

**CIHM
Microfiche
Series
(Monographs)**

**ICMH
Collection de
microfiches
(monographies)**



Canadian Institute for Historical Microreproductions / Institut canadien de microreproductions historiques

© 1998

Technical and Bibliographic Notes / Notes techniques et bibliographiques

The Institute has attempted to obtain the best original copy available for filming. Features of this copy which may be bibliographically unique, which may alter any of the images in the reproduction, or which may significantly change the usual method of filming are checked below.

- Coloured covers /
Couverture de couleur
- Covers damaged /
Couverture endommagée
- Covers restored and/or laminated /
Couverture restaurée et/ou pelliculée
- Cover title missing / Le titre de couverture manque
- Coloured maps / Cartes géographiques en couleur
- Coloured ink (i.e. other than blue or black) /
Encre de couleur (i.e. autre que bleue ou noire)
- Coloured plates and/or illustrations /
Planches et/ou illustrations en couleur
- Bound with other material /
Relié avec d'autres documents
- Only edition available /
Seule édition disponible
- Tight binding may cause shadows or distortion along
interior margin / La reliure serrée peut causer de
l'ombre ou de la distorsion le long de la marge
intérieure.
- Blank leaves added during restorations may appear
within the text. Whenever possible, these have been
omitted from filming / Il se peut que certaines pages
blanches ajoutées lors d'une restauration
apparaissent dans le texte, mais, lorsque cela était
possible, ces pages n'ont pas été filmées.
- Additional comments /
Commentaires supplémentaires:

L'Institut a microfilmé le meilleur exemplaire qu'il lui a été possible de se procurer. Les détails de cet exemplaire qui sont peut-être uniques du point de vue bibliographique, qui peuvent modifier une image reproduite, ou qui peuvent exiger une modification dans la méthode normale de filmage sont indiqués ci-dessous.

- Coloured pages / Pages de couleur
- Pages damaged / Pages endommagées
- Pages restored and/or laminated /
Pages restaurées et/ou pelliculées
- Pages discoloured, stained or foxed /
Pages décolorées, tachetées ou piquées
- Pages detached / Pages détachées
- Showthrough / Transparence
- Quality of print varies /
Qualité inégale de l'impression
- Includes supplementary material /
Comprend du matériel supplémentaire
- Pages wholly or partially obscured by errata slips,
tissues, etc., have been refilmed to ensure the best
possible image / Les pages totalement ou
partiellement obscurcies par un feuillet d'errata, une
pelure, etc., ont été filmées à nouveau de façon à
obtenir la meilleure image possible.
- Opposing pages with varying colouration or
discolourations are filmed twice to ensure the best
possible image / Les pages s'opposant ayant des
colorations variables ou des décolorations sont
filmées deux fois afin d'obtenir la meilleure image
possible.

This item is filmed at the reduction ratio checked below /
Ce document est filmé au taux de réduction indiqué ci-dessous.

	10x		14x		18x		22x		26x		30x	
	12x		16x		20x		24x		28x		32x	

The copy filmed here has been reproduced thanks to the generosity of:

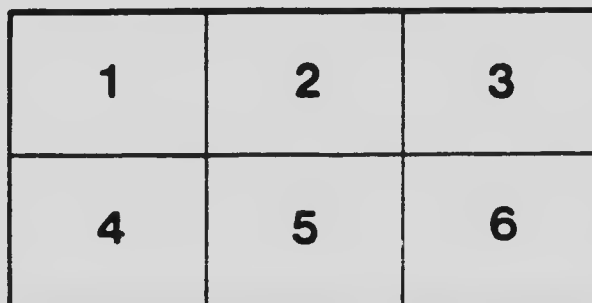
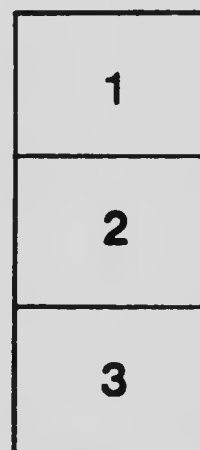
University of British Columbia Library
Vancouver

The images appearing here are the best quality possible considering the condition and legibility of the original copy and in keeping with the filming contract specifications.

Original copies in printed paper covers are filmed beginning with the front cover and ending on the last page with a printed or illustrated impression, or the back cover when appropriate. All other original copies are filmed beginning on the first page with a printed or illustrated impression, and ending on the last page with a printed or illustrated impression.

The last recorded frame on each microfiche shall contain the symbol \rightarrow (meaning "CONTINUED"), or the symbol ∇ (meaning "END"), whichever applies.

Maps, plates, charts, etc., may be filmed at different reduction ratios. Those too large to be entirely included in one exposure are filmed beginning in the upper left hand corner, left to right end top to bottom, as many frames as required. The following diagrams illustrate the method:



L'exemplaire filmé fut reproduit grâce à la générosité de:

University of British Columbia Library
Vancouver

Les images suivantes ont été reproduites avec le plus grand soin, compte tenu de la condition et de la netteté de l'exemplaire filmé, et en conformité avec les conditions du contrat de filmage.

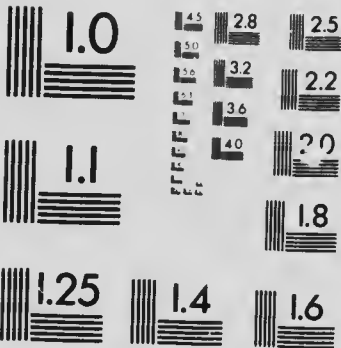
Les exemplaires originaux dont la couverture en papier est imprimée sont filmés en commençant par le premier plat et en terminant soit par la dernière page qui comporte une empreinte d'impression ou d'illustration, soit par le second plat, selon le cas. Tous les autres exemplaires originaux sont filmés en commençant par la première page qui comporte une empreinte d'impression ou d'illustration et en terminant par la dernière page qui comporte une telle empreinte.

