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A N N U A L
R E P O R T S
O F O F F I C E R S
A N D C O M M I T T E E S



For the year 1950-1951

AMERICAN INSTITUTE OF ACCOUNTANTS

270 MADISON AVENUE

• NEW YORK 16

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Report of the President

TO THE MEMBERS OF THE
AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: A year ago—at Boston—we met almost on the eve of the beginning of the second half of this century. Less than three months before the Boston meeting another war against our ideals had broken out—this time in Korea; and already we had begun to feel the pinch of the economic and other restrictions and controls that seem to be inescapable characteristics of armed conflict. Already we had begun to revise our setup and program so that we might assume and fully discharge our obligations as a responsible and essential element of the nation's economic system, and as an important, if not vital, spoke in the wheel of defense.

Our national defense committee had been re-activated in July, and the utmost of our talents and efforts had been pledged to those to whom the primary responsibility for defense had been assigned. This meeting, originally scheduled to be held in Washington, was moved to Atlantic City, lest it inconvenience contractors and others having to be in Washington on defense business. Then, as a climax of our emphasis upon defense, and in order to afford our members the greatest possible exposure to defense policies and plans, we made defense the theme of this meeting, and to that end have been able to bring here as honored guests and speakers perhaps the most distinguished array of government officials that has graced a meeting of any organization up to this time, and certainly the most distinguished group that has ever occupied the platform at a meeting of the Institute. As all of us know, the burden of these gentlemen's duties and responsibilities are so urgent that usually they are at their desks when almost everybody else has turned in for the night, and, having taken the time to give us the benefit of their time and intimate knowledge of the nation's defense effort, they will return to their offices to face the added burden of having to increase their exertions in order to dispose of the work that accumulates while they are here. I take this

opportunity, therefore, to assure these gentlemen that we are not only honored by their presence but also most grateful to them for coming.

I would like to revert to the outbreak of war in Korea: nations that owed their very existence to our friendship and unreserved aid in earlier conflicts formed new alliances and turned against us, just as had happened so often in the past, and that elusive condition of mankind, sometimes called "democracy," became more elusive than ever. Overnight, the hope of peace in our time, already discouragingly dim, became even more so—nor may it be said that the outlook has changed for the better during the year that has passed since then. Indeed, the future seems more uncertain today than ever, and all but the unshakably faithful—of whom, unhappily, all too few remain—seem to have resigned themselves to some undefinable dire inevitability, given up the quest of justice and freedom, repudiated the canons of personal discipline and restraint, and shed their very souls in an orgy of brazen irresponsibility and shameless immorality.

But as dark as the future seems when we try to penetrate the fog of uncertainty that obscures the horizon of our destiny, we must not lose sight of the fact that it has been dark before, and that as surely as the jet-black clouds of uncertainty have been relieved of the weight of their tears before, and been blown away to let in the life-giving and everlasting sun, so will they be lightened and driven away again, that the sun may shine again in all its brilliance and power.

I like to think that it has been in that attitude and spirit of faith and hope that the Institute has ordered its affairs and gone ahead during the year that has just ended, for we have indeed had another year of substantial growth, not only in numbers but also in prestige and influence. Our reaction to the crisis with which the nation became burdened in June of last year reminds me of an observation about people generally that a very wise man once made. This philosopher—and a phi-

losopher he must indeed have been—said that in time of trouble people fall into two categories: those who fly to pieces and those who fly into one piece. I think that the Institute flew into one piece like the defending corpuscles of the blood to fight infection. This was to be expected, of course, of a profession that traditionally has carried its banner high.

To begin with, through the efforts of our very energetic and most capably led membership committee, we gained 2,150 new members and reinstated 36 former ones, making total accretions of 2,186, or 8.44 times the number lost by resignation, death and other causes. Thus, we wound up the year with a membership of 17,998, as against 16,071 at the beginning, making a net gain of 1,927.

Second, we successfully met the challenge of two of the three problems that I particularly cited and commented upon in my inaugural address. These problems were: the achievement of a clear understanding with the bar as to the lawyers' and certified public accountants' respective spheres of practice; the preservation of recognition by Securities and Exchange Commission, in its revision of Regulations S-X, of the implications of the certified public accountants' obligation of independence; and the achievement, if possible, of friendly understanding between ourselves and the uncertified public accountants.

A statement of principles was worked out by the National Conference of Lawyers and Certified Public Accountants, and adopted by both the American Bar Association and the Institute, that affords a positive basis for resolving on the case basis such questions of jurisdiction as may arise between the two professions; and the Securities and Exchange Commission issued its revision of Regulations S-X in terms that met the needs of the situation as the Commission saw them and at the same time left unfringed the independence of the certified public accountants as imposed by the states, from which their recognition is gained. I can not recall two more positive examples than these of the virtue of frank but objective across-the-table discussion by parties not in agreement with each other.

There also were meetings during the year with representatives of the uncertified public accountants. These meetings did not produce agreement; but neither did they widen the area of disagreement. I have to report, therefore, that the situation as between the uncertified public accountants and ourselves remains unchanged. This is not going to be an easy problem to solve, because there are many other related problems that must be put behind us before it can be solved; but I have confidence that it will be solved eventually if both parties maintain a tolerant attitude and keep the door of discussion open, and I feel certain that no succeeding administration of ours will deliberately close this door.

Third, the committee on accounting procedure and the committee on auditing procedure not only undertook unusually heavy dockets during the year but also have done outstanding jobs in bringing up to date and codifying their bulletins and statements, respectively, and in carrying to higher levels of excellence the techniques of practice, through additional statements, bulletins, case studies, and other activities.

Fourth, the committee on national defense also has had an extremely busy year. You will recall that at its inception this committee was a relatively small one. Need for expansion of its membership and activities already was manifest before the year began. Accordingly, during the year the membership was substantially enlarged and the structure of the committee was changed by dividing it into subcommittees on manpower, renegotiation, procurement auditing, cost principles, price and wage control, and termination. Each of these subcommittees was confronted with very heavy dockets.

Fifth, the promulgation of regulations covering excess-profits taxes and the introduction and consideration of a new revenue bill also gave the committee on federal taxation an unusually heavy job to do. By the beginning of the year the growing multiplicity and complexity of federal taxes and the prospect of new legislation already had moved us to divide the committee on federal taxation into subcommittees on current tax legislation, long-range

tax policy, and tax administration. Developments during the year abundantly confirmed the wisdom of this action, and each of these subcommittees did outstanding work and substantially demonstrated the usefulness of the profession in the development of solutions to the government's tax problems, and, in so doing, rendered a most valuable service to the nation's entire business community.

Sixth, outstanding work also was done in increasing the usefulness of the Institute to the state societies and smaller firms and individual practitioners. Never in the long period of my association with the Institute have I heard as many or more complimentary comments from those whom these committees were set up to serve than I heard during the past year. I shall quote some of these comments to you in my discussion of finances.

Seventh, probably one of the most significant projects ever undertaken by the Institute for the purpose of aiding its members in the solution of their problems, both technical and administrative, was the decision to turn out as a product of the membership itself a publication to be known as *The CPA Handbook*. The writing and publication of such a work is an undertaking of gigantic proportions, and I am sure that all of you will be impressed with the magnitude of the effort that has been made by the committee in charge of this project in order to do a thorough job in the shortest possible time consistent with the turning out of a product of real worth to the membership.

Eighth, undoubtedly one of the most forward steps ever taken by the Institute was the setting up of a committee on public relations and the creation of a department under a qualified director to staff the work of this committee. Several highly valuable and very readable booklets were turned out by this committee during the year, and one sees on every hand abundant evidence that the committee is doing an outstanding job of acquainting the public with the importance of accounting and its application, and of rapidly increasing the prestige of the profession and recognition of the importance of its role in the nation's economy.

Ninth, I am happy also to be able to report that the work of the Business Income Study Group, started in 1947 with a matching grant from the Rockefeller Foundation, has reached the final stage of its studies and deliberations and that it is expected that the Group's report will be published shortly. The work of this group has been one of major economic significance, and it is believed that its report will be the most authoritative work that has yet been published on that important subject.

I realize that the foregoing is only a partial report on the activities of the year and that I have spoken only generally about the work of the several committees mentioned and have not even mentioned some of our committees and the important work that they have done. I hope, however, that no committee will feel that any slight was intended by my omission of reference to it and its work, and that none of those mentioned will feel that I have not adequately covered their activities, because the time allotted for my report had to be limited and I could not hope to do more than cover the highlights of the year's activities. If I have been guilty of any serious omission, I apologize for it and call attention to the fact that in accordance with established procedure each committee reported in detail to the council at its meeting on Saturday [October 6] and copies of these reports can be had for the asking.

To summarize, we have had a very busy year indeed, and we to whom the responsibility for conducting the Institute's affairs during the year was entrusted hope that you will feel that it has been a year of significant progress. You will permit me, I am sure, the observation in passing that it has seemed to us who have been responsible for carrying on the year's activities that the profession's prestige and usefulness has been substantially enhanced not only at home but also abroad. This is no mere matter of personal boasting, for whatever has been accomplished has not been the work of any single individual or any small group of individuals; on the contrary, it has been the result of the high level of teamwork and personal devotion

to the advancement of the profession that long has been characteristic of the Institute's membership. On this subject I should like to say a brief but genuinely sincere word.

I have been connected with many organizations in my time, but never have I seen one where membership participation in the work of the organization has been as broad and devoted as it is in the Institute. The amount of time that individual members are willing to devote to Institute activities, and the amount of personal expense that they are willing to incur in order to make their participation effective, literally amazes me.

Not only have I been tremendously impressed by the prodigious contributions of the members of the committees to the execution of our various programs, activities, and projects; I also have reason to be thankful for the cooperation that I have received from all hands—my fellow officers, the members of the various committees, the members generally, and the excellent staff that labors so faithfully and so effectively in our behalf; and I am indeed thankful—deeply so. No one could have asked for more wholehearted cooperation than I have received on every hand and occasion. My year as president, therefore, has been a highly gratifying one—one that has been enriched by the strengthening of old acquaintances and friendships—by the addition of many new acquaintances and friends—and by the incomparable opportunity that it has afforded me to see at firsthand the benefits that flow from inspired and inspiring cooperation by men and women devoted to a common ideal and with the willingness to make heavy personal sacrifices in order to turn that ideal into reality.

I should be remiss if I did not take this opportunity to acknowledge also my gratitude to my wife and partners, whose indulgence and willingness to release me temporarily from my normal duties and obligations made it possible for me to accept and discharge to the best of my ability the responsibilities inherent in the high honor to which you elevated me at Boston.

I do not intend to bore you with statis-

tics, but I do want to give you some idea of what is involved in a normal year of modern Institute activities, in the form of official and staff tours, to meet with and address the members of state societies, local chapters and other national, state, and local organizations. During the year there were 138 such appearances covering practically every state in the Union and, of course, most of the larger, as well as many of the smaller, cities. I suppose I should tell you that your president's travels involved official appearances in 22 of the 48 states, the delivery of 45 official addresses and a number of unofficial ones, and more than 52,000 miles of travel.

During the course of the year's travel, so many members have expressed an interest in how the committees of the Institute are appointed that I want to say a word about this subject before discussing the important subject of finances, with which I will wind up my review of the year's activities. Selection of committee members is one of the most difficult jobs that confronts an incoming president, and because of the size to which the Institute has grown and the number of committees that have to be appointed, it is a job that he must get behind him before he takes office. If there are some who think that committee appointments are handed out as plums—and I know that there are some who feel or suspect that this is the case—I want to say here and now that nothing could be farther from the fact. As I have indicated, the Institute has grown because it has had officers and committees who have been willing and able to work hard at the jobs assigned to them, and committee appointments usually go to those who are willing and able to work.

No president can possibly know everyone who is willing and able to take on a committee assignment. For that reason each incoming president requests that state societies, the members of Council, and others recommend members for appointment to committees. I urge, therefore, that whenever any of you receives such a request you give it your most careful consideration and be certain that those whom you recommend are particularly qualified for the committees on which you think

they might serve and, more important than that, that they are in position to devote the time and incur the expense that a committee member must expect if he is to be really effective.

Now as to the matter of finances. The fact that special contributions were solicited during the year appears to have given rise to the feeling on the part of some of our members that we have been living beyond our income. In asking for these contributions, we tried to make it clear that this was not the case at all; however, our explanation was not as clear as we thought. Evidently this was due to the fact that our supplemental fund-raising activities were related by some of our members to the then current year, whereas the need was for the year ending August 31, 1952, not for the year then in course.

I can tell you positively that we are living within our income, that in spite of rapidly rising prices, we were able to keep expenses for the year ended August 31, 1951, within the revenue of that year and close the year with a small surplus. Since the Institute, like every other organization, has to compete in the open market for everything it buys—including personal services—and since the outbreak of hostilities in Korea was followed by a new upward spiral of prices, what happened was that it became apparent soon after our last annual meeting that by September 1st of the present calendar year we would be faced with the alternative of finding additional revenue or substantially curtailing our activities. The executive director promptly reported this outlook to the budget and finance committee and this committee analyzed the situation and called it to the attention of the executive committee. Thereupon, the executive committee instructed the budget and finance committee to go ahead with its preparation of a tentative budget for the year beginning September 1, 1951, for consideration by the council at the latter's meeting at Colorado Springs in May, in accordance with our established policy of giving the council a preview of the budget for each year at the spring meeting immediately preceding the beginning of that year.

The budget and finance committee proceeded accordingly, and at Colorado Springs the executive committee reported the situation in full to the council and the matter was discussed at length. In the meantime, the executive committee had instructed the executive director to cut expenses wherever possible in order to assure our being able to wind up the then current year—that is the year ending August 31, 1951—without a deficit. This was done, with the result that I have already indicated; but it involved reducing the scope of some activities and delaying the initiation of some projects that seemed desirable and had been approved by the executive committee.

The council then approved the expense reductions ordered by the executive committee for the balance of the year ending August 31, 1951, went on record as opposing indefinite continuation of the curtailment of activities, programs and projects involved in these reductions, and approved a recommendation of the executive committee that a special committee be appointed to study the whole question of income and submit its recommendations for consideration by the executive committee in time to permit presentation of a new financial plan for your consideration this morning. The plan agreed upon will be presented as a part of the report of the council to the membership, which is the next regular item of business on this morning's agenda.

There having been some doubt as to the propriety of making any plan that you might agree upon this morning effective for the year beginning September 1, 1951, the council then ordered, upon the recommendation of the executive committee, that contributions be sought as a stopgap means of providing sufficient revenue to enable full resumption of all activities, programs and projects beginning September 1, 1951.

Perhaps this has sounded a bit complicated to you sitting out there in the audience without my manuscript before you, but I hope it has been sufficiently clear to convince everyone that we have not been improvident in the management of our finances, that, on the contrary, we

have in fact lived within our means and intend to continue to do so.

Incidentally, the replies to our requests for contributions were replete with expressions of confidence in the manner in which the Institute's affairs have been managed, particularly from the small firms and individual practitioners. There also were expressions in these replies that leave no doubt that those who contributed are overwhelmingly in favor of continuing without curtailment the full range of activities, programs and projects, and of raising the scale of dues, if necessary, to such extent as may be necessary in order to make that possible.

Typical of expressions from the small practitioners was that of one member who said, "I don't know what small practitioners would do if it were not for the AIA." Another said, "From myself and the members of my staff, we extend our appreciation for the wonderful work of the Institute; you are reaching the smaller practitioner and making us feel the thrill of the profession." Still another said, "The Institute should not curtail its operations or activities at this time, but we are of the opinion that dues should be set at a figure calculated to yield sufficient revenue." Yet another said, "To curtail activities at this time would be unthinkable. . . . Your statement that dues have been raised only \$5 in the last 35 years would indicate a possible source of additional revenue."

I would not leave you with the impression, however, that there are not some who entertain contrary views, for such is not the case. For instance, one member said that he was "fed up on raises" and obviously thought that we should curtail activities. Another went even further and said, "I hope no business executive outside of the profession sees a copy of your letter. (This referred to the letter from me as president by which the appeal for contributions was initiated.) It seems to me a feeble solution of a bad situation brought about by poor planning and management." Still another charged that those responsible for running the Institute's affairs "seem to have absolutely no idea as to what constitutes service to the individ-

ual practitioner." And another—obviously a philosopher—contented himself with the simple statement that "he who spends what isn't his'n is very likely to go to prison." However, while we respect these contrary views, they were not representative of the majority of those who contributed, and a proposal to increase dues that the executive committee and the council believe to be equitable will be proposed for your consideration during the course of this morning's session.

In conclusion, I return to the situation that I touched upon only briefly at the outset of this report—namely, the unhappy position in which our country again finds itself so soon after the conclusion of World War II. Not only are we again at war, confronted by an envious and greedy handful of terrorists and tyrants to whom our success as a nation is unpalatable, but also, and more unhappily, we are confronted with a rising repudiation, here in our land, of the moral and spiritual principles upon which our system of government was conceived.

It would be useless for me to attempt to deal with our international problems, because even if I were qualified to discuss them there is little that we can do to change that situation. This problem must be left to those in high authority at the seat of government, and we can only pray that they will find a way to peace short of destruction of the civilization and mighty works that a kindly Providence has vouchsafed man to erect and of the enslavement of those who have the misfortune to survive such a holocaust. But there is something that we *can* do to help put our own house in order, and that something we must do before it is too late, for no nation, no matter how strong, can long survive on utter lack of responsibility and morals on the part of the official family of its administration. Nor can any nation survive a level of taxation designed to impoverish and destroy its business enterprises and the flower of its citizenry. The one encourages unfaithfulness on the part of lesser officials; the other both destroys the means of acquiring the tools of industry with which the growth of nations is fashioned, and encourages

concealment of income, as the only means, short of rebellion, to forestall the leveling of all to the lowest common denominator of the populace. Together these evils lead to destruction of the moral fibre of officials and citizens alike.

This unhappy result already is upon us. It is manifest in the increasing evidences of official corruption, and in the rising tide of crime, that are making headlines in every edition of the newspapers that comes out. One of the latest violations of official corruption is that which has put the Bureau of Internal Revenue under the dark cloud of suspicion. We are shocked at these revelations, because we know from long and intimate dealings with the Bureau that the fine reputation for honesty and integrity that it has heretofore enjoyed has been richly deserved. But we may take comfort from the fact that Commissioner Dunlap, whose reputation for dealing appropriately with wrongdoers, has, with characteristic forthrightness, ordered a full investigation and pledged himself to rid the service of those who have brought discredit upon the Bureau and their innocent fellow officials and employees, to the end that the latter may be vindicated and the Bureau's good reputation may be re-established.

The something that we can do to help put our house in order is join actively and vigorously with those who recognize that as a people we *are* rapidly deteriorating morally and spiritually and that if our achievements in raising the lot of mankind to a higher and nobler level are to be preserved and continued we must avoid at all cost sinking to that ultimate level where we will be complete strangers to the faith and principles in which our system of government was conceived—degraded abdicators of our heritage of freedom and personal dignity—and, like hopeless victims of narcotic addiction, incapable of fashioning the means of our own salvation.

