

THE STUDENT'S GUIDE TO ACCOUNTANCY

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The Student's Guide to Accountancy by Lawrence R. Dicksee

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LAWRENCE R. DICKSEE

**THE STUDENT'S
GUIDE TO
ACCOUNTANCY**

The Student's Guide to Accountancy

BY
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As the Regulations of the Institute of Chartered Accountants are liable to fluctuation, it is desirable that proper inquiries be instituted in all cases before acting upon the information contained in this Handbook. Every effort has been made to secure absolute accuracy, but no responsibility can be accepted in the matter by either the Author or the publishers.

THE
STUDENT'S GUIDE TO ACCOUNTANCY.

CHAPTER I.

A SKETCH OF THE ACCOUNTANCY PROFESSION.

ACCOUNTANCY is a comparatively modern institution, and has its rise in the principle of distribution of labour which, during the past century or so, has found increasing favour with all classes of the community, and especially among commercial men.

The earliest authentic evidence of the existence of professional Accountancy dates from the year 1720, and is in connection with one of the numerous side-issues that attended the failure of the South Sea Company, which is, perhaps, better known as the "South Sea Bubble." So far as can be gathered from the contemporary records, the Accountants of those days occupied a very different position from that which they now hold, and with but few exceptions they seem to have been mere teachers of bookkeeping and writing; while our knowledge of the capacity of those who teach bookkeeping and writing in public schools, even at the present day, is certainly suggestive that these earlier Accountants had no special claim to pose as authorities upon the subject of accounts.

We may, no doubt, take it that "Accountants" (as signifying business men who have a special knowledge of accounts and

finance generally) did not exist at so early a period; and, indeed, in the *London Directory* for 1799 we only find the names of eleven so-called "Accomptants," although this date is two generations later than that to which we at first referred. In 1809 the number had risen to twenty-four, and in 1822 there were seventy-three Accountants, or firms of Accountants, in practice in London.

It was not, however, until the middle of the nineteenth century that any real vitality existed in Accountancy as a profession, but a great impetus was given about this time by the application of the then recent discovery of steam as a motive power to railways, and during the railway mania (1841-1857) there arose a considerable demand for persons skilled in accounts, which gave a great fillip to the profession. At the close of the railway mania, in 1857-8, a reaction would doubtless have set in with considerable force, but for the fact that in the year 1855 the principle of limited liability as applied to joint-stock companies was for the first time introduced, while the Companies Act, 1862, which gave additional facilities for the formation of limited liability companies, afforded a further field for Accountants' operations, which ever since has been continually increasing. A further scope for the operations of Accountants was afforded by the Bankruptcy Act, 1869, and from this time forward the continuance of the profession was assured.

It is a matter for regret that the looseness of the provisions of the Bankruptcy Act 1869 encouraged many persons to become Accountants who not only had no qualifications whatever for the duties which devolved upon them, but further were so devoid of moral principle that their misconduct naturally reflected upon the profession as a whole; and it is no exaggeration to say that accountants are still suffering from the misdoings of the adventurers of a generation since. Be this as it may, however, from the middle of the last century the profession has continually increased both in numbers and in importance, and it now occupies a position which,

while in some respects perhaps second to the legal profession, is undoubtedly in its own way a far greater power for good and evil.

The presence of black sheep in the midst of this body naturally resulted in the more respectable Accountants forming various Associations for mutual protection, and for the purpose of affording to the public some sort of guarantee as to the standing of those whose services they employed. The earliest of these Associations was the Incorporated Society of Liverpool Accountants, established in 1870, while in the same year the Institute of Accountants of London was also incorporated; in 1871 the Accountants of Manchester followed suit by forming the Manchester Institute of Accountants; in 1873 the Society of Accountants in England was formed, having its head-quarters in London; in 1877 the Sheffield Institute of Accountants came into existence; and in 1879 an Association of Accountants of Manchester was added to the list of Accountants' Societies.

Before this latter date, however, the need had been generally felt for some central organisation which would embrace the whole of these Societies and place them upon one uniform footing of qualification, and with this end in view the leading Accountants of London and the provinces met together for the purpose of considering the possibility of applying for a Royal Charter for incorporating an Institute of Chartered Accountants for England and Wales. As may be readily supposed, there were numerous initial difficulties to be overcome; but eventually, thanks to the energy and tact of the original promoters, these were set at rest and application for a Charter was made and shortly afterwards granted on the 11th May 1880.

The Incorporation of the Institute of Chartered Accountants in England and Wales marks the commencement of a new epoch in the history of Accountancy in England; by its incorporation was achieved what had become a most urgent need, no less in the interests of the general public than in those of Accountants themselves. From that date the public had, at least, the guarantee