Un des symboles suivants apparaîtra sur la dernière image de chaque microfiche, selon le cas: le symbole \rightarrow signifie "A SUIVRE", le symbole ∇ signifie "FIN".

Les cartes, planches, tableaux, etc., peuvent être filmés à des taux de réduction différents. Lorsque le document est trop grand pour être reproduit en un seul cliché, il est filmé à partir de l'angle supérieur gauche, de gauche à droite, et de haut en bas, en prenant le nombre d'images nécessaire. Les diagrammes suivants illustrent la méthode.

MICROCOPY RESOLUTION TEST CHART

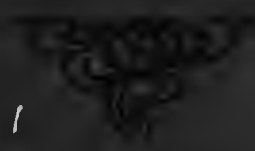
(ANSI and ISO TEST CHART No. 2)



APPLIED IMAGE Inc

1653 East Main Street
Rochester, New York 14609 USA
(716) 482-0300 Phone
(716) 288-5989 Fax

PROFESSIONAL
ETHICS
By
GEORGE EDWARDS HALL



THE UNIVERSITY OF
TORONTO LIBRARY
128 St. George Street
Toronto, Ontario

HF 5629
E3

STORAGE ITEM
MAIN - MUSEUM

WILSON

U.B.C. LIBRARY



Quicker, better, easier and more effective ways and means of accomplishing results—that's efficiency.

IF YOU ARE INTERESTED IN THE APPLICATION OF SUCH EFFICIENCY TO YOUR ACCOUNTING PROBLEMS, WRITE ON YOUR OWN LETTER HEAD, FOR OUR FREE BOOKLET

"Better Methods of Accounting"

THIS booklet contains no tiresome academic discussions—no speculation about untried theories—only clear, simple statements of fact and experience. It shows in concrete form how the figure processes of accounting may be greatly shortened—how to facilitate taking trial balance—how to handle billing, inventory and payroll more accurately and expeditiously—how to split the expense of figuring costs—in short, how to reduce both the labor and expense of accounting work in every department by methods that have proved successful in actual practice. In any case—whether you know the Comptometer or not—let us send you the booklet.

FELT & TARRANT MFG. CO.
1715-31 N. Paulina St., Chicago, Ill.

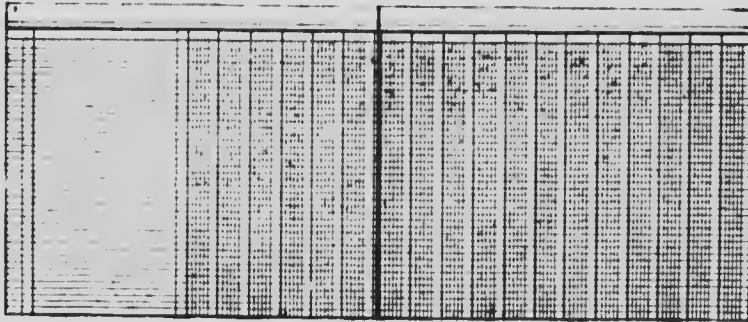
Canadian Offices or Dealers:

MONTREAL TORONTO WINNIPEG CALGARY VANCOUVER
Power Bldg. Traders Bank Bldg. McGreevy Block. 1309 11th St. W. Rogers Bldg.

ACCOUNTANTS'

· COLUMNAR PADS ·

SOMETHING NEW



IN response to frequent inquiries for paper ruled similarly to our columnar books, we have produced this series of pads. They are made in a large range of rulings from six columns up, each pad containing fifty sheets. Just the thing for statements, temporary analysis figures, etc., etc. Following are some of the principal numbers:

- | | |
|----------------------|----------------------|
| No. 5012—12 columns | No. 5014—14 columns |
| No. 5016—16 " | No. 5018—18 " |
| No. 5020—20 " | No. 5024—24 " |

Price Per Pad 24 x 11½—\$1.00

GRAND & TOY LIMITED

OFFICE OUTFITTERS

Wellington and Jordan Sts., Toronto.

PROFESSIONAL ETHICS

AS THEY APPLY TO
THE PRACTICING ACCOUNTANT AND TO THE
STUDENT-AT-ACCOUNTS

BY

GEORGE EDWARDS, F.C.A.

PAST PRESIDENT AND LIFE MEMBER OF THE INSTITUTE OF CHARTERED
ACCOUNTANTS OF ONTARIO;

PAST PRESIDENT AND REPRESENTATIVE OF THE ONTARIO INSTITUTE
ON THE COUNCIL OF THE DOMINION ASSOCIATION
OF CHARTERED ACCOUNTANTS.

THIS BOOK IS THE PROPERTY OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS
OF BRITISH COLUMBIA

PUBLISHED BY
THE CHARTERED ACCOUNTANTS STUDENTS ASSOCIATION OF ONTARIO
TORONTO

Extra copies may be obtained from the Accountancy Book Publishing
Co., Limited, Continental Life Building, Toronto, for 25 cents each.

The Publishers would call the attention of the readers to the advertisers in this booklet,
who have enabled us to distribute it without charge to the members of the
Dominion Association of Chartered Accountants as well
as to members of the Students Association.

COMPLIMENTS OF THE
C. A. S. A. OF O.

The Chartered Accountants Students Association of Ontario

Officers, 1914-15

Honorary President:

EDMOND GUNN, F.C.A.

Hon. Vice-President:

BRYAN PONTIFEX, F.C.A.