My pride in our profession is well known to all of you. That pride arises largely from the fact that as auditors we are cast by law, and by due sense of professional responsibility, in a role that is second in its implications of virtue to

that of no other group that I can think of. This imposes upon us a high obligation, if not a sacred one. As auditors, we are charged with independence; and independent we must be in carrying out our auditing assignments, if we are to have any hope of achieving the eminence as a professional group that we ourselves hope for and that the world will readily accord us if we are worthy of it.

Independence implies faithfulness to truth. As auditors, are we not, therefore, seekers after truth? The world says "yes," for we have publicized independence as our chief claim to public acceptance, and the public has come to accept the title, "certified public accountants," as the symbol of flawless integrity. And so, we ourselves have erected the pedestal upon which our aspirations are set and determined the cubits of its height. But, as is so often the case, after a group such as ours establishes the premises of its position, and then becomes engrossed in working out the details of its edifice, it is but human for us sometimes to lose sight of these premises, and almost always to take the world's acceptance of them for granted; and herein lies, I think, the only serious threat to firm and enduring establishment of our claim to public confidence.

And so, I suggest that we must be ever mindful of the true nature and significance of the principles upon which we stand, and of the very important fact that these principles have the approval and assured support of a power higher than man. How right was the poet who said:

Though the cause of evil prosper,

Yet 'tis truth alone is strong.

Though her portion be the scaffold,

And upon the throne be wrong;

Yet that scaffold sways the future,

And behind the dim unknown

Standeth God within the shadow,

Keeping watch above his own.

In these times, in which the course of evil seems to prosper so abundantly, I find great comfort in the assurance that 'tis truth alone that is strong and that the power that controls the destinies of us all approves the way of the righteous. I suggest, therefore—and strongly recommend—that we must not only continue

steadfastly faithful to our obligation of independence, as the characteristic above all others that clinches our claim to existence as a respected profession, but also that we assume and vigorously discharge our full obligation as citizens, for I am convinced that as faithful practitioners of a profession founded upon the rock of high principles we can contribute mightily toward rescuing the nation from the abyss of irresponsibility and moral degradation in which, unhappily, it has fallen.

The power of noble example alone is great, but this is not all that we can contribute. As skilled practitioners and interpreters of the mechanics of the highly complex economy that predominates our time, we not only are exceptionally qualified to help but have a clear and inescapable obligation to do so.

I assure you that this is no mere pious exhortation. Nor do I mean to give you the impression that I have overlooked or underrated the magnitude of the contributions that have been made by so many of our members toward solution of national problems. What I am saying to you is that this is not enough—that this great country of ours was built from the bottom up, not from the top down—that if we do not generate at the grass roots more

interest in preserving the faith and principles upon which it was founded, the rot that has set in at the top soon will spread through the whole structure and man's nearest and noblest approach to the achievement of freedom and independence will become a rubble heap of lost hopes and a symbol of unworthiness to a world that has put its faith in us and found us wanting in the hour of trial.

We may not "have our cake and eat it too." Enjoyment of the right of self-determination has been the very foundation upon which all of our wondrous accomplishments as individuals, and as a nation, have been achieved. This is a God-given right, and, like most privileges, it is not a one-way street; it has a counterpart of heavy moral and spiritual responsibilities.

These responsibilities are individual responsibilities, and they may not be delegated; nor may we sink into habitual neglect of the obligations that they impose, without losing eventually the privileges from which they arise, and thus returning to the tyranny of government from which a wiser generation rescued itself in order that it and its posterity might enjoy the blessings of freedom.

T. COLEMAN ANDREWS, *President*
October 9, 1951

Report of Council

TO THE MEMBERS OF THE
AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: The activities of the Institute continue to increase each year. It has become impossible, in the scope of a report of reasonable length, for the council to report to the members in detail on all the work that has been done and all the results that have been accomplished. To a greater extent than heretofore, however, the members are being kept informed currently through the monthly CPA, and it is probably sufficient in this report merely to indicate the nature of the subject matter which has been presented for review of the council in reports of officers and committees, and to inform the membership of some of the principal decisions of the Council during the year.

National Defense

National defense continues to occupy a place of high priority in the Institute's program. Since the last annual meeting, the subcommittees of the committee on national defense have taken an active part in consideration of questions related to cost principles for defense-contract pricing, auditing of defense contracts, renegotiation, termination, amortization of defense facilities, and price and wage controls. For details we refer you to the reports of the respective subcommittees.

A tremendous amount of work has been put into the effort to establish the essentiality of certified public accountants and other accountants at the professional level, for purposes of deferment and delay in recall to active duty. The fact that mobili-

zation has not proceeded as rapidly as had been feared last fall and that, consequently, not as many accountants have been called to the colors as had been expected, has raised a question whether a critical shortage now exists in the accounting profession, and our requests for classification as a critical occupation and an essential activity have been held in abeyance at our request until we can present the necessary evidence. However, a good deal of groundwork has been done in conference with the appropriate authorities of the government, and vital statistics have been gathered by means of a questionnaire which will be most useful in pursuing this matter.

Through the efforts of the Institute, a number of certified public accountants recalled to active duty have been transferred to positions in which their professional qualifications will be most useful.

The Institute is cooperating with the Treasury Department in the sale of defense bonds.

Federal Taxation

The committee on federal taxation has done an outstanding job this year, which may be ascribed partly to its reorganization into subcommittees and to the presence of a full-time paid staff assistant. The committee has been instrumental in securing extensions for the filing of excess-profits-tax returns, the most recent of which necessitated special legislation. It has presented recommendations to Congress which have undoubtedly had some effect on the provisions of the present excess-profits-tax law, and is now prepared to submit extensive recommendations for revisions to eliminate present imperfections. It has vigorously supported the Ives amendment to the 1942 Revenue Act, which would permit tax deductions by self-employed persons to permit accumulation of retirement income. It has been in close touch with the Bureau of Internal Revenue on a number of administrative problems, and has completed several serious studies of major problems of tax policy. The activities of this committee have undoubtedly enhanced the prestige of the accounting profession in the tax field.

The council, at its meeting October 6th, approved and recommends that the membership at this meeting adopt the following resolution:

WHEREAS, The problem of providing for financial security in old age has been made easier for corporate employees by section 165 of the Internal Revenue Code; and

WHEREAS, No such relief has been made available to professional persons not employed by corporations, who must devote long years to study and preparation before reaching a comparatively brief period of maximum earning capacity, during which their income is subject to high rates of tax on earned income, making it impossible to provide adequately for retirement; and

WHEREAS, Legislation introduced in the present session of the Congress, namely: the companion bills, H.R. 4371 and H.R. 4373, introduced by Representatives Keogh and Reed, would alleviate the existing inequity by providing for the amendment of the Internal Revenue Code to permit the postponement of income tax on limited amounts set aside by certain taxpayers from current income for future retirement benefits, the principal provisions of which may be summarized as follows:

1. Any individual would be eligible whether he be self-employed or an employee
2. The amount excluded from gross income must be paid into a "restricted retirement" fund during the taxable year of the individual
3. The amount excludible is limited to 10% of the earned net income, but not in excess of \$7500, minus any amounts contributed during such year by an employer of the individual under a pension plan
4. Earned income would include the portion of income from a proprietorship attributable to personal services
5. A "restricted retirement" fund means a trust forming part of a retirement plan set up by a professional association or similar organization for the exclusive benefit of its participating members
6. Amounts contributed to such a fund would be taxable income when dis-

tributed to the individual or to his beneficiaries; and

WHEREAS, The committee on federal taxation of the American Institute of Accountants, which studied the problem of retirement benefits for professional persons at the request of the council at its meeting in Colorado Springs on May 8, 1951, has recommended the endorsement of the Keogh and Reed Bills as a means of mitigating the existing inequity:

NOW THEREFORE BE IT RESOLVED, That the American Institute of Accountants approves the principles of the Keogh and Reed Bills, H.R. 4371 and H.R. 4373, respectively; and

BE IT FURTHER RESOLVED, That a copy of the foregoing resolution be sent to the President of the United States and to each Senator and Member of the House of Representatives of the Congress of the United States, and that proper representation of the foregoing resolution be made by the American Institute of Accountants before appropriate congressional committees.

The council has authorized the appointment of a special committee to study the provisions of this proposed legislation and formulate a plan which in the event of passage of such legislation would provide for establishment by the Institute of a trust fund for the benefit of members of the Institute.

Federal Legislation and Regulations

Three bills relating to administrative practice have appeared in Congress during the current year, and the Institute has had to take steps to prevent passage of any legislation which would be inimical to the continued practice of certified public accountants before the Treasury Department. The so-called McCarran Bill, S. 17, while designed only to provide for uniform rules of procedure in practice before federal agencies, was so worded that it might have conveyed authority to deal with enrollment and disbarment. The Institute has requested an amendment to clarify the situation, which it is believed will be accepted.

The Gillette Bill, S. 1725, is a wholly unacceptable proposal which would in

essence prevent practice before any federal agency except by lawyers. Hearings have been requested, and a number of members of Congress have indicated that they will oppose the passage of this bill.

The Walter Bill, H.R. 3097, known as the "Administrative Practitioners Bill," has already been approved by the Institute in its present form, and Representative Walter has been notified that the Institute will cooperate in effecting passage of the bill at the appropriate time. However, it is understood that a change in the bill will be proposed by the American Bar Association, which council has resolved is unacceptable to the Institute and if adopted would require our opposition to the measure.

The Institute has filed a petition with the Salary Stabilization Board, requesting exemption from salary controls of certified public accountants employed by other CPAs engaged in the practice of their profession. The request was not made until a similar exemption had been granted by Congress to members of the legal and medical professions in an amendment to the Defense Production Act.

The Securities and Exchange Commission, after extensive consultation with representatives of the Institute following the annual meeting last fall, altered proposed amendments to Regulation S-X to meet objections offered by the Institute to the original proposals.

State Department

The committee on foreign affairs has been in close touch with the State Department in a continued effort to prevent unfair discrimination against American accountants engaged in the practice of their profession in foreign countries.

Federal Government Accounting

The president of the Institute testified in opposition to proposed legislation which would have created a special staff of investigators for the congressional committees on appropriations, in view of the fact that the Comptroller General already had the authority and could develop the facilities to render the needed assistance to these committees.

Relations with the Bar

At its spring meeting the council, after extended discussion and with some dissenting votes, approved a Statement of Principles Relating to Practice in the Field of Federal Income Taxation promulgated by the National Conference of Lawyers and Certified Public Accountants. The statement, which had already been approved by the House of Delegates of the American Bar Association, was published and a letter explaining its significance was sent by the president of the Institute to all practicing members of the Institute.

A meeting of the National Conference of Lawyers and Certified Public Accountants, the first since the adoption of the statement, was held in New York on September 14th, at which it was reiterated as an objective of the two professions to settle complaints by negotiation rather than litigation, using the statement of principles as a guide. To this end, formation of State Conferences of Lawyers and Certified Public Accountants has been recommended, and is already being carried out in a number of states.

Relations with Bankers

Through the active cooperation of the Robert Morris Associates, there has been a wide distribution among bankers throughout the United States of publications of the Institute designed to encourage conformity with auditing standards and clarification of reports of independent auditors. The state societies have cooperated in the effort to bring about full conformity with existing standards. The Robert Morris Associates has prepared for publication a pamphlet on *Financial Statement for Bank Credit Purposes*, designed for distribution among borrowers, which it is believed will greatly encourage smaller business men to seek unqualified opinions in the reports of their independent auditors. The Institute's committee on relations with bankers has reviewed this pamphlet and considers it excellent. Commercial credit circles are also indicating an interest in these developments.

Through the cooperative activity of the committee on auditing procedure, the research department, and the public rela-

tions department of the Institute, it is believed that a truly remarkable educational effort has been maintained in this field, which is resulting in an increasing mutual understanding of the nature and importance of auditing and auditing standards on the part of members of the profession, credit grantors, and the borrowing public.

Publications

The Journal of Accountancy circulation has reached an all-time high of 61,175, and its advertising, similarly, a peak of \$121,668 for the year. Continued efforts have been made to improve the presentation of the editorial content and to present subject matter satisfactory to the varied interests of subscribers. More than half a million copies of miscellaneous publications of the Institute, excluding *The Journal of Accountancy*, but including research bulletins, public relations pamphlets, and similar matter, have been distributed during the past year.

CPA Handbook

Authors of the twenty-seven chapters of the projected *CPA Handbook*, a manual for the administration of an accounting practice, are already at work and publication of the completed volume is expected in 1952.

Accounting Procedure

The committee on accounting procedure has produced Research Bulletin 40, dealing with business combination; Bulletins 13(a) and 26(a), withdrawing Bulletins 13 and 26, dealing with wartime reserves; and 41, amending Bulletin 35 to reconcile practice with SEC requirements.

The committee reviewed and made recommendations to the SEC on its proposed revision of Form S-1. The committee now has under consideration a complete codification of accounting research bulletins issued to date, and is considering questions relating to the accounting for stock options and stock dividends.

The research department, in addition, has produced the annual survey of corporate reports, of which 3,748 copies were sold. A new survey is currently being conducted.

Auditing Procedure

The committee on auditing procedure has just published *Codification of Statements on Auditing Procedure*, which is in process of distribution to members.

In addition, the committee has produced the following: A revision of the audit program for savings and loan associations; and *Case Studies in Auditing Procedure No. 9*, dealing with wholesale distributors of newspapers and magazines.

Manual of University and College Accounting

Members of a special committee of the Institute have contributed to the preparation of sections dealing with accounting in the projected manual on college and university business administration, to be published by the National Committee on the Preparation of a Manual on College and University Business Administration, financed by the American Council on Education.

State Legislation

The committee on state legislation has continued its efforts to develop uniform principles of state accountancy legislation. The committee and the staff have assisted state societies, on request, in opposing undesirable legislation and encouraging the passage of desirable measures. The scope of activity in this field is indicated by the introduction of 110 bills affecting accounting in 35 state legislatures in the 1951 sessions. However, aside from the enactment of one regulatory bill sponsored by the Oregon Society of Certified Public Accountants, no legislation of great importance was enacted.

Educational Activities

The Institute continues to encourage graduate study symposiums on the campuses of colleges and universities in various parts of the country. Four such meetings have taken place this year.

The committee has awarded a prize of \$500 for the best essay in a contest which it sponsored on the subject of improving staff training in effective writing.

216 colleges and universities used the Institute personnel testing program this

year. The number of students taking the tests has naturally decreased somewhat from the year before, due to defense mobilization. The selection-of-personnel program has operated at a deficit for the year of \$8,710. Council approved the suggestion of the committee that \$10,000 be appropriated from the general funds of the Institute next year to enable the continuation of this work.

Professional Ethics

The committee on professional ethics has considered 20 complaints during the year and has answered 60 inquiries. No cases have been reported for trial, but several pending cases may have to be submitted to the trial board in the near future.

Public Relations

Millions of citizens of the United States have been exposed during the past year to information about accounting, through radio broadcasts, magazine articles, newspaper releases, speeches, and pamphlets emanating from the public relations department of the Institute. The program of public information, which gathers headway each year, is meeting an increasingly enthusiastic reception from large numbers of members of the Institute throughout the country.

Productions of special importance during the past year are:

Two new pamphlets were published. One of them, designed to aid smaller CPA firms in explaining Statement 23 to clients, was made available to all firms represented in the membership of the Institute. The other was a membership-promotion booklet sent to all non-member CPAs in the country.

The public relations department also assisted in the preparation of major articles emphasizing the CPAs services in *Look* magazine, *Changing Times* (The Kiplinger Magazine) and *The Office*. These are in addition to the 40 articles on the general theme of bigger profits through sound accounting which have now been carried by trade magazines.

The Institute's two fifteen-minute radio transcripts were used on 356 stations in 39 states and the District of Columbia during the last tax season. The Institute

also prepared two other fifteen-minute shows which were broadcast on more than 150 stations of the American Broadcasting Company.

The Speakers Bureau handled more than 200 speaking engagements for Institute officers, staff, and committee members during the year. A new pattern speech on the career aspects of public accounting was completed for use by members addressing high school students.

Press releases were regularly delivered to newspapers and other special outlets on the year's newsworthy events—including more than 1,800 individual home-town stories on new members of the Institute.

Relations with State Societies

The steadily increasing volume of activity of the state society service department testifies to the success of the plan of coordination of activities of state and national organizations. Through a monthly newsletter, state society officers and editors are kept informed of current events of importance. Through preparation of special kits state society committees obtain the benefit of accumulated information on publicity, legislative activities, meeting arrangements, and similar subjects. Special studies have been made on the dues structure and other administrative problems of the state societies.

Four regional conferences have been held during the year under the auspices of groups of state societies, and with the cooperation of the Institute. Official representatives of the Institute have appeared on the programs of state society meetings in all parts of the country. Several state societies have adopted the practice of devoting one of their meetings in the year to affairs of the American Institute of Accountants.

CPA Examinations

Candidates for the uniform CPA examination in November, 1950, numbered 12,615; in May, 1951, 10,335. The Institute graded the papers of 6,350 candidates or a total of 23,660 subject papers in November, and 5,960 candidates or a total of 22,353 subject papers in May. There is a continuing reduction in the numbers

of candidates at the examinations compared with the peak of 1949.

Pennsylvania, the only state not now using the uniform examination, has indicated its intention of doing so next year.

Technical Information Service

375 questions submitted during the year have been answered by the technical information service of the research department, in addition to numerous others answered by the research department as such.

Business Income Study

The Business Income Study Group, supported by grants from the Rockefeller Foundation and the American Institute of Accountants, has completed its work and is publishing its final report through the Macmillan Company.

Library

During the past year the library has received 9,432 visitors, answered 14,175 inquiries, and loaned 7,619 books and pamphlets. The total collection has grown to 41,803 items.

Relations with Members

In addition to the efforts to keep members informed through the columns of *The CPA*, printed reports, and other publications, principal members of the staff have visited approximately 60 of the smaller cities of the country for face-to-face conversations with members about matters of mutual interest. These visits have been well-received and will be continued in the coming year.

The advisory committee of individual practitioners has been most useful in making suggestions as to how existing activities might be adapted and what new activities might be undertaken for the particular benefit of members whose practice involves principally services to smaller business.

Group Insurance

As of August 31st, 1,227 public accounting firms represented in the Institute were participating in the American Institute of Accountants' group life insurance plan, which covered 8,040 lives for an aggregate amount of insurance of \$41,533,100. A dividend for the policy year in the sum of

\$182,570 was received from the underwriters of which \$27,639 was retained for reserves and \$125,175 was distributed to the participants. This distribution made the effective rate of life insurance for the policy year 78 cents per thousand per month.

Staff

The present staff of the Institute and *The Journal of Accountancy* consists of 96 full-time employees—a net increase of four during the current year.

