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American Institute of Accountants

REPORT OF THE PRESIDENT*

BY FREDERICK H. HURDMAN

It is both the duty and privilege of your president to report at this time concerning his stewardship during the past year and to present for your consideration such observations as occur to him after that experience.

It seems unnecessary to inflict upon you a résumé of the activities of the year, all of which will be covered in reports of committees and of the secretary. Suffice it to say that the Institute is in a healthy condition with every department functioning, membership increasing and finances sound.

Perhaps the outstanding accomplishment of the past year has been the completion of the revision of the pamphlet "Verification of financial statements," which has been printed by the Federal Reserve Board. The manner in which this revised pamphlet has been received by accounting and banking organizations is indicative of the character of the work done by the committee which labored so long and diligently to make this pamphlet a document of value to the entire accounting profession.

It has been said that no set rules can be laid down for the accountant; that his work is naturally the result of his own brains and that he must be the judge and assume entire responsibility for the extent and thoroughness with which he does his work. Nevertheless, it does seem wise and proper that out of our experience we should set down, in some tangible form, for the guidance of those less experienced, what appears to be good practice and proper procedure.

It is not claimed that this document represents perfection, but it is certain that if all practising accountants would be guided by the suggestions in this pamphlet there would be an immense improvement in the quality of the work done. In most cases the procedure described in the pamphlet will be regarded as a mini-

*Delivered at the annual meeting of the American Institute of Accountants, Washington, D. C., September 17, 1929.

mum and wherever conditions warrant the accountant will do more than is suggested.

This same special committee which prepared the pamphlet "Verification of financial statements" is still engaged, in coöperation with the committee on education, in drafting a classification of accounting services and expects to complete its labor within the next few months. It is interesting to note how the term "balance-sheet audit" has been relegated to the discard. The committee found that while such a term was often applied to an audit there was not entire unanimity of understanding as to what it embraced, and it seemed unwise to have any term generally used which was susceptible of misunderstanding. The committee, therefore, has labored diligently to find terms which would not be misleading and would indicate as clearly as possible the kind of work to be performed.

During the year the president and secretary visited accountants in Boston, Baltimore, Virginia Beach, Indianapolis, Cincinnati, Louisville, Kansas City, St. Louis, Omaha, Minneapolis and St. Paul. In all these places the officers were received with the utmost courtesy and found the accountants, whether they were members of the American Institute or not, interested in what is being done for the profession.

Numerous matters of importance are being considered by the executive and other standing or special committees of the Institute. Your officers have constantly in mind the growing importance of our profession. The American Institute, if it is to measure up to its responsibilities, must keep abreast of changing conditions. With the growing tendency toward mergers in all parts of the country, the accounting profession must, of necessity, adjust itself to meet this economic condition.

A study has been inaugurated looking into the matter of the facility with which accountants may carry on an interstate practice. It is my belief that when regulatory measures are adopted by the states, it should not be made too difficult for an accountant to pass into another state to complete an engagement originating in the state where he maintains his principal office. Investigations of a similar character are being conducted by other organizations and it is hoped that from these studies there will be evolved a plan of procedure which will be of value to all.

The president is deeply appreciative of the work which has been done by members of committees and others who have been

called upon to perform service and have functioned in a manner creditable to our profession. It is true, however, that too few of our members are willing to make the sacrifice of time necessary if the Institute is to accomplish adequately all the things it has before it. There should be a greater sense of obligation on the part of a larger number of our members to committee responsibility. The direct benefits to members may not be proportionate to the amount of labor expended, but the satisfaction derived by any member willing to devote the time to working out something which will be of benefit to the entire accounting profession can not be measured. Much time and thought is given to committee appointments and there are few committees which could not perform a useful service if the membership of those committees appreciated the opportunity for service. Too often we are too impressed with our own personal obligations to devote the time required in strengthening the profession generally. It is the sincere hope of your president that a great number of members who heretofore have been inactive will indicate a desire to share some of the responsibilities and burdens which are now being carried by a few members who do appreciate what they owe to their profession. Unless many more of our members who have had large experience are willing to devote time to matters affecting the profession, we can not hope to do all that seems necessary if the Institute is to keep up with the problems which are arising daily and are of vital interest to the profession throughout the country.

Some of you may have read the article, "Honor among lawyers," which appeared in a recent issue of the *Outlook*. This article attempts to analyze the legal profession, and when we find a statement such as

"We find ourselves today with a profession filled with incompetents, with liars and jury bribers and peddlers of perjured testimony. We find ourselves served by attorneys of no greater cultural attainments than the butcher's boy around the corner and not half his native honesty. We find ourselves responsible to judges who have nothing to recommend them except unsavory political backing and a few years of cheap practice."

it behooves us to stop, look and listen to determine just what progress the accounting profession has made and in what direction it is going.

Some of the reasons given in this article for the condition which is said to exist in the legal profession are:

1. The overcrowding of the bar.
2. The lack of proper educational requirements in the face of the modern complexity of the law.

3. The absence of an efficient disciplinary control.
4. The evolution of the legal profession into a trade.

These are all reasons about which we might very well ask ourselves, do they exist in the accounting profession and, if so, what are we doing to counteract them. We may not have any overcrowding at the present time, but when one considers the rate at which the accounting schools are turning out students, it seems probable that we too, in the not distant future, will have an overcrowded condition. I have been told that there are at present 45,000 students enrolled in accounting schools in this country. Are we, as an organized body of accountants, doing all that we should do to encourage proper educational requirements? Are we too soft in our disciplinary methods? Should we proceed more vigorously in the prosecution of cases which appear to involve a violation of our rules of professional conduct? Is each of us afraid that some day he may make the same error, and are we inclined, therefore, to be tender with the violators of these rules? Are we reaching toward higher and higher standards of professional practice or are we, in the scramble to attain larger and more lucrative practices, veering away from those principles which seem to lie at the foundation of our profession and bending more toward those policies which seem to be peculiarly related to trade?

The president does not wish to appear to be unduly pessimistic but he is fearful that we may settle back into a state of smugness, closing our eyes to the economic changes which are taking place, when we should be ever striving for that state of perfection which we may never hope to attain but can only expect to approximate by untiring efforts and the wholehearted coöperation of the entire membership. The president is convinced that there is much work to be done. He is also convinced that much work will remain to be done, unless there is developed a greater spirit of service on the part of a larger number of members than is apparent at present.

The Institute, through its members, took an active part in the work of preparation for the international congress on accounting, successfully carried to completion in New York last week. Such a meeting and exchange of ideas must be productive of good to the profession.

Sincere appreciation is expressed to all those who have helped carry on during the past year; to the secretary and his staff; to

those members who have responded to every demand I have placed upon them. Whatever I may have said to the contrary has been said in the hope of inspiring more members to their responsibility to the profession which they have selected for their own.