President:

J. T. ANGLIN

Vice-President:

J. ALBERT BROWN

Treasurer:

H. A. SHIACH

Assistant Treasurers:

FRANCIS HUNT W. G. BERNER

Executive Committee:

A. C. NEFF, F.C.A.	G. K. ARCHER
A. NOLD MORPHY, C.A.	JAS. TURNER
F. C. HURST	L. A. ALLEN

Auditors:

F. L. KERR E. A. SEBURN

Secretary-Treasurer:

F. G. SHORT
813 Traders Bank Building,
Main 420

Explanatory Note

This booklet is the outcome of an address recently delivered to the members of the Chartered Accountants Students Association of Ontario by Mr. George Edwards, F.C.A., of Toronto. Mr. Edwards is one of the best known and at the same time one of the most liberal and broad minded of our Canadian accountants. His remarks on a subject of so much interest and, at the present time, of so much dispute among public accountants will be a welcome addition to our professional literature.

The lecture was given before an audience of students, and it is, therefore, not unnatural that some considerable portion of the booklet is devoted to the problems which confront a student. This, however, adds to rather than detracts from the value of the booklet.

*Frank G. Short,
Honorary Secretary*

*Toronto,
March, 1915.*



PROFESSIONAL ETHICS

Ethics is the name generally given to the science of Moral Philosophy. In a more restricted sense, it is the investigation of human character and conduct so far as they depend upon or exhibit certain general principles known as moral principles. Men in general characterize their own conduct and character and that of other men by saying that it is good or bad, right or wrong, as the case may be, and it is the meaning and scope of these adjectives in their relation to human conduct that Ethics investigates.

It is sometimes defined as **The Science of Conduct**. Our moral consciousness is constantly leading us to the consideration of the right thing to do under any given set of circumstances. But too often men instead of first of all considering what that right course of conduct is and secondly adopting it—reverse the process, that is to say they first adopt a course of conduct and, secondly, endeavor to find justification for it by perverting the moral consciousness. It becomes necessary therefore to offer some general rules as to matters upon which there is evidence of a tendency to pervert the moral consciousness, and these rules, usually applicable to classes of people pursuing like avocations or having something in common, are termed Codes of Ethics, or Ethical Codes.

Professional Ethics When we speak of Ethics in their applicability to our professional life, we mean those standards of right conduct and motive which should ever actuate us in the relations we sustain with others, and in an especial sense with those who employ us and rely upon us, and with our brother practitioners.

Codes of Ethics A "code of ethics" so called is an effort, always more or less futile, to define in exact language, what constitutes good professional conduct, and the difficulty about most of these codes is that they are accepted only with certain mental reservations, according perhaps to the particular temptation to transgress with which the individual may be assailed. He is prepared to accept any of the so called "codes" to the extent that they do not call for any rectification of his own practices, but where they appear to have too personal an application, serious doubts are apt to arise as to the merits of the code.

Codes of ethics have for the most part been prepared by people who have felt themselves aggrieved at the conduct of other people, and the code is intended chiefly for the good of those other people. It is therefore hardly to be wondered at that there should be some differences of opinion as to what should be in such a Code

But if there are differences of opinion upon details all codes by comparison will disclose points of agreement or practical agreement, and in so far as these are generally recognized we may profit by them and seek to mould our own motives and actions accordingly.

Just as we say that an accountant must be well grounded in the elementary and fundamental principles of bookkeeping before he can hope to be equal to the task of applying those principles to the many and intricate accounting problems which present themselves for his consideration, so before we endeavor to specify by means of a Code of Ethics what should be our course in dealing with this, that or the other intricate Ethical problem, we would do well to go to the fountain head for an actuating principle so fundamental and comprehensive that once we become well grounded in it, we shall have no difficulty in applying that principle to every Ethical problem that confronts us.

Foundation of all Codes of Ethics

Whether, therefore, you accept or do not accept Bible teaching as a matter of faith, we can agree that there is no better authority on Ethics extant, for it is there that we find the Golden Rule—"Whatsoever ye would that men should do to you, do ye even so to them," which if we well and truly observe and seek to test thereby all Codes, so called, of Professional Ethics, will solve every difficulty likely to arise relating to conduct or practice. And wherever we deservedly experience difficulties it will be because we have lost sight for the moment of this foundation principle of all Ethics.

Everyone may have Ethics. They are not peculiar to professional men, as we understand the term. Men and women, youth and age, riches and poverty, employer and employed—to none is there denied the privilege of regulating their relationships with those of their class, or with those of some other class so that they will merit respect and confidence.

"Good Ethics is Good Business"

The Ethics of the grocer or the butcher are as capable of recognition as the Ethics of the lawyer or the doctor, and to the extent that they are less intricate or artificial than those that are popularly supposed to hedge about the professional man, they are the more readily comprehended and appreciated. But both the professional and the non-professional man come to realize sooner or later that Good Ethics is Good Business and likely to form a substantial contribution to the sum total of business prosperity. And, per contra, Ethics of the doubtful variety—if they can be properly called Ethics—are likely to constitute a heavy overhead charge or at least a serious contingent liability.

The most serious menace to our professional relationships lies in the belief cherished by some, that there is no real violation of the Code unless one is caught at it. The most dangerous criminal is he who has been successful in concealing his misdeeds and still retains the disguise of an honest man. So in a lesser degree the professional man

who yields to the temptation to take a chance because the probability of detection is slight, becomes an unworthy member of his Guild, and not entitled to hold up his head with honest men.

Written or Unwritten Codes

All Ethical codes are said to be written or unwritten. The authorities are not at all clear as to what an unwritten code may contain, so for want of a better definition I think we may say that it is the instinctive sense or unconscious recognition of right which is inherent to all right thinking people.