Membership

Membership of the Institute has increased by 1,937 during the past year, the total being an all-time high of 17,998 on August 31st. 2,186 new members have been admitted, 76 resignations have been accepted, 77 memberships terminated for failure to pay dues, and the deaths of 106 members have been reported. This continued growth is largely attributable to the energetic efforts of the committee on membership.

Death of Council Members

The Institute has suffered a heavy loss during the past year in the death of Frederick H. Hurdman, past president and member of Council ex officio. Council approved the resolution of the executive committee expressing its sense of loss.

Carl H. Zipf, a member of Council, also died during the current year, and a resolution of sorrow and sympathy has been adopted by the Council for transmission to his family and professional associates.

Meetings

The 65th annual meeting will be held at the Shamrock Hotel, Houston, Texas, in early October. The 1953 meeting will be held at Chicago.

Finances

After most extensive consideration of the budget of the Institute and lengthy discussion at the spring meeting at Colorado Springs, the Council authorized the president to request voluntary contributions of firms and individual practitioners represented in the membership of the Institute to avoid curtailment of Institute activities during the fiscal year 1951-52. Contribu-

tions of approximately \$80,000 will be required to achieve this objective, and over 3,000 firms and practitioners—over half the total—have already responded in an amount totaling more than \$76,000.

It is not the intention of the council to repeat the request for voluntary contributions, which was approved only as a stop-gap measure. Council has now approved a recommendation of the executive committee that annual dues of members of the Institute be increased by amending the by-laws as follows:

Effective September 1, 1952, amend Article III as follows:

1. Change Section 1 to read as follows:

The dues for each fiscal year shall include the cost of subscription to *The Journal of Accountancy*, and shall be as follows:

- By each member who at the beginning of the fiscal year shall have been in possession of a certified public accountant certificate for less than four years, and is not engaged in public accounting practice as a partner or individual practitioner. \$12.50
- By each member who at the beginning of the fiscal year shall have been in possession of a certified public accountant certificate for less than four years and is engaged in public accounting practice as a partner or individual practitioner \$20.00
- By each member who at the beginning of the fiscal year shall have been in possession of a certified public accountant certificate for four years or more and is not engaged in public accounting practice as a partner or individual practitioner \$25.00
- By each member who at the beginning of the fiscal year shall have been in possession of a certified public accountant certificate for four years or more and is engaged in public accounting practice as a partner or individual practitioner \$40.00
- By international associates (U. S. funds) \$20.00

2. Delete Section 3 of Article III which appertains to the date of a dues increase adopted in 1946.
3. Change Section 4 to Section 3.

The council believes that this increase in dues is in harmony with the wishes of the majority of the membership. The response to the request for voluntary contributions indicates clearly that the majority of the members in practice do not wish curtailment of the activities of the Institute designed to increase public respect for the profession. Rises in the cost of printing, paper, and other services, as well as salaries, makes it impossible to maintain the existing program and provide for natural expansion in response to demands and the growth of the Institute itself, without additional funds. After sifting all the expressions of opinion available from members, Council has come to the conclusion that an increase in dues is

the most equitable way to provide the needed money, and the new classification is prompted by the conviction that many of the Institute's activities are of more immediate benefit to members in the status of partner or individual practitioner than to others.

If the majority of members present at this meeting will consent to consideration of the proposed amendment at this time, and if two-thirds of those present approve it, the amendment can be submitted for mail ballot to the entire membership, and if adopted, will become effective in the fiscal year 1952-53. Otherwise a year's delay cannot be avoided.

Respectfully submitted,
 SAMUEL W. ESKEW, *Chairman*
 ROBERT L. CHESNUTT
 JAMES W. HICKEY

October 6, 1951

Report of the Executive Director

TO THE COUNCIL OF THE

AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: While the Institute has again registered a new set of all-time highs in the past year, there is reason to believe that it is reaching another turning point in its history.

The membership at September 1, 1951, was 17,998 in comparison with 16,061 a year ago. Circulation of *The Journal of Accountancy* was 61,175 in comparison with 55,855 a year ago. But the net gain in membership is not as much as that of the year before. There is evidence that the rapid expansion which began about 1939 is leveling off. The numbers of candidates at the past two examinations, and the number of new CPAs created as a result, were lower than the year before. Student enrollment at the colleges is generally lower. The numbers of students taking the Institute's selection-of-personnel tests in the past year also dropped off. Sales of Institute publications generally, particularly to schools and colleges, seem to be slackening.

All this has naturally slowed down the increase of revenue. While the flattening out of the upward curve of income has

so far been relatively slight, it is reasonable to expect a slower rate of growth in the years immediately ahead than in the past decade.

Meanwhile, while we are all sick and tired of hearing that a dollar doesn't buy as much as it did before, the Institute's costs, like everybody else's, are higher. Costs of printing, paper, and probably postage, are on the rise. Most significant of all to the Institute are the necessary increases in salaries to keep pace with market standards. Payrolls have had to be increased more during the past fiscal year than in the previous year even though the net increase in staff was only six persons, compared to twelve the year before.

At the same time, the needs of the profession for collective action continue to grow. The needs of the members of the Institute for information and service are still increasing. The problems of the profession become more and more complex. The needs for technical research, maintenance of professional and ethical standards, and improved public relations become increasingly urgent.

None the less, at a time when costs threaten to outstrip revenues, it is impera-

tive to re-examine the objectives and activities of the Institute as a background for decisions as to what should be done. This raises the question of how to appraise results which are for the most part intangible and difficult to measure.

In my opinion the success of the Institute's activity should be appraised principally by the extent to which it influences people—accountants or other people—in accordance with the objectives of the accounting profession. There is little value in producing printed matter, for example, unless somebody reads it, and unless it effects those who do read. There is little value in research for its own sake; it is useful only if its results are applied. There is little value in making speeches or radio broadcasts unless there is an attentive audience. There is little value in organizing meetings unless they accomplish something, and are pleasant or profitable for those who attend.

Obviously it is hard to measure the extent to which such activities influence people in the manner intended. There are techniques, such as surveys and public opinion polls, which may give some indication, but they are expensive and the Institute has not felt justified in using them to any great extent. However, it seems to me that the composite observation of the members of the council will provide a fairly good gauge of the extent of the Institute's success in communicating with people. Here is one standard, at least by which the Institute's activities can be appraised—how successful does the council think it has been in communicating with people?

Who are the people with whom the Institute is trying to communicate?

Recently a group of great importance to our welfare has been the lawyers. It seems to be generally agreed that over a period of 19 years the Institute has been notably successful in resisting the inroads of the extremists among the attorneys who could greatly restrict the tax practice of certified public accountants, without alienating the elements in the bar whose cooperation is of tremendous value to the accounting profession.

Bankers and credit men, through the

efforts of the Institute, have learned a lot about auditing and the auditor's opinion, particularly in the past five years. The work of the committee on auditing procedure, the research department, and the public relations department, combined, has resulted in one of the Institute's outstanding achievements; in explaining audits, audit reports, and the auditor's responsibilities so as to obtain cooperation of credit grantors in maintaining high standards in this field.

Investors, particularly as they are represented by the Securities and Exchange Commission and the stock exchanges, have had their share of attention. It may be claimed that the work of the committee on accounting procedure, assisted by the research department, has averted the threat of some 15 years ago that the government might lay down accounting rules and regulations for the profession to follow. At the same time, the pronouncements of the Institute have had a noticeable influence on the financial reports of public corporations. We have not yet devised a satisfactory way of bringing to the attention of individual investors what the auditor's certificate stands for, and there is some doubt whether investors generally appreciate the importance of the independent audit. Some discussions have been held with the New York Stock Exchange, looking to the possibility of circularizing printed material on this subject with the annual reports of corporations to their own stockholders. Some consideration has also been given to the development of closer relations with investment analysts; but as yet little has been accomplished in these two fields.

The work of the committee on federal taxation, which has been greatly stepped up this year through its division into three subcommittees and the employment of a full-time staff assistant, is clearly having a favorable effect on the opinion of the congressional committees concerned with taxation, and on the Treasury and Bureau of Internal Revenue. The resultant publicity must be having some effect, also, on taxpayers. In addition, through radio programs and television broadcasts, the public relations department is making the average

taxpayer aware of the role of the CPA in the field of income taxation.

In relation to the federal government as a whole, the Institute is much stronger than it was ten years ago, but yet not as strong as it could be. The executive committee is now giving consideration to possible procedures which may bring about closer and more continuous communication with members of Congress and officials in the regulatory and defense agencies. During the past year the Institute has done effective work on a dozen or more specific items of legislation or regulation. The record in opposing specific legislation which is considered undesirable, and in advocating legislation which we believe to be desirable, while not perfect, is yet very good. But there is room for improvement in the communications of the accounting profession with those who form policy in Washington.

State legislatures have a profound influence on the standards of the profession, and on its progress. By providing the state societies with information on accounting legislation, arguments against undesirable bills, and suggested procedures in dealing with legislatures, by analyzing specific bills, and by endeavoring to formulate general standards of accounting legislation, the Institute is trying to exercise a constructive influence in this field.

The respect of corporate management for the public accounting profession has been visibly increased since the work of the committee on accounting procedure and the full-time research staff began. Good relations with controllers and industrial accountants are maintained through close cooperative relations with the Controllers Institute of America, the National Association of Cost Accountants, and the Institute of Internal Auditors. Another channel of communication is through *The Journal of Accountancy*, to which many financial and accounting executives of corporations subscribe. Good relations also are maintained with the American Management Association at whose annual finance conference it has become customary for a prominent member of the Institute to speak. But the extent to which top management is being influenced by the collective activity of the

accounting profession is still questionable. It seems to me that the Institute could do more in this direction.

An organized effort has been undertaken to inform small business men of what the CPA is, what his standards are, and what he can do for them. By providing pamphlets and reprints which can be redistributed by state societies or individual members, by causing the publication of articles in scores of trade magazines describing the CPA and his services, by cooperative activity with trade associations, by arranging speeches before various organizations, it is estimated that the Institute has exposed more than a million small businessmen, and farmers to information about the accounting profession.

Labor unions are a powerful economic and political force, and they are exhibiting an increasing interest in financial data of employer organizations. The Institute has come into communication with some labor leaders through the Business Income Study Group, through the columns of *The Journal of Accountancy*, and through the personal activities of some members and members of the staff. But no organized program has been developed to communicate with this segment of the public on the scale of similar efforts in relation to other groups.

Efforts are made to keep the general public aware of the role of accounting by means of general newspaper publicity, occasional general magazine articles, and radio broadcasts. In addition, the Institute has encouraged state societies and individual members to attempt to carry the profession's message to the general public locally, through service clubs, civic organizations, and community activity generally.

Foreign countries, in which American CPAs may have occasion to practice, represent other people with whom good relations must be maintained. Through the State Department, the Institute has endeavored to resist the extreme nationalist elements which would bar American accountants from entry into a number of countries. Through active participation in the Inter-American Conference on Accounting and the International Congress

on Accounting, the Institute has tried to develop and maintain friendly relations with the members of the profession in other countries, so that full cooperation among members of the profession in the general public interest will be possible throughout the world.

The Institute has been in close communication with surety and insurance companies on broad matters involving questions of accountants' liability.

Economists are members of a related profession who have great influence on the formation of policies which often impinge on the fields in which accountants labor. Through the Bureau of Economic Research and the Business Income Study Group, channels of communication with the economists have been developed, and it is believed that better mutual understanding has been developed.

Teachers and students of accounting come into touch with the Institute at many points. The uniform CPA examination, for one thing, has had an influence on educational preparation. The board of examiners has been working closely with teachers in the consideration of procedures in the preparation and grading of examinations. The committee on education and the educational director maintain close relations with the American Accounting Association. The personnel-testing program, sponsored by the Institute, has demonstrated the profession's interest in educational standards and has provided both schools and students with a useful tool. In the pamphlet *Accounting as a Career*, the Institute has encouraged young people to consider the profession of accounting. An experiment has been made in placement through the personnel reference service, but the time is not propitious to give this service a fair trial. There seems to be a wide opinion that public accounting is not attracting its fair share of the high-standing men in the graduating classes at the schools of business. This is a matter which requires further study and action. A recent article in the *American Bar Association Journal* shows some concern on the part of the legal profession also over the problem of adequate placement facilities.

Not so effective a job has been done to

communicate with another group of people who are of great importance to the accounting profession: the noncertified staff employees of public accounting firms and practitioners. Isolated efforts have been made to organize these staff men, either as integral parts of state societies or as separate groups—notably in Rhode Island and Mississippi. There is considerable opinion, however, that some organized nation-wide effort should be undertaken to provide continuing education facilities for staff men, along lines of recent successful experiments by the California Society of Certified Public Accountants.

The state societies themselves, while composed largely of members of the Institute, are also separate entities and must be dealt with as autonomous bodies. Through the committee on coordination of state and national organization, the state society service department at headquarters, the extended field trips by members of the Institute staff, and the recently inaugurated annual meetings of salaried executives of state societies with the Institute's staff, the day-to-day working relations of the state societies and the Institute have become much closer. The state society newsletter provides a regular channel of information. Regional conferences have been organized on a cooperative basis. A large volume of correspondents on every aspect of professional organization activity flows back and forth between the Institute and the states.

State boards of accountancy are in close touch with the Institute individually and through the Association of CPA Examiners, of which the board of examiners of the Institute is a member.

Nonmember CPAs are potential members. Even if they were not, their good will and support would be desirable. Many of them are reached with information through *The Journal of Accountancy*. In addition this year, a special pamphlet briefly describing the activities of the Institute was sent to every nonmember CPA. The noncertified public accountants constitute another group whose good will is desired. For the most part, they must be dealt with by the state societies, but Institute officials have had occasional contacts with their

national leaders. In addition, several thousands of the noncertified practitioners are reached as subscribers of *The Journal*.

The most important group of people, from the Institute's point of view, is composed of the members themselves. Their full approval and support can be held only if they believe that they are getting their money's worth in return for their dues, and if they continue to feel a sense of participation in the Institute. The Institute does not issue any professional title or degree, as many foreign professional accounting societies do, and it can offer members no special privileges, as membership in the medical societies opens the door to hospital affiliations. The Institute can keep the interest and loyalty of its members only by doing a good job for them. In an effort to keep them fully informed, the monthly CPA has been greatly improved. In an effort to be of service to them, the number of publications sent to members free of charge, and the services of the library and the technical information department have been greatly increased. In response to an evident demand from the smaller practitioners in particular, the *CPA Handbook* has been undertaken. Field trips by the Institute's top staff men now covering some sixty cities a year, in addition to regular meetings, widen the personal acquaintance between members in all parts of the country and representatives of their national organization. The group-insurance plan is of practical value to many members.

But it is difficult to find ways of giving 18,000 members an opportunity to participate in the affairs of the national organization. Facilities of servicing committees are limited, and if the membership of committees is extended to too great an extent they become unwieldy. Annual meetings continue to draw only ten per cent or less of the total membership. Perhaps the time is coming soon when consideration should be given to the organization of special sections to deal with the specific interests of various groups within the membership, as the American Bar Association has organized its Section on Taxation, its Section on Administrative Law, and so forth. Perhaps it would be practicable to organ-

ize a general group within the Institute similar to the Junior Bar Association. This would give the younger men an opportunity to express themselves. A subdivision of the membership into units of manageable size seems the only answer to the problem of providing opportunity for increased participation by individuals who wish to take an active part in the affairs of the national professional organization.

This outline of the activities of the Institute designed to exercise a constructive influence on various groups of people is by no means a complete catalogue of the work done in the last year. The committee reports to be presented will provide a great deal of additional information. This report is intended only to indicate the major objectives and the efforts to achieve them, so that the Council may better appraise the effectiveness of the work.

In conclusion, it would be appropriate to mention again how the work is carried on. Council, the officers, and the committees, fix the policy and supervise and review all the activities of the staff. In many areas, committee chairmen and members do a lion's share of the actual work, with such assistance as the staff is equipped to give them. In other areas, the staff does the major part of the actual work with frequent advice and consultation with committees.

The Institute's staff, it should be emphasized, is a unit, separated into departmental divisions only for convenience of administration and identification. Actually, several departments are likely to collaborate in a single project. For example, in the program of cooperation with bankers, the research department, the public relations department, and the administrative department have all played an important part in unison. The publishing activity draws on the resources of almost all the other departments. It would be a mistake to attempt to evaluate the product of the research department, or the public relations department, or the education department alone. Each of the staff groups contributes to the success of all the others, and the staff as a whole contributes continually to the major objective of influenc-

ing opinion in a manner favorable to the accounting profession.

There are many useful projects in the planning stage, and many others—much more useful, perhaps—that have not yet even been imagined. Though the pace of the Institute's growth may be slackened by natural causes, its services to the profession must continue to grow and expand.

Nothing alive can remain completely static, but I believe it is particularly true of nonprofit associations. If they don't continue to go ahead, they are likely to go backward fast.

Respectfully submitted,
JOHN L. CAREY, *Executive Director*

September 25, 1951

Report of the Executive Committee

TO THE COUNCIL OF THE
AMERICAN INSTITUTE OF ACCOUNTANTS
GENTLEMEN: The executive committee has had seven meetings since its election by the council at Boston, October 5, 1950.

This report will not attempt to deal with matters which will be covered in the reports of other committees.

Finances of the Institute

The request for voluntary contributions to maintain the program of the Institute in the coming fiscal year resulted in response by 3,076 firms and practitioners represented in the Institute, whose contributions totaled to October 1st, \$76,422. The amount needed to maintain the program is estimated by the budget committee as \$80,000. A final follow-up, to be mailed after the annual meeting, should result in additional contributions sufficient to reach the required amount.

Immediately after the council meeting, a special subcommittee of the executive committee was appointed to study the whole problem of financing the Institute's activities in the future, with due regard for the possible effects of continued inflation on costs of the work. This subcommittee reported fully at the executive committee meeting September 11th, and pointed out that it had concluded that additional income was necessary to sustain the program of the Institute in the years ahead. The subcommittee suggested three ways in which such additional income might be derived:

1. By creation of a class of firm members who would pay dues or assessments on some basis similar to that on which the recent voluntary contributions had

been requested. The subcommittee did not recommend this approach in view of the fact that only slightly more than half of the firms and practitioners represented in the Institute had responded to the appeals for voluntary contributions. This experience suggests that a large number of the firms and practitioners would not voluntarily accept a firm membership in the Institute, involving payment of assessments or dues in addition to individual membership dues. Those that did accept a firm membership would be paying the costs of benefits shared by those who did not, and it seemed unlikely that such an arrangement could continue satisfactorily over a long period of time. There were other considerations which need not be repeated here which contributed to the subcommittee's conclusion that creation of a class of firm and practitioner memberships would be impracticable.

2. A second alternative considered was a straight increase of \$5 per annum for each of the present three classes of membership; in other words, members who had been in possession of CPA certificates for less than four years would pay \$15 instead of \$10, those in possession of CPA certificates for more than four years but less than six would pay \$25 instead of \$20, all others would pay \$35 instead of \$30. This change was estimated to yield approximately \$90,000 of additional revenue, based on the present membership.

