

8-1929

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Recommended Citation

American Institute of Accountants. Trial Board (1929) "American Institute of Accountants. Trial Board," *Journal of Accountancy*. Vol. 48 : Iss. 2 , Article 8.

Available at: <https://egrove.olemiss.edu/jofa/vol48/iss2/8>

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AMERICAN INSTITUTE OF ACCOUNTANTS

TRIAL BOARD

A special meeting of the council of the American Institute of Accountants was held at the Chamber of Commerce of the United States of America, Washington, D. C., Monday, June 10, 1929. The meeting was called for the purpose of hearing charges preferred against certain members of the Institute.

The meeting was called to order at 10 A. M., and twenty-five members of the council were present.

The council adjourned to convene as a trial board.

The first case before the board was based upon the fact that a member of the Institute had been suspended by the committee on enrolment and disbarment of the treasury department for having advertised his professional attainments and solicited clients.

Inasmuch as the offences which were the basis of charges before the committee on enrolment and disbarment had been committed some time prior to the admission of the member to the Institute, the trial board unanimously resolved that the accused member should be reprimanded by the chairman of the board and admonished to abstain in future from violation of any of the rules of conduct of the Institute.

The next case before the board involved a member of the Institute who was accused of infraction of rules 2, 3 and 6 of the rules of professional conduct of the American Institute of Accountants. The defendant was present, accompanied by counsel, and counsel of the Institute was also present.

In the presentation of the case against the defendant it was explained that the complaint centered around the fact that the accused had issued a certified statement of the accounts of a company which had since failed, and that the statement of accounts was false. It was stated that the accounts had been prepared by one who was described as a branch manager for the defendant but was signed by the defendant himself. It was explained that the most important of the alleged offences of the accused was the infraction of the following rule 2:

“The preparation and certification of exhibits, statements, schedules or other forms of accountancy work, containing an essential misstatement of fact or omission therefrom of such a fact as would amount to an essential misstatement or a failure to put prospective investors on notice in respect of an essential or material fact not specifically shown in the balance-sheet itself shall be, ipso facto, cause for expulsion or for such other discipline as the council may impose upon proper presentation of proof that such misstatement was either wilful or the result of such gross negligence as to be inexcusable.”

In defense, counsel for the defendant presented evidence of good character and claimed that the false balance-sheet which had been issued had been signed by the defendant in the belief that his agent was an honest and competent accountant.

The finding of a state board which had previously reviewed the case was presented to the trial board. The defendant took the stand and answered questions which were addressed to him by members of the board.

Counsel for the Institute, the defendant and his counsel then left the room and the trial board went into executive session to consider the evidence.

After full discussion it was resolved, with one dissenting vote, that the defendant be found guilty of negligence.

It was then unanimously resolved that the defendant be suspended from membership in the Institute for a period of one year.

It was further resolved that for the present and unless contrary action be subsequently taken by the trial board the name of the defendant be not published, but that the right to publish be retained by the council to be employed at a later time if such a course should seem proper.

The defendant and counsel were recalled to the room and the chairman announced the finding and penalty to the defendant.

Counsel for a member of the Institute, against whom charges were to be heard, wrote that his client was seriously ill in hospital and presented a medical certificate in support of his statement.

It was resolved that the hearing of charges against the member be postponed until a later meeting of the council.

Upon motion the trial board adjourned and the council reconvened.

The council adjourned sine die.