"Cribbing" as an Example

It will be premised that all whom I now have the privilege of addressing belong to that class and will have no difficulty in differentiating between what is right and what is wrong in all the ordinary circumstances of life. As prospective candidates for examination, for instance, you will not require to be told that "Cribbing" is not right, but wrong, and I am satisfied that no rule of the Institute is required (although one exists) to keep you from offending in that particular. Not everyone however can say that at school he was able to resist the temptation to discover what the boy next to him had for an answer, and thought he was doing nothing wrong. The fact that a few years later there is no inclination to profit by such tactics, indicates the development of one's Ethical perceptions, and whether he refrains from the practice because it is the right thing to do, or because it is against the rules, will indicate whether he is giving recognition to the unwritten code or to the written code.

How a Written Code is Formed

It must be clear, therefore, that the written code or rule against—"cribbing", is nothing more than the effort of some one having more or less authority plus experience, to define what is right in one specific case or under one particular set of conditions or circumstances. That being so, we have only to make a schedule or list of all the circumstances simple or complex which may confront one upon the toilsome journey, and frame a rule of conduct applicable to each item in the schedule, and we shall have a complete written code of Ethics. It sounds very simple and easy, but none of our Code makers have thus far more than touched the fringe of his task.

The most that can be hoped for from any such attempt is to emphasize a few special directions in which frail humanity strays from the narrow path, thereby attracting the attention of somebody else to the deviation. It speaks volumes for the high Ethical standards that prevail in the various professional circles of to-day, that written codes should be so meagre in extent, while for all the rest, the unwritten code or one's own inherent sense of right is assumed to serve every needful purpose.

Ethics of Accountants

Therefore, in dismissing for the present the subject of the unwritten code, let me emphasize its fundamental application to every word or act of our professional life, and whether it finds expression in the language of the

Golden Rule, or in the more modern phraseology "Put yourself in the other fellow's place" or "Consider how you would like it if the boot were on the other foot," or "Right for right's sake"; in the recognition of this great principle will be found the foundation for every written Code of Ethics worthy of the name.

Coming now to consider the ethics of our own conduct in a professional sense, I feel that so soon as any of us begin to make rules for anyone else we open up endless opportunities for differences of view. Whether, however, we find ourselves in agreement or not when we get down to details, we may at least hope that we shall add something to our previous conceptions of right and wrong in their special applicability to ourselves as accountants.

Most of you are at the present time filling positions of trust and confidence with some employer, and therefore we may fairly refer to standards of conduct applicable to your special class of cases. My first reference will be to the confidential nature of the relationship which exists between you and your employer whether he be a Chartered Accountant or a merchant or a banker.

Information as to Clients' Business

This confidential relationship is emphasized to a greater extent in the office of a public accountant than in a mercantile office, for the reason that the audit clerk's passport to confidence is the employer's reputation for trustworthiness. When my clerks present themselves at the counting house of a client, the client says in effect, Mr. Edwards trusts these men, and I trust Mr. Edwards, therefore I disclose my affairs to them with the confidence that they are being disclosed to him, and no one else. Your moral consciousness will tell you that the information you derive does not belong to you, and is not given to you, but in trust for your employer, quite in the same sense as if you were given a deposit to carry to the bank. The infraction of this rule requiring a confidential relationship to be maintained, may be due to thoughtlessness only, indicating the necessity for cultivating the habit of reflection, and the exercise of deliberate judgment after due reflection, so that you may determine for yourself what is right and what is wrong, when the question under consideration is that of confidential knowledge. And in proportion as you are able to arrive at a sound conclusion without having to seek justification in your moral consciousness for some doubtful act done or committed, to that extent have you laid the foundation for a sound decision in other matters of moment.

To a young man taking on confidential relationships, understood as such, for the first time, the obligations so assumed are likely to be more irksome than later on. What seems an effort at the outset becomes a habit in due course, and eventually a fixed principle, and when that stage has been reached no inducement however great could accomplish a departure from it.

The obligations of confidential relationships extend quite as much to the preservation in places of security of documentary matter. I

knew of an instance perhaps fifteen years ago where a young man, doing his work as a stenographer, unthinkingly left important confidential information exposed on a desk adjoining. It was abstracted by parties to whom it proved of great value and by whom it was used to the detriment of the rightful owners of the information. That young man was quite incapable of betraying a confidence by disclosing information, but by not safeguarding that information in its written form equal or perhaps greater harm was done.

Ethical consideration of the circumstances takes account of the possible result to others of carelessness or negligence, for many of the things we do or neglect to do are wrong, not in themselves necessarily, but only as they injure others, and the wrong thus committed becomes greater in proportion as we become powerless to repair the wrong.

Whether, therefore, the betrayal of confidence be the result of carelessness or design, or whether it be active or passive, the offence, judged by the consequences, is equally grave, and we should always be on the alert so that we may continue to be worthy of confidence in this respect.

Dependability In the second place, I would impress upon you the importance of being found dependable in your relations with your employer or with his clients. A thoroughly dependable young man will ever meet with the appreciation he deserves. Dependability, or more often the lack of it, is a characteristic that impresses itself upon others.

If you have an appointment keep it. If the appointment is for a definite moment of time be on time. If others have done you the honor of relying upon you, show that you can be relied upon.

Dependability if cultivated is a path of roses and comfort compared with the contrary course. As a boy filling a junior position in a large mercantile house I had the lesson drilled into me in a very striking way. Our chief came into the counting house one day and said in my hearing that the Hon. Mr. Blake was to call at twelve o'clock. He added: "Mr. Blake is a wonderful man, I have never known him to be a moment late." Naturally every clerk in the office watched the clock—an accurate timekeeper—and as it struck the hour Mr. Blake opened the door and walked in. It seemed almost uncanny to me at the time, but I never lost the significance of that incident. That a distinguished man like Mr. Blake, upon whose convenience in the matter of time, any who knew him would gladly wait, should be so scrupulous in the fulfilment of even an unimportant appointment that he would time his movements by seconds, opened up to me a vista of opportunity. I realized as a boy and have endeavored—imperfectly it is true—to give to the quality of Dependability a foremost place in the particular Code that I would both preach and practise.