The subcommittee did not recommend the straight dues increase because it believed that members engaged in the practice of public accounting as partners or sole proprietors should pay more than members employed as staff assistants of

public accounting organizations, or as corporate or government officials, or as teachers, reasoning that many of the activities of the Institute, particularly in the field of public relations, and to some extent in the fields of research, education, and publications, were of greater immediate benefit to partners and proprietors of public accounting organizations than to other members.

The subcommittee recommended that the dues be changed so that members who were partners and principals would pay \$40 a year, and all others would pay \$20 a year, with the understanding that members would shift from one classification to the other as their status changed. This dues scale, it was estimated, would yield \$125,000 of additional revenue on the basis of the present membership. After considerable debate, the executive committee modified this recommendation, though the basic principle was accepted. The subcommittee acquiesced in the modification. The modification was designed to maintain a lower dues rate for members who had recently received their CPA certificates, and was based on the fact that the great majority of new applicants for admission at the present time are younger men who have recently passed the CPA examination.

Accordingly, the executive committee recommends amendment of the by laws as follows:

Amend Article III as follows:

1. Change Section I to read as follows:

The dues for each fiscal year shall include the cost of subscription to *The Journal of Accountancy*, and beginning September 1, 1952, shall be as follows:

By each member who at the beginning of the fiscal year shall have been in possession of a certified public accountant certificate for less than four years, and is not engaged in public accounting practice as a partner or proprietor \$12.50

By each member who at the beginning of the fiscal year shall have been in possession of a certified public accountant certificate for less than four years and is en-

gaged in public accounting practice as a partner or proprietor. . \$20.00

By each member who at the beginning of the fiscal year shall have been in possession of a certified public accountant certificate for four years or more and is not engaged in public accounting practice as a partner or proprietor. . \$25.00

By each member who at the beginning of the fiscal year shall have been in possession of a certified public accountant certificate for four years or more and is engaged in public accounting practice as a partner or proprietor. . \$40.00

By international associates

..... \$20 U. S. Funds

2. Delete Section 3 of Article III which appertains to the date of a dues increase adopted in 1946.

3. Change Section 4 to Section 3.

If the council approves this recommendation, it is suggested that it be presented for a vote of the membership at the annual meeting of the Institute, October 9, 1951, under the provision of Article XIV, that by consent of the majority of the members present in person other proposals to amend the bylaws which are made by members present in person at the meeting may be presented for vote of the members present at the annual meeting (that is, without prior written notice).

If approved by a two-thirds vote of the members present at the annual meeting in person or by proxy, the amendment would be submitted to all members of the Institute for a vote by mail, with the understanding that if adopted it would become effective for the fiscal year beginning September 1, 1952.

It is estimated that this change will yield about \$103,000 of additional revenue, based on the present membership, which should be adequate to meet foreseeable requirement of the years immediately ahead.

Limitation of Distribution of Published Material

At the spring council meeting there was some discussion of possible economies in

the Institute's operations, particularly by limiting the free distribution of published material to members of the Institute. The executive committee has considered this matter in great detail and offers the following recommendations for the consideration of the council:

1. All members receive without charge *The Journal of Accountancy*, *The CPA*, accounting research bulletins, statements on auditing procedure, case studies in auditing procedure and similar special publications of the research department.
2. Papers presented at the annual meeting be printed in paper cover pamphlets, grouped by subject-matter, with notice in *The CPA* to the effect that any member might have any or all of the pamphlets without charge upon request. (The pamphlets would be advertised for sale to outsiders.)
3. Committee reports and lists of officers and committees to be announced as available to all members upon request. Rules of ethics would be sent to all members only when changes were made.
4. Published lists of individual members be sent to members only on request, but without charge. Lists of firms and practitioners would be sent free to all firms and practitioners without special request.

It is impossible to estimate with any accuracy the amounts which might be saved by following these procedures, since this would depend on the extent to which members requested copies of publications offered without charge. There is every reason to believe however, that there would be substantial savings in paper and postage, which could easily amount to as much as \$10,000.

Wages and Hours

A suit filed by a firm of certified public accountants against the Wage and Hour Administrator to obtain an adjudication that the "salary delimitation" in the Administrator's definition of "employee employed in a bona fide professional capacity" was invalid, was withdrawn without prejudice.

After reconsidering the problem, and

obtaining the advice of counsel, the executive committee has resolved that a formal application should be made to the Administrator for a change in the regulations which would exclude certified public accountants from the salary delimitation as doctors and lawyers are now excluded. It is expected that the application will be presented in such a manner as to require a hearing on the merits of the proposal.

Salary Stabilization

No final action has been taken by the Salary Stabilization Board on the Institute's petition that the regulations be amended so as to exempt from stabilization requirements the "wages, salaries and other compensation paid to certified public accountants licensed to practice as such who are employed in a professional capacity by a certified public accountant or firm of certified public accountants engaged in the practice of his or their profession."

National Defense

In view of the great volume of subject-matter requiring the attention of the committee on national defense under the mobilization program, the executive committee resolved that the committee personnel be enlarged, and that the committee be divided into subcommittees, each to deal with some specialized activity of the defense committee. The following subcommittees have been established: manpower, renegotiation, procurement auditing, cost principles, price and wage control, and termination. Each of these subcommittees will report on activities coming within its province.

After consideration of a recommendation that a new statement be filed by the Institute, requesting inclusion of accounting services in the list of essential activities issued by the Committee on Essential Activities and Critical Occupations of the Department of Labor, and asking that the earlier request of the Institute for inclusion of CPAs in the list of critical occupations be held in abeyance until a critical shortage could be demonstrated, the executive committee resolved that the recommendation be approved, and that a state-

ment be filed with the Committee on Essential Activities.

The executive committee has approved formal cooperation by the Institute with the Bureau of Labor Statistics in a survey of accounting manpower, and the development of a roster of certified public accountants in cooperation with the National Research Council or the National Scientific Register, and authorized expenditures of not to exceed \$5,000 for these purposes.

After consideration of the development of sources of replacements in the accounting profession for those called to military service, it was the sense of the executive committee that women students should be encouraged to major in accounting in view of probable early opportunities for employment, and that a recommendation be made to schools of business of universities that accounting courses be accelerated for male students who may be permitted to finish college before induction into service.

Upon authorization of the executive committee, the staff of the Institute has sent a communication to all state societies suggesting that group training courses be initiated, particularly in the smaller communities, for members of the state societies and their chapters, such courses to be made available to the staffs of society members.

After review of the place of the Institute in the national mobilization program, the executive committee resolved that defense problems be given priority by the staff over all other activities.

The executive committee resolved to request state societies to consider the problem of what can be done to aid individual practitioners called to military service in disposing of their practices, or arranging for service to clients in their absence.

Relations with Lawyers

All the members of the Institute who served as representatives on the National Conference of Lawyers and Certified Public Accountants were reappointed this year, and with one exception, the members representing the American Bar Association were reappointed. The Conference,

at its meeting on February 8th, agreed upon changes in the language of two passages in the Statement of Principles governing the relations of accountants and lawyers in tax practice, which had been referred back to the National Conference by the Bar Association's board of governors, with a request that the section on "Tax Advice" be revised. Subsequently the House of Delegates of the Bar Association approved the Statement of Principles at its meeting in Chicago the end of February. On the recommendation of the executive committee, the revised statement was approved by council at its May meeting.

SEC Regulation S-X

In accordance with the action taken at the annual meeting at Boston, the committee, through the president, requested a hearing before the Securities and Exchange Commission for the purpose of presenting a statement of the views of the profession with respect to proposed amendments to Regulation S-X. The hearing was held on December 6, 1950, and a written statement was filed, as a result of which the provision to which the Institute had objected was revised in the regulation as finally amended.

Ives Amendment

The executive committee recommends adoption by the council, and referral to the annual meeting of the Institute for adoption by the members, of the following resolution supporting proposed legislation to provide a tax incentive for self-employed individuals to provide their own retirement income:

WHEREAS, The problem of providing for financial security in old age has been made easier for corporate employees by section 165 of the Internal Revenue Code; and

WHEREAS, No such relief has been made available to professional persons not employed by corporations, who must devote long years to study and preparation before reaching a comparatively brief period of maximum earning capacity, during which their income is subject to high rates of tax-earned income, making it impossible to provide adequately for retirement; and

WHEREAS, Legislation introduced in the

present session of the Congress, namely: the companion Bills, H.R. 4371 and H.R. 4373, introduced by Representatives Keogh and Reed, would alleviate the existing inequity by providing for the amendment of the Internal Revenue Code to permit the postponement of income tax on limited amounts set aside by certain taxpayers from current income for future retirement benefits, the principal provisions of which may be summarized as follows:

1. Any individual would be eligible whether he be self-employed or an employee
2. The amount excluded from gross income must be paid into a "restricted retirement" fund during the taxable year of the individual
3. The amount excludible is limited to ten per cent of the earned net income, but not in excess of \$7500, minus any amounts contributed during such year by an employer of the individual under a pension plan
4. Earned income would include the portion of income from a proprietorship or partnership attributable to personal services
5. A "restricted retirement" fund means a trust forming part of a retirement plan set up by a professional association or similar organization for the exclusive benefit of its participating members
6. Amounts contributed to such a fund would be taxable income when distributed to the individual or to his beneficiaries; and

WHEREAS, The committee on federal taxation of the American Institute of Accountants, which studied the problem of retirement benefits for professional persons at the request of the council at its meeting in Colorado Springs on May 8, 1951, has recommended the endorsement of the Keogh and Reed Bills as a means of mitigating the existing inequity;

NOW THEREFORE BE IT RESOLVED, That the American Institute of Accountants approves the principles of the Keogh and Reed Bills, H.R. 4371 and H.R. 4373, respectively; and

BE IT FURTHER RESOLVED, That a copy of the foregoing resolution be sent to the President of the United States and to each

Senator and Member of the House of Representatives of the Congress of the United States, and that proper representation of the foregoing resolution be made by the American Institute of Accountants before appropriate congressional committees.

The executive committee recommends to the council that it authorize the appointment of a special committee to study the provisions of this proposed legislation and formulate a plan which in the event of passage of such legislation would provide for establishment by the Institute of a trust fund for the benefit of members of the Institute.

Bills Relating to Administrative Practice

No action has been taken by the Congress on S. 17, the McCarran Bill, S. 1725, the Gillette Bill, or H.R. 3097, the Walter Bill, all of which relate to practice and procedure before federal administrative agencies.

The Institute has requested amendment of S. 17, which is intended to permit development of uniform procedure in agency proceedings, so as to provide that the commission to be established have no authority over admission to and disbarment from practice before federal agencies. The institute has requested an opportunity to be heard before the bill, which has already been passed by the Senate, is reported by the House Judiciary Committee, but there is every reason to believe that the suggested amendment will be acceptable to all concerned.

S. 1725 is opposed in its entirety by the Institute. It would in effect limit practice before federal agencies to members of the bar. Assurance has been given that the Senate Judiciary Committee will not report the bill without giving its opponents an opportunity to be heard.

The American Bar Association has recommended a change in the Walter Bill, known as the Administrative Practitioners Bill, H.R. 3097, which the Institute had previously approved, after modifications which resulted from extended negotiations with representatives of the Bar Association. The executive committee, after con-

sulting counsel, has resolved that the change, which it is understood is now proposed on behalf of the American Bar Association, should be opposed by the Institute in view of the possibility that it might adversely affect the status of certified public accountants in practice before administrative agencies.

Change of Postal Rates

When it was learned that S. 1046, to readjust postal rates, would carry forward a provision for special second-class rates available to publications of organizations not organized for profit, including religious, educational, scientific, philanthropic, agricultural, labor, veteran and fraternal organizations, the executive committee approved efforts by the staff to have professional organizations specifically included. The effort to have an amendment to the bill accepted was not successful, but Representative Poulson of California raised the question on the floor of the House, the answer to which may sustain a contention that the present language is intended to include such publications as *The Journal of Accountancy*. In addition, Senator Carlson of Kansas, a member of the Conference Committee, has been requested and agreed to raise the question in conference, in the hope that the report of the conferees will indicate their intention that such publications as *The Journal of Accountancy* shall be covered by the present language.

Extension for Filing Excess Profits Tax Returns

Through the efforts of Institute officers, the committee on federal taxation, and the staff, on September 14th, an amendment to H.R. 4014, authorizing the Commissioner of Internal Revenue to extend the time for filing returns under the Excess Profits Tax Act of 1950 to November 15, 1951, was approved.

Legislative Proposals

In view of the unusually large number of bills introduced in Congress in the past year which directly affect the accounting profession, the executive committee has given a good deal of

consideration to the question whether an effort should be made to extend sources of information with regard to proposed legislation and government regulations, and to facilitate prompt and effective action by the Institute on such matters.

While no definite conclusion has been reached, consideration is being given to the possibility of reassignment of staff duties which would permit one responsible member of the staff to give more continuous attention to this area of interest. Consideration is also being given to the possibility of obtaining additional assistance from legal counsel or other appropriate representatives in Washington.

Interprofessional Cooperation

In view of the fact that a number of items of legislation have been proposed or enacted in the past few years which apply with almost equal weight to all the recognized professions whose members receive credentials from state authorities as a result of examination, and customarily offer their services to the public on a fee basis, the executive committee authorized the executive director to explore the possibility of creation of some machinery through which the legislative activities of the American Bar Association, the American Medical Association, the Engineering Societies, the American Institute of Architects, and the American Institute of Accountants, might be coordinated or, on occasion, joint representation might be possible.

Insurance Trust

The executive committee resolved that J. William Hope, Edward A. Kracke, and Maurice E. Peloubet be appointed the insurance committee under the amended agreement of the American Institute of Accountants Insurance Trust, dated October 1, 1950.

The executive committee requests the approval of the Council of the following resolution, which the executive committee has adopted:

"WHEREAS, The Agreement and Declaration of Trust dated August 25, 1947

(herein called the 'Agreement') between The American Institute of Accountants and J. William Hope, Edward A. Kracke and Maurice E. Peloubet, as Trustees, and the various accounting organizations described therein, provides that in case any Trustee acting thereunder shall cease to act for any reason, a majority of the members of the executive committee of the Institute shall have the right to appoint a Successor Trustee in his place and stead;

"WHEREAS, All of the Trustees hereinabove named have duly notified the executive committee of said Institute of their intention to resign as Trustees; and

"WHEREAS, The executive committee of said Institute on September 11, 1950, duly approved the form of an Amended Agreement and Declaration of Trust to be dated as of October 1, 1950 (herein called the 'Amended Agreement') contemplating that Central Hanover Bank and Trust Company would be appointed as Successor Trustee under the Agreement:

"Now, THEREFORE, This instrument witnesseth:

1. The resignations of J. William Hope, Edward A. Kracke and Maurice E. Peloubet as Trustees under the Agreement are hereby accepted effective upon the acceptance by Central Hanover Bank and Trust Company of its appointment as Successor Trustee under the Agreement.

2. Central Hanover Bank and Trust Company is hereby appointed Successor Trustee under the Agreement in the place and stead of Messrs. J. William Hope, Edward A. Kracke and Maurice E. Peloubet, such appointment to be effective upon receipt by said Institute of instruments in writing amending the Agreement signed by subscribers representing more than 50 per cent of the amount of insurance in force under the Insurance Plan referred to in the Agreement.

3. Compensation to Central Hanover Bank and Trust Company for its services as Trustee under the Amended Agreement in an amount equal to 2% on the premiums paid to the insurance company or companies, is hereby declared

to be satisfactory to the executive committee of the Institute.

4. This instrument shall become effective only when it or similar instruments shall have been signed by a majority of the members of the executive committee of the American Institute of Accountants."

CPA Handbook

Plans for publication of the *CPA Handbook* are going forward. On receiving advice that James L. Dohr would have to relinquish the editorship of the *Handbook* due to ill health, Robert L. Kane, educational director of the Institute, has assumed the assignment, in addition to his other duties, with the approval of the executive committee. A tentative outline of the *Handbook* has been sent to representative public accounting firms, to obtain their opinions as to the proper scope of the manual.

Junior Achievement

The executive committee resolved that a contribution of \$250 be made to Junior Achievement, Incorporated, for a scholarship to a selected high-school graduate who wished to study accounting in college.

Hoover Commission

The executive committee resolved that a contribution of \$500 be made to the National Citizens Committee for the Hoover Report as a token of the Institute's support of the Hoover Commission Recommendations.

The research department has prepared, with the approval of the committee, a lecture entitled "The CPAs Opinion," and is in the process of completing a classification of CPAs' professional services, and a study of long-form reports.

Annual Report

After consideration of a suggestion from the staff, the executive committee recommends as an experiment that a new form of annual report of the American Institute of Accountants be prepared for general distribution to members, prospective members, and interested segments of the public, at the end of the fiscal year

1951-52. It is proposed that this report generally follow the form of modern annual reports of corporations, that it summarize all the activities for the year, with appropriate pictorial and graphic illustrations, and that summary financial statements and the report of the auditors be included. This recommendation was actuated by the belief that a concise, readable annual report will receive greater attention from the membership than the present pamphlet including the full text of all reports of officers and committees, and that as a consequence the membership will become better informed of the wide scope of the Institute's work and all its many specific accomplishments in various fields of endeavor. At the same time, the executive committee believes that the annual report would serve as an excellent medium of public relations if sent to bankers, businessmen, lawyers, members of Congress, government officials, and others with whom the Institute has maintained cooperative relations. In addition, such a report would serve as an appropriate memberships promotion booklet if placed in the hands of certified public accountants who are not members of the Institute.

The cost of preparing, publishing, and mailing such a report would not be greater than the combined cost of providing all members with full texts of reports of officers and committees, and of the type of membership promotion pamphlet produced this year. The full text of reports of officers and committees would, of course, be available to members in multilith form on request, and appropriate notice to this effect would be included in the annual report, as well as *The CPA*. If council approves this recommendation, it is requested that it instruct the staff accordingly.

Libel Insurance

The executive committee resolved that a libel-insurance policy be purchased for the American Institute Publishing Company, Inc., and the American Institute of Accountants, covering *The Journal of Accountancy* and all other publications published by the company and the Insti-

tute, with a limit of indemnity up to \$25,000, at an annual premium of \$250.

Institute Pension Plan

During the year, H. T. Winton was appointed secretary of the American Institute of Accountants pension plan, to fill the vacancy created by the retirement of Miss Susan Ranney from the staff of the Institute.

Future Meeting Places

Reservations have been made for the 1952 spring meeting of Council, April 26 to May 1, at the Greenbrier, White Sulphur Springs; for the 1953 meeting at the Arizona Biltmore, Phoenix, April 13 to 16; for the 1954 meeting at the Homestead, Hot Springs, Virginia, May 3 to 6.

The 1952 annual meeting of the Institute is scheduled for the Hotel Shamrock, Houston, Texas, October 5 to 9. The 1953 meeting will be held at the Palmer House, Chicago, October 18 to 22, when the Illinois Society of Certified Public Accountants will celebrate its 50th anniversary.

