it must specialize deeply in railway costs and must be prepared to show railway men how they can cut operating expenses and thereby increase dividends without raising rates.

The question of efficiency in railroad management was ably discussed by President Edward L. Suffern of the American Association in a recent interview, which is reprinted in part on another page of the JOURNAL. President Suffern's long experience in accounting, as well as his present position, entitle his views to a great deal of attention not only from accountants but from other business and professional men.