I know a professional accountant whose steady habit is to promise something "to-morrow." Those with whom he is associated have learned that "to-morrow" means "some future time," or "never."

I know men—members of important committees—who make the fulfilment of their responsibilities a matter of conscience, and if prevented from attending a meeting, are careful to send regrets and explanations. I also know men—members of the same committees—who apparently are devoid of any such sense of responsibility. Often their thoughtlessness causes their colleagues the loss of precious time—the most precious thing we have in this life—waiting for a quorum that never comes. They acquire a reputation for being undependable and one wants to have nothing to do with them.

An accountant promises his report at a day and hour. The client calls his directors to meet accordingly, and the report is not there. Can the accountant reasonably complain if he is afforded no further opportunity either to please or disappoint?

Do not underestimate the importance of dependability. It may spell failure if you do. But best of all be dependable for dependability's sake, and not alone because it pays. Your self-respect means much to you.

Fairness to Your Employer

In the third place, I would impress upon you the importance of being fair and just in the service you give to your employer. I feel sure that you all appreciate how much it will mean to you in your future career to be known as one who will hold the scales of justice evenly balanced. If you attach any importance to your ability and disposition to exercise the judicial faculty in the years that are to come, it is not too early to begin and consider the opportunities you have now for the development of it, and how opportunities neglected in your student period may prejudicially affect your judgment later on. There is a proverb that aptly expresses the idea—"As the twig is bent, the tree is inclined." So also as you exercise your judgment in all the little things between yourself and your employer, your employer's clients, your friends and associates and even in your home life, must the influence of that judicial faculty or the lack of it react vitally upon you as time goes by. To-day you will have to decide very trifling issues, or what may appear so to you; some day large problems, and important divergences of opinion or constructions of fact will claim your attention. By your proven capacity in small things will you be esteemed capable of big things.

What are your opportunities to-day for development along this line? You enter an office as a student. You are informed that business hours are from 9 to 6 or 8 to 5 as the case may be. Your salary is to be so much per week or month. Thus a transaction takes place calling for the sale of a commodity for a definite price. If instead of so many hours of time your contract was to deliver so many loaves of bread, you would be able very readily to form a correct judgment upon the issue as to whether the delivery of 18 loaves would be a satisfactory discharge of the obligation to deliver 20 loaves. I have been young myself and there was a time when my capacity for passing judgment upon my own lapses or failures to give full tally in the matter of my

time was not well developed, so that when I offer these remarks to you for your benefit, I do so out of my own experience.

Yet somehow that fifteen or twenty minutes in the morning or half hour at noon or at night did not seem such a serious matter as short weight, we will say, in a ton of coal. But after all it is your judgment in the little things that will determine your capacity for exercising an impartial judgment in the larger affairs of life, and if you would do yourself full justice you must learn to look upon those pilfered half hours as so much pilfered money.

Night Work by Students

Another question bearing upon the same point to which you are bound to give serious thought is the extent to which you may undertake night work on your own account, and still do justice to your employer's business. Personally I think a student has undertaken quite enough when he has faithfully performed the allotted day's work and devoted an hour or two at most to study. An exceptional man may do all this and undertake other tasks, without seeming to impair the quality of his day's work, and many may for a time at any rate maintain the pace. Ethical reflection, however, should lead you irresistibly to the conclusion that whether you think you can or cannot stand the strain the matter is one to be determined with your employer's assistance, and not without it.

A "Square Deal" to Employees

In thus directing your attention to your duty to your employer, I am not unmindful, as an employer, that there is the need often for the employer to cultivate the habit of Ethical reflection in this regard and especially in the application it may have to his attitude towards his bookkeeper or audit clerk. How often do we find the office staff at work long after the factory has shut down for the day. No gong rings or whistle blows for the unfortunate accountant, who has not finished his postings or found his Trial Balance, and seldom is the courtesy of appreciation, and even less the simple justice of additional pay accorded to him for his overtime spent in the employer's service. I am not addressing employers this evening, but if I were, I would remind them that the very best guarantee of efficiency in an employee is obtained by giving to that employee a perfectly square deal—not under compulsion, but as a matter of course.

I might multiply instances, but the moral is, I think, plain. No circumstance in your career is so trivial in its importance that you can afford to ignore the Ethical considerations involved.

Attitude Towards Clients

Fourthly, cultivate a courteous and diplomatic demeanor when you are about your employer's business and at all other times. Upon this point we shall perhaps discover that some differences of opinion exist. I have heard it said by a business man that the auditor is efficient just in the ratio of his unpopularity. Another remarks that the auditor ought to be the

worst hated man about an office. I have not heard an auditor express such a view, however, nor desire for himself the enmity of those amongst whom he labors, and I prefer to be guided by my own experience and judgment and that of my fellow accountants.

The homely saying that "molasses goes further than vinegar" aptly adjusts itself to the attitude that an accountant ought to assume at all times. The honest man never need fear the auditor, and it is safe to say—never does. The auditor at the outset presumes the honesty of those with whom he has to deal and invites their confidence and co-operation. He will very soon discover whether he is getting it or only appearing to get it, and it will then be time enough to consider whether the object he has in view can best be served by stopping the flow of molasses and opening up the vinegar tap.