Accounting for the Contingency Fund

The executive committee recommends the adoption of the following resolution by the council:

"RESOLVED, That the contingency fund of the Institute shall be accounted for as a separate fund and shall consist at all times of cash and marketable securities equal to the total principal amount of the fund.

"AND BE IT FURTHER RESOLVED, That in the future any excess of assets over liabilities of the general fund of the Institute shall be designated as 'Income Retained for Working Capital' until a part or all of such retained income be specifically appropriated to the contingency fund.

"BE IT FURTHER RESOLVED, That the balance in the contingency fund in excess of \$150,000 at August 31, 1950, be appropriated back to the general fund and that such transfer to the general fund shall include the investment in the American Institute Publishing Co., Inc."

Election of Auditors

The executive committee recommends to Council the election of Franke, North, Hannon, & Withey as auditors of the American Institute of Accountants and subsidiary corporations for the fiscal year 1951-52.

Election to Pension Committee

The executive committee recommends to council appointment of Mr. Samuel J. Broad for election to the American Institute pension committee, to fill the vacancy created by the death of Mr. F. H. Hurdman.

Circulation-Fulfillment

After consideration of a proposal from the staff for a basic change in the circulation-fulfillment operation of the Journal of Accountancy, the executive committee approved the proposal, and authorized an expenditure of \$21,000 for equipment to put the plan into operation, with the expectation that an estimated annual saving of \$6,000 or more would result through improved efficiency and decreased costs.

Trial Board

Resignations as members of the trial board were received from Marquis G. Eaton, Samuel W. Eskew and T. Dwight Williams, upon their election as members of the committee on professional ethics by the Council.

The following were elected members of the trial board by the council at its spring meeting:

For term of three years:

George D. Bailey, Michigan
J. William Hope, Connecticut
George S. Olive, Indiana
Frederick H. Hurdman, New York
J. Harold Stewart, Massachusetts
Virgil S. Tilly, Oklahoma
C. Oliver Wellington, New York

For two years (to fill a vacancy):

Arthur B. Foye, New York

Election of Acting Treasurer

The executive committee resolved that Mr. Prior Sinclair be designated acting treasurer of the Institute, with power to

sign checks in the absence of the treasurer.

International Congress on Accounting

The Sixth International Congress on Accounting will be held in London, June 16-20, 1952. The executive committee has resolved that the Institute should participate in the Congress, and the president has been authorized to appoint a representative to present a paper at the Congress on the subject of "The Incidence of Taxation," in respect of the United States, a subject assigned to the Institute at the request of the committee in charge of arrangements for the Congress.

Membership

The executive committee approved a plan proposed by the committee on membership and the staff of the Institute for intensive membership promotion to augment the membership of the Institute, and authorized an expenditure not to exceed \$5,400 to carry out the proposal.

At August 31, 1951, the membership of the Institute was 17,998. A total of 2,150 new members have been admitted in the current fiscal year 1950-51; 36 members were reinstated, 76 members have been lost by resignation; 77 by non-payment of dues; 106 by death.

The members who have resigned or have been dropped constitute .0085 per cent of the membership. Last year the aggregate losses from these sources were one per cent.

Deaths of the following members have been reported since the last annual meeting:

Roy G. Abbey	Thomas W. Brown
W. J. Acker	Tom F. Carey
Chauncey B. Adams	Charles L. Castles
A. Lester Andrus	A. C. Clarkson
Ernest F. Augustine	Louis T. Cormier
Joseph S. Austin	Stanley G. Coward
Robert Bayne	Edward C. Craft
Howard R. Bennett	Stanley H. Crouch
Seymour R. Berkey	Forrest Dalton
Clement L. Bittner	George W. Davila
George Andrew Bone	H. J. T. Day
Ernest D. Bowman	Gordon M. Dickinson
John M. Boyce	George E. Dunlop
Margaret M. Breen	Richard A. Ellington, Jr.
Francis R. Brodie	George T. Finnegan
T. Cedric Browne	William Edward Fisher, Jr.

Bernard M. French	L. Lynn McManus
Joseph W. Calloway	Laura Menn
H. S. Gilliam	Henry F. Meyer
Harry E. Gordon	Isador A. Nahmias
Robert Grainger	Henry W. Neill
Henry M. Haesloop	Ambrose J. Nolan
Ralph Thomas Hand	Hugh S. O'Reilly
Leo Harris	H. S. Paterson
Walter Heinsius	I. Graham Pattinson
Wilfred N. Howard	A. Lee Rawlings
H. Glenn Huffman	John Y. Richardson
James F. Hughes	F. C. Rohwerder
Walter E. Hugins	James Lindsay Rose
Hugh Godfrey Humphreys	Peter H. Rustin
Frederick H. Hurdman	William S. Salway
Sydney L. Israel	Seymour Satin
Howard E. Jackson	Thad J. Schuler
William C. Jackson	J. M. Silvert
Roy A. Janz	Louis C. Slay
William J. Jessup	W. T. Snider
Stanley M. Johnson	Herman A. Spiegel
Oscar Theodore Johnston	Rodney F. Starkey
Robert E. Kelly	E. Elmer Staub
Errol Kerr	Norvel M. Stiers
Charles Rex Kistler	Joseph Stine
Eugene M. LaShell	John W. Stokes
Willard H. Lawton	Alex. L. Tinsley
Sydney Thompson Lee	John P. Toole
Maxwell E. Lerner	Luther K. Watkins
Samuel A. Linsky	Julius V. Weiss
Daniel J. Lynch	A. V. Wenstrom
Herman Ludewig	A. R. C. Wetherall
Fred L. Main	Roy C. Whitmore
Joseph L. Martin	J. E. Wright
Harold A. Marvin	Walter W. Zeuhlke
Charles E. Mather	Carl H. Zipf
Lewis R. McGee	

One of his major achievements occurred in his capacity as chairman of the committee representing the Institute in the negotiations which resulted in its merger with the American Society of Certified Public Accountants, which united the profession in one national organization of certified public accountants. This was a milestone in the history of accounting in the United States which marked the beginning of its most rapid progress.

Mr. Hurdman's capacity for enthusiasm, his warm friendliness for his fellow practitioner, his intellectual vigor, and his exemplary personal conduct, won the admiration and the affection of all who knew him. He was a leader of high quality, and the members of the profession which has benefited so greatly from his efforts will remain forever in his debt.

RESOLVED, That the Council of the American Institute of Accountants learns with deep regret of the death of its fellow member, Carl H. Zipf, of Philadelphia, and records its appreciation of his contributions to the progress of the accounting profession through his services to the Pennsylvania Institute of Certified Public Accountants and to the American Institute of Accountants as a member of its governing body.

FURTHER RESOLVED, That copies of this resolution be transmitted to Mr. Zipf's family and professional associates.

Securities

The executive committee has approved the following sales and purchases of securities for the several funds of the Institute and subsidiary corporations since the last annual meeting:

Purchases

GENERAL FUND

\$50,000 United States of America 1¼% treasury notes, series B dated March 1, 1950, due July 1, 1951 @ 99.905151 net	\$ 49,952.28
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ENDOWMENT FUND

250 shares Ohio Oil Company common stock, no

The executive committee recommends that council adopt the following resolutions:

RESOLVED, That the executive committee of the American Institute of Accountants hereby records its deep sorrow at the loss of Frederick H. Hurdman, whose contributions to the development of the accounting profession in the United States were of a magnitude reached by few others.

As president of the Institute from 1928-30, as chairman of many major committees, including executive, professional ethics, board of examiners, cooperation with bankers, relations with bar, co-chairman of the National Conference of Lawyers and Certified Public Accountants, and president of the American Institute Benevolent Fund, he was a vital force in the solution of numerous technical and professional problems that confronted the profession in the early stage of its development.

par: 200 shares @ 50½ plus \$62.00 commis- sion	10,162.10
50 shares @ 50⅞ plus \$20.39 commission and \$3 stamps	2,554.64
AMERICAN INSTITUTE OF ACCOUNTANTS FOUNDATION	
96 shares J. C. Penney Company c o m m o n stock, no par @ 64⅞ plus \$28.96 commission and tax	6,214.72
AMERICAN INSTITUTE BENEVOLENT FUND, INC.	
15,000 Pacific Gas and Electric Company 3% First and Refunding Mortgage bonds, due June 1, 1974, @ 104⅞ plus commission and	5,243.75
46 shares Safeway Stores, Inc., 4% cumulative preferred stock @ \$100½ net	4,623.00
37 shares Ohio Oil Com- pany common stock, no par, @ 50⅞ plus \$17.83 commission and \$2.22 stamps	1,892.78

Sales

GENERAL FUND	
\$50,000 United States of America 1¼% treasury notes, series B dated March 1, 1950, due July 1, 1951, @ 99.967183	49,952.58

ENDOWMENT FUND	
200 shares Allied Chemi- cal & Dye Corporation no par common stock @ 66¼ less \$65.26 com- mission, \$20 stamps and 27¢ SEC	13,164.47
56 rights, Consumers Pow- er Company @ 15/64 net, less tax	128.45
100 rights, American Tel- ephone and Telegraph Co. @ 1.96 net	196.00
110 rights, Central Illinois Light Co., no par com- mon @ 8/32 net	26.80
400 rights, Virginia Elec- tric & Power Co. @ 7/64 net less 21¢ stamps	43.54
100 rights, National City Bank of N. Y. @ 73¢, less stamps	72.83
AMERICAN INSTITUTE OF ACCOUNTANTS FOUNDATION	
100 shares New Jersey Zinc Co., \$25 par capi- tal stock @ 62½ less commission and tax ..	6,214.24
AMERICAN INSTITUTE BENEVOLENT FUND, INC.	
60 shares R. S. Reynolds Tobacco Co., New class B \$10 par common @ 32⅞ less \$17.81 com- mission, \$2.76 stamps and 4¢ SEC	1,936.89
Respectfully submitted, T. COLEMAN ANDREWS, <i>President</i> . JOHN L. CAREY, <i>Executive Director</i> October 5, 1951	

Committee on Budget and Finance

TO THE COUNCIL OF THE

AMERICAN INSTITUTE OF ACCOUNTANTS
GENTLEMEN: The budget for the fiscal year ending August 31, 1952, has been prepared in the light of the Council's decision that the activities of the Institute as carried on during the year just concluded would continue during the coming year. On the basis of that decision, it is estimated the Institute would show a deficit

of expenditures over its ordinary income of \$79,470. To avoid showing a deficit and still maintain the activities of the Institute at their present level, the Council decided to call upon firms and individual practitioners for a special contribution equivalent to three dollars per staff member. The income from this source is estimated at \$80,000 and will cover the deficit from operations mentioned above.

The need for additional revenue results from the failure of dues from a larger membership to keep pace with expanding payrolls and material price increases resulting from inflation. Diminishing income from sales of the Institute's publications and fees from state boards for grading CPA examinations, caused by dropping enrollments in educational institutions and fewer candidates sitting for the examinations, are contributing factors.

While it is estimated that the Institute's income for 1951-2 will be higher than the amount actually received in 1950-1 by approximately \$13,000, the expected expenditures for 1951-2 will rise by nearly \$75,000 from the 1950-1 revised budget. Three major factors help to contribute to this rise. The membership directory will be published during the forthcoming year. The Public Relations Department will attempt to get a better Washington coverage of events affecting public accountants. And the full effect of adding six people to the payroll since the beginning of the 1950-1 year, as well as salary increases, will be felt during the coming year.

The budgetary figures, which follow, differ in some respects from those of the preceding year. The budget for the En-

dowment Fund has been combined with that of the Institute, although for the convenience of members interested in the operations of the library, the Endowment Fund and the American Institute of Accountants Foundation are also set out separately. Traveling expenses, because the total is not large, have not been itemized, but are included as a single item. The budget for announcements and advertising of the Institute's publications has been eliminated from that part of the statement listing publications to members, and has been set out separately.

The policy of not consolidating the Publishing Company with the Institute's operations has been continued into the current year.

The Committee on Budget and Finance has been in constant touch with representatives of the United States Trust Company, custodian of securities of the various funds. Investment policy has been discussed as well as questions regarding individual investments.

Respectfully submitted,
J. WILLIAM HOPE, *Chairman*
PRIOR SINCLAIR
HAROLD R. CAFFYN

October 3, 1951

AMERICAN INSTITUTE OF ACCOUNTANTS

	Budget 1951-1952
REVENUE, ESTIMATED:	
Membership dues	\$422,000
Income from securities	17,800
Contribution from American Institute of Accountants Foundation	3,200
Fees from state boards of accountancy	135,000
Application fees	2,000
Sales of publications (less production costs)	75,000
	<u>\$655,000</u>
EXPENDITURES:	
Salaries and fees for technical services:	
Institute administration	\$ 60,000
Public relations department	31,600
State society service department	16,000
Research department	77,700
Educational department, CPA handbook, and board of examiners' staff	47,600
Library staff	16,900
Accounting, purchasing, and officer services	101,700
	<u>\$351,500</u>
Total (carried forward)	\$351,000

	Budget 1951-1952
Total (brought forward)	\$351,000
Fees for professional services:	
Auditing fees	\$ 2,000
Legal fees of counsel, retainer and expenses	6,500
Special legal fees	10,000
	<u>\$ 18,500</u>
American Institute Pension Plan	\$ 20,500
Social security taxes	9,930
Administrative expenses:	
Stationery and printing	\$ 6,600
Postage and express	17,820
Telephone and telegraph	6,780
Supplies	11,280
Equipment and equipment maintenance	10,200
Rent, electricity, insurance, and building expenses	71,500
	<u>\$124,180</u>
Publications:	
The Journal of Accountancy	\$57,000
CPA (production and mailing costs)	21,000
Permanent binders for reports and membership lists	4,000
Special reports to members	55,000
	<u>\$137,000</u>
Expenses of uniform CPA examinations, including fees for preparation and grading but excluding departmental salaries, rent and overhead	\$109,760
Expenses of annual meeting, council, and executive committee	11,200
Traveling expenses	27,950
Technical and other committee expenses	10,000
Expenses of public relations department including professional fees	42,400
Expenses of state society staff meetings	3,000
Library books and magazines	6,000
Announcements and advertising	4,000
General expenses	2,550
Total expenditures	<u>\$878,470</u>
Less: Charge to American Institute Publishing Co., Inc., for editorial and administrative costs	144,000
	<u>\$734,470</u>
Excess of expenditures over income	\$ 79,470
Special voluntary contribution from members for maintenance of Institute's activities	80,000
	<u>80,000</u>
Excess of income over expenditures after crediting special contribution	<u>\$ 530</u>

REVENUE:	ENDOWMENT FUND	Budget 1951-1952
Income from securities		\$ 13,000
Contribution for the library from the American Institute of Accountants Foundation		3,200
Miscellaneous sales—profit from sales of Accountants' Index Supplements ..		900
	Total revenue	<u>\$ 17,100</u>
EXPENDITURES:		
Salaries of library staff		\$ 16,900
Social security taxes		620
Stationery and printing		120
Postage and express		480
Telephone and telegraph		240
Supplies		420
Equipment purchased		250
Rent, electricity, insurance, and building services		12,000
Books and magazines		6,000
General expenses		750
	Total expenditures	<u>\$ 37,780</u>
	Excess of expenditures over revenue, to be absorbed by general fund	<u>\$ 20,680</u>

AMERICAN INSTITUTE OF ACCOUNTANTS FOUNDATION

REVENUE:		
Income from securities		\$ 3,400
	Total income	<u>\$ 3,400</u>
EXPENDITURES:		
Contributions to endowment fund for support of library		\$ 3,200
Other expenses		200
		<u>\$ 3,400</u>

TO THE DIRECTORS OF THE AMERICAN INSTITUTE PUBLISHING CO., INC.:

GENTLEMEN: The committee on budget and finance of the American Institute of Accountants submits herewith a budget for your Corporation for the year ending August 31, 1952. In compiling these figures the Budget and Finance Committee has set forth separately at the bottom of the statement the budget for addressograph equipment.

AMERICAN INSTITUTE PUBLISHING CO., INC.

REVENUE:		
Subscriptions earned—members		\$ 57,000
Subscriptions earned—other subscribers		236,000
Advertising		125,000
Sales of single copies		2,400
Sales of bound volumes, binding (less costs)		1,800
Service sales (net)		9,000
		<u>\$431,200</u>
Less: production and mailing costs		137,400
	Income from magazine	<u>\$293,800</u>

	Budget 1951-1952
Total (brought forward)	\$293,800
Sales of books	\$ 9,000
Less: cost of books sold and royalties	4,000
Income from books	\$ 5,000
Income from securities	\$ 2,160
Total income	\$300,960
EXPENDITURES:	
Salaries	\$ 92,200
Social security taxes	2,580
Reprints and fees for technical services	3,300
Stationery and printing	2,400
Postage and express	4,320
Telephone and telegraph	600
Supplies	1,620
Equipment	1,640
Insurance and excise taxes	1,200
Advertising and promotion	39,630
American Institute of Accountants charges for editorial and administrative costs	144,000
General expenses	2,100
Total expenses	\$295,590
Excess of income over expenses	\$ 5,370
Addressograph equipment to be purchased and used chiefly for addressing <i>Journal</i> wrappers, not included in above expenditures	\$ 10,000

Respectfully submitted,
J. WILLIAM HOPE, *Chairman*
PRIOR SINCLAIR
HAROLD R. CAFFYN

October 3, 1951

Board of Examiners

TO THE COUNCIL OF THE
AMERICAN INSTITUTE OF ACCOUNTANTS
GENTLEMEN: During the year, the Board of Examiners has held three full meetings in addition to conducting much of its work through subcommittees.

The Uniform CPA Examination was used in November, 1950, by 47 states and four territories or other governmental divisions. The examination was taken by 12,615 candidates and papers for 6,350 candidates were graded by the Institute's grading staff. A total of 23,660 papers were graded which was a decrease of 3,471 from the previous November. The percentage of candidates passing each of the subjects did not vary substantially from

the percentage passing at each of the three prior examinations.

The last uniform examination, which was held on May 16, 17, and 18, was taken by 10,335 candidates. This represented a reduction from the May, 1950 examination of 1,651 candidates and a reduction from the November, 1950, examination of 2,380 candidates. The May, 1951, examination was given in 44 states in contrast with the May, 1950, examination which was given in 42 states and the November, 1950, examination in 47 states.

All except four of the states giving the May, 1951, examination submitted the papers to the Institute for grading by the staff under the direction of the Board of

Examiners. As a result, grading was performed on 22,353 individual papers submitted by 5,960 candidates. While there was a substantial decrease in the number of candidates taking the examination, the actual decrease in the number of papers graded by the Institute in comparison with November amounted to only about six per cent. The largest decrease in the number of candidates on a percentage basis was in New York State where a revision of rules went into effect. While decreases in other states were not generally so large, there was a continuation of the down trend in the number of candidates as has been the case on the past two examinations. It is anticipated that there will continue to be a slight decrease in the number of CPA candidates in line with decreases in college enrollment during the next two or three years.