And whatever will best serve your employer's object will best serve yours also. The cultivation and exercise of a calm, even temperament and affable disposition, is as much a matter for Ethical reflection as the other qualities I have referred to. You are considering, we will say, the explanation given to you of a certain transaction which causes you misgiving. Until by direct proof or by the process of elimination you have become assured that there is fraud, an attitude indicating the assumption that you are dealing with fraud may be unjust to others and may impair your own usefulness to your employer. Tact and finesse are required to elicit the information required without assuming guilt or guilty knowledge. An open mind, persistently assuming that a transaction is capable of being honestly explained is a necessary part of your mental equipment. A blustering or blundering investigator may defeat, by his own disregard of the conventionalities and courtesies due between gentlemen, the interests of his employer and the client.

Ethics for Practising Accountants

I have not thus far touched upon those questions which concern the practising accountant in particular, as for instance—whether an accountant may solicit the business of another accountant's client—whether he may cut rates to obtain business—whether he may advertise and how—the extent to which an accountant should shield another in a fault—the courtesies which should be exhibited between accountants who have business in common or whose clients' interests bring them into conflict—and many other situations which an accountant occupies in his professional progress.

I am less sure that my views upon questions such as these will find general acceptance, and it may be well that I say in advance that I do not presume to instruct you as to what the standard of your conduct should be when in the course of a few years these matters present themselves as personal problems, and I would do no more than state my views and offer you a few reasons for the faith that is in me.

**Soliciting
Business**

As to Soliciting Business. It has been said and with apparent reason that all the rules or Ethical codes have in this respect at least been framed by the successful and well established accountant for his own benefit, for it operates to discourage ambition in the beginner and protects the class that least needs it.

There is nothing wrong in soliciting business, especially in a young accountant seeking to win a place for himself and conscious of his ability to serve a client well—if he can get one. If I had any encouragement to believe that my advice would be accepted I would say to the well established, comfortable practitioners "Go slowly now, be content, you have enough, give the young man a chance" and, to the younger man, I would say, "You have your chance, do not abuse it by endeavoring to disturb an existing confidential relationship between an accountant and his client."

Seek your work where others have not established a confidential relationship. It will be easier to develop business that way than by invading some one else's field. So in course of time when you have a comfortable list of appreciative clients, you will realize that you have done to others what you now would they should do to you. The Golden Rule, no more, no less. And you will now recall that when you were struggling along against adversity, you contemplated the big fellow and said, "If I had half the business he has, I would be perfectly satisfied." Now you have your wish—be satisfied and give the young man coming along his chance. That will be Ethics in the loftiest sense.

**Cutting
Rates**

It has been said of this rule also that it gives the young man no chance if a tariff of fees applies alike to the established accountant and to the beginner. I have always opposed tariffs, and our Institute has, I am happy to say, left its members to act in this respect, as their necessity, plus good judgment, will dictate. This much I will observe—that a young accountant may be depended upon to get the best compensation possible for his services, and he need never be ashamed because he commands a lower rate than men his senior in experience and reputation. But the well established accountant may well blush if he secures business by underquoting the young man, it is one of those achievements which spell "defeat" rather than "success."

The fundamental objection to cutting rates and competing for business on a price basis, is that the client has to trust to the accountant's honor to do his duty, he cannot check him up as if he were contracting to deliver say bread or coal, and reject the goods if not up to sample. An accountant who obtains business in the competitive way is not always proof against the temptation to make up for it by delivering goods of inferior quality, and if such promptings obtain a foothold, deterioration ensues, the capacity for Ethical reflection diminishes and finally disappears. The first concern of the Chartered Accountant who takes a proper pride in his profession, will always be that he give ade-

quate service for his compensation. Having demonstrated his quality, he may fairly seek adequate compensation for the service rendered, and it is due to the vast majority of business men to say of them that they are not slow to recognize meritorious service. You must decide the question for yourself, but do not cease in the effort to maintain your self-respect and your ideals.

Advertising I am unable to discover any Ethical ground for objection to advertising announcements unless by advertising is meant invidious comparison. I know accountants who discountenance professional cards in publications, notwithstanding the impersonal character of the announcement. They however will defend their partnership or dissolution or removal or new office announcements addressed personally to another's client on the ground that it is "no worse." The mental processes that lead to such conclusions are Ethically considered, past understanding.

It seems to me meritorious—to say the least—that there should be general recognition by Chartered Accountants that their profession is a public need, and that the public should be made aware of it. Our standard book of reference on Ethics tells us that "Neither do men light a candle, and put it under a bushel but on a candlestick, and it giveth light to all that are in the house." A tailor's announcement is not for you if you have all the clothes you need, but for the man who does need clothes. So your card in the newspaper is not for the man or company who has an auditor, but for the man or the company that needs one. To put it another way, the "candle" is for the benefit of those who need light. This differentiation is not possible in the case of personally addressed information.

**Shielding
Another Accountant
in a Fault**

An accountant's attitude towards another in a fault should always be in the first instance—the presumption that the fault is only apparent and capable of explanation. When that presumption fails there is still the duty of presuming innocence of intent to misstate or mislead. If the fault appears to be deliberate or intentional there is not only no obligation to shield the offender, but there rests upon every decent practitioner the major obligation to the profession and the public to punish him. In the issue between the dishonest man and honest men whether they be the public or the members of his guild the decision must ever be for righteousness and fair dealing. There is no place in our ranks for evil-doers.

I believe that this is the course that will commend itself to right thinking men, notwithstanding that circumstances sometimes arise when accountants are expected by hasty and intemperate clients to presume another's guilt without adequate proof. We must be British in our conception of fair play, and we must consider what sort of treatment we would expect from others if placed upon our own defence, and it is rarely that a client will fail to respond to an appeal for fair play.

**Joint
Business**

Where accountants have business to transact under a joint appointment, simple courtesy demands that neither will proceed without the other or without the other's knowledge and consent. A frank recognition of this obligation makes for mutual respect and confidence, and failure to observe such amenities is bound to engender suspicion of the other's motives, which might be that of ingratiating himself with the client at the expense of the other.