The passing percentages on the May examination varied only slightly from those on the November and the previous May examination. While there has been no appreciable increase in passing percentages since the peak was reached in the number of candidates taking the examination in 1949, the passing percentages have varied less from examination to examination than did the percentages for the immediate post-war period.

Preparation of the uniform examination and operation of the grading service and the conduct of other activities of the board resulted in a loss for the fiscal year ending

August 31st of \$4,600 after charges for the cost of space used solely in connection with the grading service. This loss is somewhat larger than that incurred in the previous year and, in view of increasing costs of services, as well as costs for printing, stationery supplies, express, etc., it is probable that somewhat larger losses may be anticipated in the next fiscal year.

The Board has been giving preliminary consideration to questions of whether material on the subjects of income taxes and of Commercial Law of the type included in recent examinations constitute the most practical reasonable tests of the candidate's competence in these areas under present day conditions. The Board has no conclusions or recommendations to offer at this time, but expects to continue its study.

The next uniform examination is scheduled for November 7, 8, and 9, 1951, and the necessary arrangements have been made by the board for the handling of the resulting work.

Respectfully submitted,

DONALD P. PERRY, *Chairman*

HERMAN W. BEVIS

M. C. CONICK

ALEXANDER EULENBERG

IRA N. FRISBEE

JOHN J. LANG

MARK D. LITTLER

JOHN W. MCEACHREN

September 21, 1951

Committee on Professional Ethics

TO THE COUNCIL OF THE

AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: The committee on professional ethics will hold a meeting on October 7, 1951, to consider all open cases, inquiries, and other matters. Most of the committee's work has been carried on by daily correspondence.

Analysis of Cases

49-7. Final action by the courts and the state society of certified public accountants has not yet been taken in connection with indictment of a certified public accountant, whose partners are members of the Institute, on charges of

forgery and conspiracy. Action on the matter is therefore being held in abeyance by the Institute committee.

49-11. A complaint was made that a firm of certified public accountants, partners of which are members of the Institute, had submitted bids for the audit of a client served by another public accountant, in a state where the rules of professional conduct of the state society of certified public accountants prohibited competitive bidding for professional engagements. The committee, after careful consideration of the charges and review of all related correspondence, ruled that there was no vi-

olation of Rule (7) of the rules of professional conduct, regarding solicitation, and found that there were not strong grounds on which to prosecute for violation of Rule (14) relating to competitive bidding. The file in the case has therefore been closed.

50-14. A member of the Institute was charged with violation of the national stolen property act, pleaded guilty, and was placed on probation by the court for one year. After full consideration of the case by the ethics committee and the executive committee, membership of the member concerned was terminated under Article V, section 2 of the by laws.

50-15. The committee had held in abeyance action on a complaint involving window display and other advertising on the part of a firm of certified public accountants, a partner of which is a member of the Institute, until the matter had been settled to the satisfaction of the state society of certified public accountants. The committee was subsequently informed that the firm in question had discontinued the practices complained of and had agreed to abide by the rules of professional conduct. However, the attention of the state board of accountancy was called about the same time to the listings of the firm concerned in telephone directories throughout the state, and the board is making an investigation of the matter. At the request of the state society, the case is again being held in abeyance until further word is received.

50-17. A member of the Institute was charged with solicitation by his firm of the client of another public accountant. The matter was called to the attention of the member concerned, and in view of his assurances that he would abide by the rules of professional conduct in the future, the file was closed.

50-18. This case relates to circularization of a letter reproduced on the letterhead of a member of the Institute advertising the sale of a chart of accounts. The committee ruled that it was improper to reproduce such a letter on the firm letterhead of a member and so informed the member concerned. The committee has

for consideration the member's response outlining his proposed action to comply with the committee's findings.

50-19. A complaint was received that a member of the Institute had called upon the client of another member and informed him that he was opening an office and was calling on businessmen and merchants in the area. The member concerned was asked for an explanation of the matter, and in view of assurances that he would abide by the rules of professional conduct in the future, the committee closed the file.

50-21. The CPA certificate of a member of the Institute was revoked by a state board of accountancy on charges of grand larceny. After full consideration of the case by the ethics committee and the executive committee, membership of the member concerned was terminated under Article V, section 2 of the by laws.

50-22. Action has been deferred to permit further investigation of charges of an improper audit by a firm of certified public accountants, partners of which are members of the Institute.

51-1. A complaint was received from a member of the Institute charging that another member had sought to interfere with his professional career by giving an unfavorable reference to a state authority. After a thorough review of the circumstances, and consultation with state society officials who had investigated the charges, the committee found no basis for complaint and closed the file in the case.

51-2. The committee received a complaint charging that a member of the Institute was circularizing persons and firms other than clients in connection with the opening of a new office. The member was reprimanded, and in view of his assurances to both the Institute and the state society of certified public accountants that he would abide strictly by the rules of professional conduct in the future, the committee closed the file.

51-3. Countercharges filed by two members of the Institute in connection with services rendered to a client formerly served by one member and presently served by the second member were given consideration by the committee. The committee

resolved to close the file, unless the complaint was referred to the state society of certified public accountants or either complainant was willing to press the charges actively and furnish the committee with specific instances in which it could be held that the rules of professional conduct had been violated. The complainants were informed of the committee's findings, and the case was closed.

51-4. The committee considered a complaint which had been received by a state society of certified public accountants, charging that a member of the Institute was using his name and affiliation in connection with promotion of publications of which he is the author. The committee was of the opinion that it was proper for a member's name and affiliation to be used in connection with such publications. The state society was so informed and the file was closed.

51-5. The committee received a complaint involving newspaper advertising on the part of a member of the Institute. An explanation was requested from the member concerned, and in view of his assurances that he will abide by the rules of professional conduct in the future, the committee closed its file.

51-6. The committee still has under consideration a simultaneous complaint received by the Institute and a state society of certified public accountants, calling attention to newspaper articles regarding a particular industry, in which statistics by a firm of certified public accountants, partners of which are members of the Institute, are quoted.

51-7. The committee's attention was called to a full-page advertisement of a firm of certified public accountants, partners of which are members of the Institute, in a classified city directory. An explanation was requested from the members in question. In view of their explanation that the advertisement had been carried without the partners' knowledge and had been discontinued, the file was closed.

51-8. After careful investigation and consideration of a complaint that a member of the Institute was using his name in connection with distribution and sale of a

tax pamphlet which he had prepared, the committee closed its file in the matter.

51-9. After consideration of all the facts involved in a complaint that the confidential relationship between a client and his accountant may have been violated in connection with an article regarding the client which appeared in a weekly magazine, the committee found that the confidential relationship between client and independent accountant had been observed. The member concerned was so informed, and the case was closed.

51-10. A complaint was received that a member of the Institute was running a weekly newspaper advertisement of his firm. After review of an explanation from the member concerned, and his assurances that he will abide by the rules of professional conduct in the future, the committee closed the file.

51-11. The committee received a complaint that a firm of certified public accountants, partners of which are members of the Institute, had submitted competitive bids for state auditing work. Since neither the state law nor the rules of the state society of certified public accountants contain provisions against competitive bidding, the committee felt that it could take no action in the case and closed the file. The members concerned were, however, informed that the committee on professional ethics looked with disfavor on competitive bidding.

51-12. A simultaneous complaint regarding window display advertising for income tax service, involving a member of the Institute, was received by the Institute and by the state society of certified public accountants. After receiving a report from the state society that the member concerned had discontinued the practice complained of, the file was closed.

51-13. The committee has under consideration a complaint against a member of the Institute involving charges of advertising, solicitation, improper audit, and other matters. Sweeping allegations against state and federal bodies were also made. The case is under consideration.

51-14. A complaint has been received from a firm of certified public accountants

that several of their clients had received unsolicited tax bulletins from another firm, partners of which are members of the Institute. The committee is investigating the charges.

51-15. The committee has under consideration charges of acts discreditable to the profession by a member of the Institute.

51-16. Charges of solicitation by a member of the Institute of the clients of another public accountant are being investigated by the committee.

51-17. A news item has been brought to the committee's attention regarding a court case involving the confidential relationship between the accountant, a member of the Institute, and his client. The committee has deferred action until the case in question has been settled in the courts.

51-18. The committee has under consideration complaints from members of the Institute charging solicitation of the clients of other public accountants by a firm of public accountants, partners of which are members of the Institute.

51-19. A complaint charging advertising and solicitation by a member of the Institute has been brought to the committee's attention. The matter is being investigated.

51-20. The committee has under consideration charges of solicitation by a member of the Institute of the clients of another public accountant.

Summary of Inquiries

The committee has given consideration and responded to inquiries on the following subjects during the year:

ADVERTISING:

Speaker's firm affiliation in state society programs

Advertisement of school showing name and CPA title of instructor affiliated with school

Membership in Better Business Bureau—listing of member's name and firm in paid advertisement of Bureau

Use of "canned clients' reports"

Window display advertising

Participation by a CPA firm in radio program sponsored by a bank

Accounting and Tax Service—mailing announcements, newspaper advertising

Listing of employee on firm letterhead as "associate"

Distribution and promotion of books and bulletins written by CPA

Newspaper publication of letters written by CPAs in relation to receipt and examination of letters from county and city superintendents of education, with reference to school accident insurance claims

Telephone directory listings

Inclusion of professional statement of accounting firm in directory

Institutional advertising including names of certified public accountant members

Certified public accountant joining community club whose prime objective was referral of business to other members of the club

Certified public accountant contributing to service club program by purchasing space in benefit program

Sale of bookkeeping service clients to certified public accountants

Sale of bookkeeping records service by certified public accountant

Distribution of announcements of opening an office

Notifying accountants and attorneys of availability as tax consultant

Participation in organization of or becoming member of group to furnish research service to members of accounting and legal professions

Distribution of tax bulletins and other material under certified public accountant's name

FIRM NAMES:

Deleting word "company" from names of accounting firms

Different designation of firm name in two different cities

Use of designation "limited partner"

INDEPENDENCE:

Certified public accountant expressing opinion on financial statements of clients for whom he keeps the books

Accounting partnership serving as auditor of hotel which it operates as lessee

Certified public accountant accepting engagement as auditor of organization whose officers have embezzled funds

Certified public accountant counter-signing checks for client

Certified public accountant serving as member of board of directors of county taxpayers association when firm audits records of some county departments

Certified public accountant serving as trustee for corporate client in employee-profit-sharing plan.

Certified public accountant expressing opinion on audit report of government agency

Certified public accountant serving on Board of Directors of client corporation

Certified public accountant serving as member of trust committee for pension trust composed of clients

SOLICITATION:

Solicitation of clients by employee starting his own practice

Interest of partners or dissolved partnership in clients and employees

PRACTICE WITH OTHERS:

Collaboration with non-CPAs in audit of municipality

Limited partnership with public accountant

MISCELLANEOUS:

Conduct municipal audit without profit
 Certified public accountant representing client in illegitimate business

Certified public accountant reimbursing another CPA for referring clients to him

Use of designation "Income Tax Consultants"

SUMMARY:

Advertising	31 inquiries
Firm names	3 inquiries
Independence	9 inquiries
Solicitation	5 inquiries
Practice with others	3 inquiries
Miscellaneous	4 inquiries

TOTAL 55

The committee believes that it would be desirable to amend Rule (14) of the rules of professional conduct so as to prohibit competitive bids for professional engagements under any circumstances. Rule (14) forbids competitive bidding only if such a bid would constitute violation of a state board or state society rule. The committee recommends that this proposal be studied further within the committee, with a view to submitting to the council at its meeting next spring, a definite proposal for revision of Rule (14).

Respectfully submitted,
 SAMUEL W. ESKEW, *Chairman*
 MARQUIS G. EATON
 JOHN B. INGLIS
 LINCOLN G. KELLY
 T. DWIGHT WILLIAMS

September 28, 1951

Committee on Accounting Procedure

TO THE COUNCIL OF THE
AMERICAN INSTITUTE OF ACCOUNTANTS
GENTLEMEN: The committee on accounting procedure has held four two-day meetings since its report to council last fall, and will hold another one-day meeting before its term expires. It has issued three bulletins and has made considerable progress in drafting a booklet combining all of the accounting research bulletins issued to date. These and other projects with which the committee has been concerned during the past year are discussed in the comments which follow:

Bulletin No. 13 (Addendum) and No. 26 (Addendum)

The committee is of the opinion that Bulletins Nos. 13 and 26, dealing with special war reserves, should no longer be relied upon as a basis for the establishment and use of reserves. A statement to that effect, under the title, "Limitation of Scope of Special War Reserves," was issued by the committee in July in the form of addenda to each of the bulletins.

Bulletin No. 41

Rule 5-03 (17) of the revised Regulation S-X issued by the Securities and Exchange Commission on December 20, 1950 requires any special items of profit and loss given recognition in the accounts during the period, which were excluded in the determination of net income, to be included at the bottom of the income statement after the figure of net income or loss. Rule 5-03 (18), "Net Income or Loss and Special Items," requires that such special items be added to or subtracted from net income or loss to produce a final figure to be captioned "Net Income and Special Items," "Net Income or Loss on Sale of Plant," etc. This procedure is clearly at variance with the procedure recommended under (c) of paragraph 2 of Accounting Research Bulletin 35.

The committee discussed this question and in July of this year issued Accounting Research Bulletin No. 41, "Presentation of

Income and Earned Surplus (Supplement to Bulletin No. 35)," setting forth the committee's opinion as to the acceptability of the form required by Regulation S-X. In that bulletin, the committee stated its preference for the forms recommended in Bulletin No. 35, but concluded that either the forms of presentation recommended in Bulletin No. 35 or the form required by Regulation S-X may be regarded as acceptable. The committee also stated that it is permissible for a company to use one form in one statement, and a different form in another like statement covering the same fiscal period. It emphasized that when the procedure required by Regulation S-X is adopted, care should be taken that the figure of net income is clearly and unequivocally designated so as not to be confused with the final figure in the income statement, and that any representation of earnings for the year or of earnings per share should be based upon the amount designated as net income.

Revision of SEC Form S-1

The Securities and Exchange Commission earlier this year distributed for comment copies of a proposed revision of Form S-1. Items (7) and (8) of Part I of the proposed form deal with the presentation of financial information in prospectuses. They provide for the presentation of very condensed financial information and seem to approve the furnishing of less information to investors than that usually appearing in published annual reports to stockholders.

The majority of the committee is of the opinion that simplification of prospectuses can be achieved more satisfactorily by reducing the amount of detail presently required in financial statements in prospectuses, rather than by eliminating the basic statements entirely. It believes that, as a minimum, prospectuses should include a statement of financial position, a statement of income, and a statement of surplus, together with appropriate notes thereto,

meeting the standards of disclosure generally accepted for certification of financial statements presented to stockholders.

The committee accordingly suggested to the Commission that such detailed information as is considered necessary for the purpose of the Commission's staff and of skilled financial analysts, rather than for the ordinary investor, should be set forth separately in the Regulations and be required to be included in the registration statement as "Supplemental Financial Information." Thus, only the details considered essential for the use of the general investor, present or prospective, would be required to be disclosed as an integral part of the financial statement. These, the committee suggested, should be included in the prospectus and should be required to be certified.

Booklet Combining Accounting Research Bulletins

Since the last annual report to council the committee has devoted its major attention to the preparation of a booklet combining the accounting research bulletins issued to date, and has made substantial progress. As is readily apparent, this project has required a great deal of close study and thorough discussion by members of the current committee. Much of the material to be included in the booklet has been submitted to committee members for ballot. However, a sufficient portion of the work remains to be done that it is anticipated that this task may take a major portion of the committee's attention for the next few months.

Revision of NARUC Electric System of Accountants

In response to an invitation from A. R. Colbert, chairman of the committee on accounts and statistics of the National Association of Railroad and Utilities Commissioners, a special subcommittee was appointed to review the November 1, 1950 tentative draft of the proposed revision of the uniform system of accounts for electric utilities prepared by the NARUC committee. The subcommittee reviewed the tentative draft, and on August

1st it submitted its comments and suggestions with respect to such portions as involve matters of accounting principle and, in the subcommittee's opinion, require modification. It is anticipated that the subcommittee will discuss the matter further with the NARUC committee.

Stock Dividends

A special subcommittee was appointed to make recommendations as to the desirability of revising Bulletin No. 11, "Corporate Accounting for Ordinary Stock Dividends." Its report has not yet been received.

Stock Options

The committee has discussed briefly the applicability of Bulletin No. 37 to "restricted" stock options as provided for in the Revenue Act of 1950. The subject will be referred to the incoming committee for its consideration.

Intangibles

As a part of the combining of the accounting research bulletins just referred to, the committee is considering revision of Bulletin No. 24 to:

1. Disapprove charging intangibles directly to capital surplus.
2. Disapprove lump-sum write-offs of intangibles to earned surplus immediately after acquisition.
3. Disapprove write-downs of intangibles before there has been a loss, except by systematically writing them off through income.
4. Take the position that, if not amortized systematically, intangibles should be carried at cost until a loss has occurred or an event has taken place which indicates a loss or a limitation on the usefulness of the intangible.

The committee believes, however, that the matter should be discussed widely among accountants and businessmen before a statement on the subject is issued. Accordingly, the research department is preparing an article for *The Journal of Accountancy* in which it will outline the committee's views and bring them to the attention of those who are interested.

Consolidated Financial Statements

At the request of the committee the research department recently submitted to a representative group of accountants a questionnaire to determine current views on a number of problems regarding consolidated financial statements. The questions asked have arisen out of the study of annual corporate reports to stockholders and inquiries received by the research department. A summary of the replies to the questionnaire was discussed by the committee.

The committee decided that it would not attempt to develop a bulletin on the subject, but felt that the profession should be given the benefit of the views expressed. Accordingly, the research department is now preparing this summary in an article for *The Journal of Accountancy*.

Quasi-Reorganizations

As has been reported from time to time, the committee has devoted considerable effort to preparing a satisfactory bulletin dealing with upward restatement of assets under quasi-reorganization procedures. It feels, however, that without criteria for the establishment of values in an upward restatement of assets, a bulletin would be of little aid to the profession. The committee is not yet prepared to develop such criteria and, accordingly, has dropped the subject from its agenda.

Other Subjects

The committee has discussed the subject of accounting for assets acquired under certificates of necessity, and will give the subject further study.

A subcommittee is accumulating information as to current practices in accounting for pensions, but discussion of the subject was deferred pending completion

of the new booklet on accounting research bulletins.

At the request of the committee on auditing procedure, this committee has considered the question whether accounts prepared on a cash basis conform with general accepted accounting principles. Subcommittees of the two committees have met to discuss this question, and it is expected that additional joint meetings will be held.

There has been some question within the profession as to whether deferred taxes on installment sales should be considered a current liability by an installment house which keeps its books on the accrual basis and reports for tax purposes on the installment basis. The committee discussed this question and concluded that deferred taxes should be classified as current, and that Bulletin No. 30 supports this view.

Another question with which the committee has been asked to deal is that of the proper accounting for the intangible acquired when a company dealing in small loans is purchased by another similar company at a price in excess of the value of the net tangible assets of the acquired company. It is the consensus of the committee that the proper accounting depends upon the circumstances. For example, if the excess was paid for a list, it is presumably like a subscription list and should be carried forward. If the excess represents the purchase of a name, it is presumably like any other goodwill item and should likewise be carried forward. However, if the excess is similar to the payment of premium on loans acquired or on leaseholds, it should be written off over the life of the loans or leases.

Respectfully submitted,

PAUL K. KNIGHT, *Chairman*

October 4, 1951

Committee on Auditing Procedure

TO THE COUNCIL OF THE

AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: The committee on auditing procedure for several years has followed the custom of limiting its reports to an outline of its activities since the last report. This time, to present a clearer picture of

the long-range accomplishments and plans of the committee, we are departing from custom and are summarizing the highlights of the committee's activities during the past three years. It should be reported, however, that the committee has had two all-day meetings since its last annual re-

port, and that some of the projects which will be mentioned in the following comments were completed during the past year.

The committee considers that its primary objective is to identify procedures suitable to varying circumstances as a guide to assist accountants in conducting their examinations and reporting upon financial statements in a manner consistent with generally accepted standards of auditing. During the past three years, the committee's activities to that end have largely been devoted to matters primarily of interest to members with practices among a predominantly small business clientele. The committee's efforts have resulted in the publication of a number of statements, booklets and articles.

Case Studies

To a considerable degree, the committee had adopted the case study approach as being the most satisfactory method of explaining the manner in which auditing standards may be met in specific situations. A total of six case studies have been issued during the past three years. These include two case studies in internal control, illustrating how accountants evaluated the internal control and applied their findings in actual engagements, and four case studies in auditing procedure (two in No. 8), each describing the audit of a different type of business organization. The latest of these, describing the audit of a wholesale distributor of newspapers and magazines, was issued in July of this year. In all, twelve case studies are now available. The recognition accorded them is demonstrated by the fact that over 300,000 copies have been distributed since the program was started in 1947.

Audits by CPAs

The committee believes it important that bankers and others concerned with accountants' reports have a better understanding of the responsibilities the CPA assumes in reporting upon financial statements. The case studies are suitable for the purposes of those with theoretical training, but they are somewhat technical for those who are not familiar with the

process of auditing. Accordingly, the research department, with the advice of this committee, prepared the booklet, *Audits by Certified Public Accountants*, to explain in general terms what the CPA does in order that he may express an opinion. Since its issuance in 1949, over 75,000 copies of the booklet have been distributed.

Audits of Savings and Loan Associations

In 1940 the Institute published a booklet outlining an audit program for savings and loan associations. The booklet was an important factor in raising the standards of independent audits of such associations, but with the passage of time new developments in the practices of these associations took place which were not covered. In particular, the booklet contained no information or recommended practices with respect to checking inactive savings accounts, property improvement and repair loans, or construction loans. This spring a revised edition of the booklet was issued by the committee under the title of *Audits of Savings and Loan Associations by Independent Certified Public Accountants*.

Codification of Statements on Auditing Procedure

As previously reported, the committee has been actively engaged in preparing a consolidation of its twenty-four statements on auditing procedure. The project is completed. Copies of a new booklet *Codification of Statements on Auditing Procedure*, were mailed to all members of the Institute.

In preparing this booklet, the committee reviewed all of the statements on auditing procedure issued to date, culling out repetitive material and material dealing with subjects of only temporary significance, and bringing together discussions of related subjects. The Statements have been condensed to about 60 pages, of which approximately 25 are devoted to auditing principles and procedures, and the remainder to an appendix dealing with special matters.

Although numerous changes in wording have been made to improve clarity or as

a part of consolidating discussions of related topics, the substance of the booklet remains practically the same as that of the statements. The most important change in substance gives effect to a conclusion reached by the committee respecting the expression of an opinion in the rare situation where inventory observation or confirmation of receivables, though practicable and reasonable and involving material amounts, is not carried out, but other procedures are employed which justify the expression of an opinion. Briefly, the committee has concluded that in such cases the independent accountant is entitled to express an opinion, but the opinion paragraph should not be qualified as to the omission of the foregoing auditing procedures, and he must be prepared to justify the opinion in the particular circumstances.

The booklet is intended to take the place of "Statements on Auditing Procedure 1-24," except as they may be of interest for research purposes. Accordingly, no further printings of the statements are planned. The committee believes the improved presentation will make the booklet one of its most important contributions to the profession.

Statement 23

One of the principal subjects requiring the committee's attention has been "Statements on Auditing Procedure, No. 23." It is interesting to recall that, three years ago, the standard of reporting set forth in that statement had yet to be formally adopted by the Institute membership. The original statement had been issued the previous year, but it was apparent that there was considerable misunderstanding as to the purpose and application of the committee's recommendation. To clear up this misunderstanding, the original statement was expanded by the committee and, as thus revised, the principles of the statement were adopted by the membership at the annual meeting of the Institute in 1949. The statement was then reissued as "Statements on Auditing Procedure 23 (revised)."

As a further step, the committee requested the research department to pre-

pare an article explaining the statement in some detail, and presenting examples of appropriate language for denying an opinion. This article was carefully reviewed by the committee, and was published in the March 1951 issue of *The Journal of Accountancy* under the title "The CPA's Opinion." Reprints of this article were made available and to date nearly 25,000 have been distributed, in addition to the approximately 120,000 readers reached by *The Journal of Accountancy*.

Because of the importance of Statement 23, it continues to be of great interest, not only within the profession, but also among bankers and other credit grantors. Members of the committee have given generously of their time and effort in presenting papers and leading discussions on the subject before meetings of these groups. Good progress has been made in gaining acceptance of Statement 23, especially considering that it was formally adopted only two years ago, but it is apparent that further educational work will be required before a satisfactory degree of acceptance is achieved.

Plain Paper vs. Name Paper

The committee was asked to express its views as to whether or not the use of name paper is to be preferred over the use of plain paper for all reports containing financial statements. In the absence of an urgent demand within the profession for the committee's views, it was not considered desirable to devote the time and effort necessary to prepare a formal statement on this subject. However, the committee was of the opinion that widespread discussion of the subject within the profession would be desirable. Accordingly, the director of research has presented exchanges of views on the subject in his column, "Current Accounting and Auditing Problems," which appears monthly in *The Journal of Accountancy*.

Reports by Accountants Who Have Kept Books

At the time of our last annual report, final conclusions as to whether an accountant can appropriately express an opinion on financial statements when he has participated in keeping the client's books were

being deferred until the question had been discussed with the committee on professional ethics. Both committees were in agreement that if an accountant is in fact independent, and if he has performed all the auditing procedures necessary to supplement the information obtained through keeping the books, he should be entitled to express any opinion he may have formed. However, there was some uncertainty as to whether the two committees were in agreement regarding whether the accountant should disclose in his report the fact that he kept the books. After further consideration the committees have agreed that this is a question which should be left to the judgment of the accountant in the light of the facts of each case. The committees believe that disclosure of the fact that he has kept the books is not usually necessary.

Educational Program

The most important of the committee's plans for the future is its educational program to develop better and wider understanding of the profession's auditing standards. This has been discussed in previous reports to Council, and is intended particularly to obtain greater compliance with Statement 23 and "Extensions of Auditing Procedure."

The committee has concluded that the problem of the nonconforming accountant can be dealt with most effectively at the local level. Accordingly, it is seeking to develop means by which close cooperative relations can be effected with local groups of accountants and bankers to encourage:

- a) Discussions at state society meeting of the principles that were contained in "Extensions of Auditing Procedures" and Statement 23
- b) Joint meetings of accountants and bankers at the local level to discuss "Audits by Certified Public Accountants," and "The CPAs Opinion"
- c) A limited number of surveys of audit reports submitted to banks for credit purposes

Other Plans

Development of standards for long-form reports may also receive considerable attention by the committee during the com-

ing year. A subcommittee has been appointed to study the matter and to report its recommendations to the committee. In connection with this subject, the research department has in preparation a booklet analyzing current practices in long-form reports. This will be published as soon as its schedule permits.

The committee has discussed the applicability of the phrase "generally accepted principles of accounting" in accountants' reports on the financial statements of organizations, such as municipalities, hospitals, universities, community chests, banking institutions and brokerage houses, which frequently report on a basis of cash receipts and disbursements. A subcommittee of the committee on auditing procedure has discussed the matter with a subcommittee of the committee on accounting procedure, but further study will be necessary.

The effect of the present defense-mobilization program, as it relates to auditing, is not clear at this time, but it is to be expected that questions will arise during the coming year and that the committee will be asked to deal with them.

That concludes the report of the committee, but before closing, I should like, as chairman, to pay special tribute to the individuals who have participated with me as members of the committee during the past three years. Its members have given unstintingly of their time and effort. Many of them have come long distances to attend meetings of the full committee or of subcommittees on which they have served. In no case have they been reimbursed for the time and expense involved. Frequently, they have been called upon to deliver addresses or lead discussions on auditing subjects before meetings of accountants and local bank groups. The research department of the Institute has often called upon them for advice, either in dealing with questions which have been raised by members, or in connection with the committee's activities. The profession is fortunate, indeed, to have had these individuals willing to serve it so ably.

Respectfully submitted,

ALVIN R. JENNINGS, *Chairman*

October 6, 1951

Committee on Bankruptcy and Reorganization

TO THE MEMBERS OF THE

AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: This committee's work during the year, consisted of correspondence among its members dealing with problems of accountants' fees in bankruptcy and the policies of the American Institute of Accountants with respect to our relationship with the National Bankruptcy Conference.

In the first situation, an accountant for a corporation which was petitioned into bankruptcy, wrote us about his fees difficulties. The particular member of the Institute making the inquiry was further retained by the trustee in bankruptcy. However, the trustee failed to secure an order from the United States District Court, authorizing the trustee to employ an accountant, and the invoice rendered to the trustee by the accountant was not recognized by the referee in bankruptcy. The Institute member had simply failed to see that his engagement was secured by an "understanding," in this case, under United States Supreme Court Rule No. 45, which states:

"No auctioneer or accountant shall be employed by a receiver, trustee, or debtor in possession except upon an order of the Court expressly fixing the amount of the compensation or the rate or measure thereof..."

The efforts of this Committee, for some years, was to obtain a change in the United States Supreme Court rules, and have previously been reported upon to the Institute membership. In any successful attempt to improve our relationship with

the courts, accountants will no doubt, still be required to secure an authorization in the form of an "Order of the Court" before compensation can be paid by a trustee, receiver, or debtor in possession.

Under the circumstances, the inquiring Institute member could not be assisted by this committee. However, by discussing his situation in this report, we hope the membership at large will take heed of the necessity to secure authorization of the courts in accordance with the United States Supreme Court Rule No. 45 before proceeding with an engagement for a receiver, trustee, or debtor in possession.

The chairman of your committee has represented the American Institute of Accountants on the National Bankruptcy Conference during the past year. We were requested by the chairman of that organization, as to whether funds should be solicited from the interested members of the American Institute of Accountants. The views of this Committee were unanimous in that such solicitation should not be permitted. Our Institute has made contributions from time to time, along with the American Bar Association, American Bankers Association, and others supporting the work of the National Bankruptcy Conference.

Respectfully submitted,
LEWIS J. LAVENTHOL, *Chairman*
ELMER E. FOX
J. KENNETH HOFFMAN
PAUL L. SCHMITZ
EDWARD J. TAYLOR

September 19, 1951

Committee on Business Income Study

TO THE COUNCIL OF THE

AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: A meeting of the study group on business income was held on June 16 and a special committee was appointed to iron out some of the differences of opinion regarding our final report. This report has now been set up in galley proof and has been circulated to the members of the Study Group.

It was decided to have this report published by The Macmillan Company since they have a very wide distribution organization and it was thought that it would reach a large audience, which was to be desired.

The remaining funds of the committee are not sufficient to enable its free distribution to members of the Institute. However, arrangements have been made for a

special paper edition which will cost only \$.75 for members of the Institute. This edition will also be made available to schools and colleges but Macmillan's objected to making it available to the general public. A regular cloth edition will be published at \$2.00 and will be available to members of the Institute for \$1.00.

Our studies and discussions in the Study Group over the past four years have indicated the definite value of discussing common problems with economists, lawyers,

and businessmen generally. I personally hope that consideration may be given to the formation of an advisory council to be composed of certain members of the accounting procedure committee, of the executive committee and others who have the varied skills and experience of the members of our business income study group.

Respectfully submitted,
PERCIVAL F. BRUNDAGE, *Chairman*
October 1, 1951

Committee on College and University Accounting

TO THE COUNCIL OF THE

AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: The committee on college and university accounting was appointed as a special technical committee to cooperate with the National Committee on the Preparation of a Manual on College and University Business Administration. The purpose of this National Committee is in part to revise the material published by its predecessor, The National Committee on Standard Reports for Institutions of Higher Education, consisting primarily of a book published in 1935 entitled "Financial Reports for Colleges and Universities" and various bulletins. It is expected that the proposed manual, entitled "College and University Business Administration," will consist of two volumes, the first volume dealing primarily with matters of accounting and the second volume dealing primarily with matters of business administration.

Members of the Institute committee have met with representatives of the National Committee on the Preparation of a Manual on College and University Business Administration (executive committee, subcommittee on accounting, and editorial committee) periodically from December, 1950, to September, 1951. A majority of the Institute committee was present in person at a three-day session held in Madison, Wisconsin, in June, 1951. With the

exception of one chapter which is still in process of preparation, the Institute's committee members have reviewed all of the material incorporated in Volume I. It is expected that the complete manuscript will be delivered to the printer within the next month or so. Representatives of the National Committee on the Preparation of a Manual on College and University Business Administration have welcomed the criticisms and suggestions resulting from the review of this material.

The financing of the work of the previous National Committee was undertaken by the General Education Board. The financing of the publication costs of the foregoing manual is being taken care of by the American Council on Education. The financing of the travel and subsistence expenses of the present National Committee is being taken care of by the Commission of Financing Higher Education, which commission is financed by grants from the Carnegie Corporation and the Rockefeller Foundation.

Respectfully submitted,

RALPH S. JOHNS, *Chairman*
RALPH B. MAYO
ARTHUR A. WENDER
STANLEY W. WHITE
HOWARD A. WITHEY

October 6, 1951

Committee on Federal Taxation

TO THE COUNCIL OF THE
AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: The committee on federal taxation submits herewith its report on its activities from the beginning of the Institute year to date.

The committee's organization was divided into three subcommittees under the leadership of the general chairman. It is a pleasure to report that each of the three subcommittees were intensely active during the current period.

Immediately after the committee had been appointed following the 1950 Annual Meeting, it received an invitation from the Joint Committee on Internal Revenue Taxation to meet with representatives of that committee, the Treasury Department, and the Bureau of Internal Revenue for an exploratory discussion of a possible excess-profits tax. This meeting was held in Washington, D. C., on October 13, 1950. The Institute was represented by the president, the chairman of the committee, the chairmen of the three subcommittees, and the assistant to the committee. The informal views expressed by the Institute's representatives stimulated a full discussion of all phases of excess-profits taxes. As a result of that meeting the Institute committee was requested to submit its suggestions in writing.

The subcommittee on current tax legislation studied the topics suggested by the Joint Committee at a two-day session of the subcommittee held in New York City beginning October 23, 1950. The suggestions and recommendations of the subcommittee, based upon the assumption that an excess-profits-tax law was to be enacted, were submitted in writing to the Joint Committee on October 26, 1950.

A number of the recommendations of the Institute were incorporated in the excess-profits-tax bill which passed the House of Representatives early in December. Although an exceedingly short period of time was available for review of the House bill, the chairman of the committee, together with the chairman of the subcommittee on

current tax legislation and the assistant to the committee, promptly analyzed the bill for the purpose of making constructive comments thereon. The chairman then testified before the Senate Finance Committee on December 8, 1950, regarding certain technical aspects of the bill. The suggestions made at that time were given considerable weight in the final bill which was enacted as the Excess-Profits-Tax Act of 1950.

The subcommittee on current tax legislation during the past year has been continually reviewing recommendations for the amendment of the Excess-Profits-Tax Act of 1950 and, at the present time, is finalizing its recommendations for submission to the members of the Senate Committee on Finance and the House Ways and Means Committee. In addition the committee may submit revision recommendations on non-excess-profits-tax matters.

At its spring, 1951, meeting at Colorado Springs, the Council referred the question of retirement benefits for professional persons to the committee on federal taxation. As I reported to you in my letter of August 7, 1951, Wallace M. Jensen of Detroit and Leslie Mills of New York were appointed to a special subcommittee to study that question. After intensive study of the various proposals advanced to provide retirement benefits for the professions, including Representative Coudert's bill, H.R. 3456, introduced on April 2, 1951, and the companion bills, H.R. 4371 and H.R. 4373, introduced by Representatives Keogh and Reed on June 7, 1951, the subcommittee recommended that the Keogh-Reed bills merit the support of the Institute. This legislation would amend the Internal Revenue Code to permit the postponement of federal income tax for individual taxpayers on 10 per cent of their earned net income, but not more than \$7,500. The taxpayer, who may be self-employed or an employee, may obtain the proposed relief if the amount excluded from gross income is paid into a restricted retirement fund administered by a professional association

or similar organization for the exclusive benefit of its members. Amounts contributed to such a fund would be taxable income when distributed to the individual or to his beneficiaries.

Although I reported to you in my letter of August 7th that Senator Ives of New York introduced the substance of the Keogh-Reed bills as an amendment to H.R. 4473, the proposed Revenue Act of 1951, I regret to report now that the Senate Committee on Finance voted not to include Senator Ives' amendment in the version of H.R. 4473 reported to the Senate. However, the legislation is not prejudiced by their failure to approve the amendment. Our committee has been given to understand that Congress is willing to reconsider the legislation when information about its possible effect on the revenues is made available.

Since the Keogh-Reed bills have not yet been reported on by the House Ways and Means Committee, there is still an opportunity for the legislation to be acted upon during the second session of this Congress.

It gives me great pleasure to report that our committee has just concluded intensive and successful efforts to obtain the enactment of legislation to authorize the Commissioner of Internal Revenue to grant additional extensions of time until November 15, 1951, for filing income-tax returns of corporate taxpayers, subject to the Excess-Profits-Tax Act of 1950, whose final returns would otherwise be due on September 15 and October 15, 1951. The President signed H.R. 4014 giving the Commissioner the necessary authority on September 14, 1951.

Such an extension of time was necessary because regulations interpreting Part II of the Excess-Profits Tax Act of 1950 were issued late, and could not have been finalized in sufficient time to permit adequate study by taxpayers before submitting returns on the original due dates.