There is nothing inherently wrong about making independent investigation, indeed there are circumstances when this is desirable, and the probable end sought by the appointment jointly of accountants is that what may escape one will be seen by the other, and thus a distinct advantage may be obtained.

Whether accountants act together or individually however, there should be always complete candour and frankness between them as to appointments to be made, methods of procedure, and mutual disclosure and discussion of findings, and if possible substantial agreement as to the conclusions and report. Otherwise the client's confidence in one or the other becomes impaired, and he may even find it necessary to look for an umpire, or being a layman decide for himself. In either event confidence disappears and only the accountant suffers.

When the case is that of accountants advocating opposing views, the same complete frankness upon questions of fact must lead to substantial agreement, even though they differ in the deductions from those facts. It seems to me that accountants contending for opposing interests commit an Ethical offence if they fail to disclose in good faith each to the other, the full set of facts, some of which may have escaped the other's notice, upon which their conclusions are to be based.

Nothing need be obscured, accounts are an exact science like mathematics not a field of inexact speculation like medical diagnosis. The absence of complete data may of course lead to some diverse conclusions as to facts, but in such a case the data lacking comes within the realm of deduction and not of fact. An accountant ought not to seek an advantage for his client to which he believes that client is not fairly entitled, if he does—he undergoes deterioration, loses his self-respect, impairs his capacity for Ethical reflection.

**Act of
Incorporation of
Ontario Institute**

Membership in The Institute of Chartered Accountants of Ontario presumes a high standard of conduct as well as a high standard of technical attainments. The Act of Incorporation, section 1, reads as follows:

4. The objects of the Institute shall be to promote and increase the knowledge, skill and proficiency of its members in all things relating to the business or profession of an accountant, and to that end to establish classes, lectures and examinations, and to prescribe such tests of competency, fitness and moral character as may be thought expedient to qualify for admission to membership.

Fitness and moral character are thus made officially a part of the qualifications we must all have as "Chartered Accountants." Under Section 10 (b) the degree of fitness and moral character is to be determined by the Council of the Institute.

By-laws of
Ontario
Institute

In pursuance of their authority the Council has passed a By-law (1) requiring the applicant for membership to secure the certificate of two Chartered Accountants as to his good moral character and habits. Ample allowance is thus made for the individual point of view of a Chartered Accountant, but it is significant, nevertheless, of the degree of confidence which the fact of membership inspires in a member that the test of moral character for the purposes of attaining membership should be the word of a Chartered Accountant and nothing more.

By-laws numbered 6 and 7 involve considerations of an Ethical nature. By-law 6 reads:

6. Members practising in partnership with persons who are not members shall not permit the partnership or firm to be described as "Chartered Accountants." Any person named in connection with such partnership by advertisement or otherwise shall be deemed a partner for the purpose of this by-law.

There can be no doubt that these by-laws were suggested by concrete instances wherein members had shown the disposition to place self-interest above self-respect. It is not easy to understand how two persons in partnership, one a Chartered Accountant and the other not, could honestly claim the plural of the designation for the firm, yet the fact that it has been claimed indicates that being a Chartered Accountant does not necessarily ensure against distorted Ethical conceptions. And so we have a by-law to tell to Chartered Accountants, what ought to be as plain to a Chartered Accountant as the nose on his face.

The definition in the same by-law of what constitutes a partner is prompted by considerations which are less obvious. It is however intended as a delicate reminder to Chartered Accountants that the public is apt to misconstrue what comes under observation, and that the important thing about partnership announcements therefore is the impression they are likely to convey to the public mind. Chartered Accountants may not proceed carelessly or thoughtlessly in making their partnership announcements, but must stop to consider what impression is being conveyed and whether that impression would be a fair or reasonable impression.

By-law 7. No member shall engage in any business, profession or employment, or adopt any form of advertising or procuring business which in the opinion of the Council is objectionable in a member of this Institute.

This is another reminder to Chartered Accountants that it is possible to lower the profession in the public estimation by associating their practice with pursuits which, though honest and creditable in

themselves, are inconsistent with the due exercise of their professional talents. Some occupations are merely inappropriate—such as shop-keeping, moving pictures, brick-laying or even some of the other professions—as medicine or dentistry. There is no logical relation of ideas between occupations such as these and that of a public accountant, and the latter suffers in the public estimation, because he has become a “jack of all trades and therefore master of none.” I doubt, however, if the Council would be disposed to lay down any hard and fast rule to regulate cases of this kind.

There are however certain occupations which cannot be combined with that of a public accountant without exposing him to suspicion. He may not combine an occupation which enables him if so disposed to profit by his confidential knowledge of a client's affairs. He may not promote an enterprise upon which he has passed judgment as an expert accountant. His connection with a newspaper as an agent will be inconsistent with the impartial performance of functions involving newspaper patronage such as estate notices. If as a trustee he has to dispose of stocks or merchandise, he should not stand to profit by having an interest in the active agency through which the sale is made—such as the auctioneer's business.

It is not possible to suggest all such occupations. Every concrete case coming before the Council would require individual consideration, hence the general wording of the by-law which is intended to set us thinking, and stimulate Ethical reflection, not alone to avoid offending the decencies ourselves, but also to avoid bringing reproach upon the profession.

By-law No. 10 brings students within the general scope. The same uniform standard of conduct is desirable in those who seek professional standing as in those who have attained to it.

Interpretations of By-laws

The Council of the Institute has the power under the By-laws to interpret any by-law in its general or special application to cases. In the exercise of this power, some eight interpretations have been given thus far, some of which are pertinent to the subject under discussion. They are as follows:

3. As to Firm Name.

It is deemed to be objectionable in a member if, while publicly practising his profession alone, he conveys to the public the impression that he is carrying on his said business as a Chartered Accountant in partnership with another by using the words “& Co.” after his own name.

4. As to Corporation for Professional Purposes.

It is deemed to be objectionable in a member if he permits the fact of his membership to be used by a firm or corporation employing him in soliciting professional business, unless all members of the firm or corporation are Chartered Accountants. A corporation is held to be incapable of exercising professional functions.

5. As to Methods of Procuring Business.

It is deemed to be objectionable in a member to solicit professional business which has been entrusted to another member of the profession. The confidential relationship that always exists between the professional accountant and his client may be terminated only on the initiative of one of the parties to such relationship.

6. Advertising.

It is deemed to be objectionable in a member to solicit business by advertising other than by the simple announcement of his firm, business and address in the form of a business card.

In our applications for membership, we have each of us undertaken that we will observe the Act, By-laws and Rules of the Institute, and be governed thereby. The By-laws and Rules represent the consensus of opinion of the members, and of the men whom the members have chosen to represent them. The Rules above quoted represent the crystallized judgment therefore of the members themselves upon the cases to which they refer, and whether here or there there is divergence of opinion upon these rules, there is only one course Ethically open to a member namely:—loyal adhesion and obedience.

The foregoing list is not complete. It never will be complete. Other rules will no doubt be added as individual tendencies make themselves manifest. Meanwhile we must think for ourselves and cultivate the faculty for Ethical reflection, in circumstances to which the existing rules are inapplicable.

Do not lay too much stress upon precedent, or seek to justify an act by saying that someone else has done the same thing. Two wrongs will not make a right. You can afford to create a precedent if you are sure you are right.

As we are living on this earth but once, and as we believe in a hereafter, let us not for any sordid expectation part with the priceless right to the respect and esteem of our little public, and our fellow craftsmen. I say the right, not the semblance of it. Character rather than Reputation, a mind conscious of rectitude.

I will close by quoting to you William Shakespeare's advice:

"To thine own self be true and it will follow, as the night the day, thou canst not then be false to any man."

THIS BOOK IS THE PROPERTY OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS
OF ENGLAND AND WALES

PHYSICAL VALUES



THE CORRECT DETERMINATION OF PHYSICAL VALUES IS THE FOUNDATION OF A RELIABLE AUDIT. THE BEST AUDITORS IN THE COUNTRY APPRECIATE THE NECESSITY OF HAVING THE PERMANENT OR FIXED ASSETS ESTABLISHED ON THE BASIS OF AN APPRAISAL AND EMBODIED IN A CERTIFICATE OF VALUES BY THE CANADIAN APPRAISAL COMPANY.

THIS COMPANY IS PREPARED ALSO TO CHECK AND VERIFY INVENTORIES OR TO MAKE AN INDEPENDENT INVENTORY OF RAW MATERIAL, GOODS IN PROCESS AND STOCK.

THE APPRAISAL REPORT CONSISTS OF AN ITEMIZED STATEMENT OF ALL THE UNITS COMPRISED IN A PROPERTY WITH CORRECT DESCRIPTIONS AND PROVABLE UNIT VALUES. IT IS COMPILED, CLASSIFIED, SUMMARIZED AND INDEXED TO BEST MEET THE OPERATING, ACCOUNTING, INSURANCE AND FINANCIAL REQUIREMENTS OF THE CLIENT.

VALUES THROUGHOUT ARE BASED UPON THE PRESENT COST OF REPLACEMENT NEW WITH ACTUAL DEPRECIATIONS IN DETAIL MEASURED BY PRODUCTIVE EFFICIENCY.

The Canadian Appraisal Company
Limited

4 HOSPITAL STREET,
MONTREAL.

ROYAL BANK BLDG.,
TORONTO.

The Chartered Accountants Students Association of Ontario



THE Chartered Accountants Students Association of Ontario is an association of accountancy students formed—to quote the constitution of the Association—“for the advancement of the professional knowledge and studies of candidates for the examinations of the Institute of Chartered Accountants of Ontario—and to consider their joint interests as students.”

The Association is strictly co-operative. It is managed by the students themselves with the help of two members of the Institute. All the Offices are Honorary and all membership fees are disposed of in such a way as to give the students the greatest value for same.

At present the Association is conducting a series of lectures on accounting and allied subjects which are held twice a week throughout the fall and winter season. These lectures are held at the University of Toronto and some of Ontario's most prominent accountants are lecturers. Membership fees are \$15 for the season, with special memberships for Junior Students (\$10) and for Chartered Accountants who may wish to continue their connection with the Association (\$5).

Besides the Ontario Association, which is the largest, there are Students Associations in Vancouver, Calgary, Edmonton, Winnipeg and Montreal.

The Soole Printing Company

Designers and Printers of
HIGH-CLASS COMMERCIAL
STATIONERY
BOOKLETS, ETC.



Ask for our Representative to call.

PHONE MAIN 3765
13 ADELAIDE STREET EAST
TORONTO



"**T**HE Underwood Condensed Billing Typewriter, which you installed for us, saved its cost in three months. We consider it the best investment we ever made."

This is the unsolicited statement of one large manufacturing concern. Hundreds of other firms have had the same experience.

The Underwood Biller writes the invoice and the salesbook entry at one operation—there can be no discrepancy. The duplicate entries are *automatically* condensed—no waste space on the sales sheet.

There is practically no limit to the size of sales sheet. A series of columns beyond the invoice ruling, provides for any classification of sales, departments, lines of goods, territories, etc.

A system designed to meet your peculiar requirements must necessarily be a vital factor. This service is supplied free of charge—included with the machine.

United Typewriter Company
Limited
Underwood Building
135 Victoria Street, Toronto.