The subcommittee on long-range-tax policy met on May 28 and 29, 1951, in New York City. During the meeting, discussions were held on the following topics: averaging of income, corporate taxation, family tax, capital gains and losses, emergency or war taxes, estate and gift taxes, admin-

istration and penalty taxes. Before the discussion, each of the members present read a prepared introductory statement on his topic which had been previously assigned. Research is continuing on these subjects, and it is expected that during the next year research will be started by this subcommittee on two additional topics, exemptions from income tax and charitable foundations. Some of the papers read at the May meeting of the subcommittee will be revised for publication in *The Journal of Accountancy*. It is hoped that readers will report their reactions to these articles for the guidance of the subcommittee in the development of its recommendations. It is expected that an early issue of *The Journal* will contain the first of this series, an article entitled "Averaging of Income."

The activities of the subcommittee on administration consisted principally of the following:

1. The increase in individual income-tax rates for 1950 seemed to make possible the imposition of penalties for substantial underestimate of tax even though the taxpayer, in reliance upon existing statute, had filed his 1950 declaration of estimated tax, and made payments thereof, on the basis of his 1949 income and the tax rates in effect at March 15, 1950. Your committee communicated with the Bureau and sought administrative relief. Because of statutory limitations, the Bureau gave only limited relief by ruling that penalties would not be imposed if an amended estimate were filed by January 15, 1951, on the basis of the 1949 income and the new, increased, 1950 rates. Because of the great burden which this would place, not only upon taxpayers and their representatives, but upon the Bureau as well, with but negligible advantage to the revenue, the committee pressed for further relief. Thereafter the Internal Revenue Code was amended to provide that the penalty for substantial underestimate would not be imposed where the underestimate resulted from the change in rates. The committee felt that the language of this statute did not quite cover the situation above described and pursued the matter further, with the result that the Bureau issued a

ruling to the American Institute of Accountants specifically relieving from imposition of penalties those who had filed the estimates and paid their estimated tax on the basis of 1949 income and the tax rates in effect at March 15, 1950.

2. The enactment of the excess-profits tax early in January, 1951, and the absence for a good part of the tax return season of any regulations and instructions, posed the serious question of an anticipated large number of extension requests and the means of facilitating the related procedure. Efforts to obtain a general automatic extension were not fully successful, except in the case of corporations with subsidiaries or parent companies which were eligible to file consolidated returns. The committee was successful, however, in working out with the Bureau a procedure under which accountants, who were enrolled to practice before the Treasury Department, might request extensions on behalf of their corporate clients and under which an appropriately liberal attitude would be displayed with respect to the reasons for such extension requests. This was most helpful to the profession.

3. The subcommittee on tax administration requested suggestions concerning the regulations on the Excess-Profits-Tax Act of 1950 from the other members of our com-

mittee and the federal tax committees of the state societies. Their suggestions and others have been reviewed and submitted informally to officials of the Bureau of Internal Revenue and the Treasury Department at numerous conferences during the past several months. The chairman is gratified to inform you that the suggestions of the subcommittee were, in the main, accorded favorable consideration by the Bureau and undoubtedly contributed to the fact that the excess-profits-tax regulations proposed by the Commissioner on August 16, 1951, afforded more equitable treatment to the taxpayer than their World War II counterpart. Consideration is being given to requesting further modifications.

The chairman desires to point out that this has been a busy and challenging year for the committee on federal taxation. He wants to take this opportunity to express his appreciation to Messrs. Jensen, Seidman, and Austin for the splendid effort put forth by these subcommittee chairmen and desires to make special mention of the fine cooperation and diligence exhibited by Mr. Charles Sigety, the assistant to the committee, who performed so nobly in his first year with the committee.

Respectfully submitted,

THOMAS J. GREEN, *Chairman*
October 1, 1951

Committee on National Defense

TO THE COUNCIL OF THE

AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: During the current year the committee on national defense has functioned entirely through its subcommittees. Accordingly, this report is arranged in subdivisions to cover respectively their several activities.

Manpower

Because of the broad special interest in the work of the subcommittee on manpower, a separate report to council has been prepared by the chairman of that subcommittee and is incorporated in this report by reference.

Renegotiation

Due to the fact that the Renegotiation

Board provided for in the new Renegotiation Act was appointed it has not been possible for this subcommittee to do much. Its chairman has had conferences with members of the 1948 Act Renegotiation Board to discuss problems in anticipation of requirements by the new board, but no other subcommittee action has been possible. He has likewise been in daily contact with the newly appointed chairman who has indicated a desire to avail himself of our advice.

Procurement Auditing

The subcommittee on procurement auditing has reviewed the latest draft of the proposed Contract Audit Manual of the Department of Defense and submitted comments to Mr. H. W. Bordner, Assistant

Comptroller for Accounting Policy. The subcommittee met with Mr. Bordner and representatives of the Army, Navy, Air Force, Maritime Commission, and the General Accounting Office to discuss ways and means by which the profession could be of help in the auditing of defense contracts. An article on the subject is under preparation by the subcommittee for publication in *The Journal*.

The subcommittee has advised Mr. Bordner that it is available for further reviews of later drafts of the *Audit Manual* or for any assistance he may desire.

Cost Principles

The subcommittee on cost principles has also met with Mr. Bordner and representatives of the Army, Navy, Air Force, Maritime Commission, and the General Accounting Office to discuss ways and means by which the profession could be of help in the development of a statement of cost principles. Suggestions by the subcommittee were well-received by the representatives of the government and, it is understood, are being followed in the development of a statement of cost principles now in preparation. We have been advised that when a draft of this statement is in shape for review, it will be submitted to the subcommittee for its comments.

Price and Wage Control

The chairman of the subcommittee has offered its services to the Office of Price Stabilization. This offer has been cordially acknowledged, but as yet no questions have been submitted to it for consideration.

Termination

This subcommittee has reviewed copies of proposed termination regulations for the purpose of commenting upon them. However, after conferences with representatives of industry groups who were studying the proposed regulations and a review of their proposals, it was decided that our activities in this field were necessarily restricted at present. Our principal usefulness in this field appears to be in participation in the formulation of such

new legislation as will undoubtedly develop.

General

During conversations between your committees' general chairman and a representative of the Office of Production Management it was learned that a pronouncement was likely to be made by it at an early date as to what, if any, allowance for amortization under certificates of necessity should be made in the determination of cost under cost-reimbursement type contracts or in fixed-price redetermination proceedings. After consultation with the president of the Institute, it was decided that a special committee, selected for wide geographical distribution, should be appointed to present the viewpoint of the accountants. Accordingly, the president of the Institute, the chairman of the committee and three others met with the representative of the Office of Production Management who had the matter in charge. This committee urged the necessity for recognizing as a cost any portion of accelerated amortization representing actual loss of useful value during the five-year period and made recommendation for carrying out such a policy. In furtherance of its proposal your committee chairman and others met with an assistant secretary of defense and members of his staff and discussed methods of implementing the program.

Subsequently, the director of research, by invitation, attended a joint meeting of representatives of the various governmental agencies involved in the consideration of this matter, called for the purpose of setting up a program by which the government might determine the extent to which amortization should be allowed in individual cases. At a still later date, and again by invitation, the director of research met with representatives of the Office of Production Management and the Defense Production Administration to advise on procedures which might be followed in developing the information necessary to make such decisions.

Respectfully submitted,

J. HAROLD STEWART, *Chairman*
October 4, 1951

Subcommittee on Manpower of Committee on National Defense

TO THE COUNCIL OF THE

AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: In our first report to Council submitted last May, we noted three major manpower problems in connection with the national emergency and the defense production program: (1) the essentiality of accounting services in a defense economy; (2) proper utilization of accountants in the armed services and defense agencies; (3) plans to attract more people, including women, into the public accounting profession if an acute shortage develops.

During the summer, a fourth manpower problem has arisen as a result of the imposition of emergency controls. This difficulty results from the fact that wages and salaries of the employees of public accounting firms are subject to control, while the fees charged by the firms are not. The Institute has filed a brief with the Salary Stabilization Board requesting exemption from control for compensation paid to certified public accountants employed by individual practitioners or CPA firms engaged in the practice of their profession.

The Defense Production Act amendments which went into effect on July 31, 1951 exempted from control the compensation of attorneys employed by law firms and physicians employed by hospitals. This was the result of a last minute compromise in conference committee between the House version of the bill amending the act, which would exempt all professional salaries, and the Senate version, which did not contain any such provision. Because the bill was being rushed to passage before the date when authority for all emergency controls would have expired, it was not possible to present the Institute's case for CPAs to the conference committee. However, the request to the Salary Stabilization Board pointed out that the situation of CPA employees of public accounting firms was exactly similar to that of the lawyers and physicians who were exempt, and urged

that CPAs be given the same treatment.

We also explored the possibility of obtaining legislation to provide the exemption for CPAs, but were advised that it would almost certainly be impossible to obtain passage of such legislation before the adjournment of the 1951 Congressional session. We did, however, obtain specific assurance from members of Congress who had served on the conference committee that exemption for CPAs would be entirely consistent with the Congressional intent, and this assurance has been transmitted to the Chairman of the Salary Stabilization Board. This whole subject has required a great deal of time and attention from the Institute's counsel and staff during the summer months. If the Salary Stabilization Board does not grant the Institute's request, efforts may be initiated to obtain relief by legislation.

On August 31st, 1950, the executive director had submitted a nineteen page memorandum to the Interdepartmental Committee on Essential Activities and Critical Occupations, citing World War II experiences and other evidence in support of a request for specific inclusion of certified public accountants on these lists. At the request of the committee, a fifteen page supplementary statement was submitted on October 24th, and these two statements were the subject of a formal hearing before the technical staff of the interdepartmental committee in Washington on November 22nd.

It became apparent at this meeting that the committee was unlikely to act favorably upon the Institute's request without a considerable amount of supporting factual data. In particular, the committee wished to know how many members and employees of public accounting firms were reserve officers or subject to Selective Service. The Institute representative at the hearing therefore requested the committee to defer action on the request until further information could be obtained. A questionnaire on the military status of men in CPA firms was sent on December

13th to a sample consisting of one out of every four firms represented in the Institute membership.

The results of this questionnaire indicated that over 40% of the CPAs in the firms replying were under thirty-eight, and about 10% were in active reserve status.

However, the committee had indicated that an occupation would be regarded as critical only if there were a presently existing shortage sufficient to interfere with the defense program. This was obviously not the case with public accounting firms at that time. Accordingly, we withdrew our request for immediate listing as a critical occupation, and on January 22nd submitted to the Interdepartmental Committee a request for listing as an essential activity. This request was the subject of another hearing in Washington on March 19th. At the start of the hearing the secretary of the committee announced that new criteria had been adopted for the essential activities list as well as for the list of critical occupations, and that henceforth the committee would not include any activity or occupation on either list without evidence that there was a serious manpower shortage under the existing level of defense mobilization. This immediately invalidated most of the arguments which we had prepared for the hearing, since we had no prior notice of the new criteria; in fact they were not officially announced until some time later. Again, therefore, it was considered desirable to request the members of the committee to defer action on the Institute's request until further data had been assembled.

On April 2nd the Interdepartmental Committee issued revised lists of essential occupations and critical activities which contained such categories as specialists in the merchant marine, air craft mechanics, etc.—activities and occupations directly connected with defense activities or the defense program in which a serious shortage already existed. The miscellaneous business services which had previously been thought to include CPAs were dropped from the list. However, it is still possible to obtain temporary deferments of key men in some cases under the general policy of the Department of

Defense to grant such deferments to key managerial personnel not covered by the lists, where the national health, safety, or interest is involved.

At the March hearing the committee requested more detailed information about the proportion of principals and staff men in public accounting firms who might be liable for military service. Accordingly, a considerably more detailed questionnaire was prepared, and after being checked with members of the Interdepartmental Committee, was sent to all firms represented in the American Institute on April 13th.

Replies have now been received from 3,672 firms represented in the Institute, having 26,103 principals, partners and staff men. Highlights of the information obtained from these questionnaires and submitted to the Interdepartmental Committee are as follows:

Twenty-four and six-tenth per cent of the CPA principals, partners and staff men, and 22.8 per cent of the non-CPA staff men are in the active or organized reserve, or officer veterans with inactive status.

Twenty-four per cent of the non-CPA staff men, but only 4 per cent of the CPA staff men are twenty-five years of age or under. 45 per cent of the CPA principals, partners and staff men, and 59 per cent of the combined CPA and non-CPA group are thirty-five years of age or under.

One thousand sixty-five principals, partners, or staff men from these firms were drafted, enlisted or recalled to service in the year ending March 31, 1951. Four hundred twenty-three principals or permanent staff men left the firms to enter civilian government service in the year ending March 31, 1951. Sixty-nine per cent of the firms replying said they had unusual difficulty employing permanent staff employees in the past year. Practically all of the firms reported an increase in volume of business, and more than one-third reported an increase above 20 per cent.

These figures certainly demonstrate that the accounting profession would be faced with an extremely serious manpower problem in the event of full mobilization. A

much higher proportion of CPAs and other staff men today are thirty-five years of age or under than was the case at the beginning of World War II, and at the same time the demands on the profession resulting from the national emergency are far greater than ever before.

We do not anticipate that we would ever request or receive blanket deferment for certified public accountants, but deferment of key men in the profession would be essential in the event of full mobilization and the committee hopes that a solid groundwork has been laid on which to base such a request if it becomes necessary. The staff has kept in touch with the Interdepartmental Committee to make sure that we are informed if there is any change in their criteria or in the general situation, and will continue to do so.

Of equal importance is the effective utilization of trained accountants in the armed forces. As noted above, more than one thousand principals and staff men from 3,600 firms represented in the Institute membership entered the armed forces during the year ended March 31, 1951. It may be presumed that the total from all firms including those not replying to the questionnaire was substantially higher. The committee and the Institute staff have continued their efforts to see that these men are placed where their skills will be utilized. As a result of conferences with representatives of the various armed services a very satisfactory degree of cooperation has been attained. More than 166 individual cases, members of the Institute in service who had written to headquarters, have been handled by the staff, and in 42 cases transfers to appropriate duties have been obtained. It is believed that the staff efforts may have resulted in a good many more transfers which have not been reported to headquarters.

Efforts to attract qualified young men and women into the public accounting profession have been a part of the Insti-

tute's program for several years, and they have been intensified during the last year through activities of the committee on selection of personnel, the education director and the public relations department. On the basis of results from our manpower questionnaire, which show that more than two-thirds of the reporting firms had unusual difficulty finding qualified personnel last year, we believe that these efforts to get more good people into the public accounting profession should be redoubled. Aside from the problem created by the national emergency, we note that the number of college graduates with accounting majors has already dropped substantially from the peak reached in 1948-49, and is expected to drop much further as a result of a general decrease in college enrollment.

The Institute staff has cooperated in the preparation of a forthcoming pamphlet on employment opportunities in accounting which will be published by the Bureau of Labor Statistics, and also extensively distributed by the Veterans Administration. This should have a beneficial effect in calling the attention of many young men and women to opportunities in the field of public accounting which they might not otherwise consider, but much more will have to be done in this direction if an acute shortage in future years is to be avoided.

At the present time, there is every indication that the importance of accounting is receiving satisfactory recognition both from the armed services and from civilian government agencies. We are prepared to take whatever further steps may seem desirable as the situation changes. However, it seems quite probable that in spite of all our efforts the public accounting profession will face a manpower shortage during the next few years.

Respectfully submitted,

WILLIAM M. BLACK, *Chairman*
October 4, 1951

Committee on Personnel Reference

TO THE COUNCIL OF THE

AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: Last fall the employment situation, combined with the indicated decrease in enrollment of college seniors majoring in accounting, caused the committee to decide that there was very little prospect of it rendering any significant service in connection with placing college seniors with public accounting firms. Operation of the reference service for 1951 had already been announced, but no further announcements were sent out and no efforts were made to induce seniors to register. As a result, only a small number of seniors registered during the past spring and summer, and except for distributing information concerning this small group of students the service has been inactive since September, 1950.

Since it appears there is likely to be a continued shortage of well-qualified college seniors in the spring of 1952 as compared with the available jobs, it is not believed that students will need assistance in securing positions and it is not recom-

mended that the reference service should be operated during the coming year. However, it is the opinion of the committee that, if conditions should change at any time to where there is a better balance between the supply of seniors and available jobs, the reference service could render valuable assistance in bringing students to the attention of prospective employers. Therefore, it is recommended that the committee be continued in existence with the understanding that it will review the situation from time to time and that the reference program will be reinstated when conditions appear to be favorable.

Respectfully submitted,
THOMAS D. FLYNN, *Chairman*
RAYMOND G. AUBERS
TILLMAN A. BRUETT
HENRY E. GREENE
JOHN J. HARRINGTON
JOHN E. MADDEN
OSCAR MARTIN

September 27, 1951

Committee on Selection of Personnel

TO THE COUNCIL OF THE

AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: The Committee on Selection of Personnel is pleased to present its report to the Council for the 1950-1951

Use of Tests

There is a notable decline in the number of tests used in the College Testing Program this year as compared with the preceding year. This year approximately 32,000 tests were administered as compared with 40,500 tests in the preceding year. A substantial reduction in test usage was expected this year in view of the decrease in college enrollments, and present indications are that college enrollments will decline further during the next two years. Another factor contributing to the decline in the number of tests given this year stems from the present shortage in manpower since many schools offering our tests do not require students to take

them and probably fewer graduating seniors have felt it necessary to take tests to assist them in obtaining employment. Although the number of colleges participating in the program this year was slightly less than a year ago, this was not a material factor in accounting for the reduction.

In the spring of 1950, the Project Office conducted a special Professional Accounting Testing Program offering tests at reduced rates to member firms. This special program was not repeated in the spring of this year as the committee considered it inadvisable to repeat such a program oftener than at intervals of at least three years. The testing centers have continued to operate on a normal basis and their services are available to member firms.

Financial

The excess of disbursement over receipts for the year ended August 31, 1951

amounted to approximately \$8,200 as compared with a budgeted deficit of \$9,500. This favorable comparison would not appear except for a contribution of \$1,500 from the Dominion Association of Chartered Accountants for the use of the Orientation Test. A tentative budget for 1951-1952 shows an estimated deficit of \$11,000. Unexpected funds on hand at September 1, 1951 amounted to approximately \$12,900 and it is evident that this project will require further financial aid from the Institute for the 1952-1953 fiscal year if the program is to be continued.

Research and Promotion

Research on various aspects of the project is being continued. Recently a study was made by Dr. Traxler of the Project Office and Mr. Robert Kane, Educational Director of the Institute, to establish the correlation between AIA test scores and CPA examination results. A report on this study will be found in Bulletin 12, *Report of the Spring, 1951, College Accounting Testing Program*.

This committee is endeavoring to evaluate the testing program and its use by schools which are members of the American Association of Collegiate Schools of Business. A questionnaire is being used to gather the necessary data. Our committee is cooperating with the committee of the American Accounting Association in this matter.

It is important to the success of the testing program that a greater number of colleges offer our tests to their students. To this end we have been studying ways and means to bring more effectively to the attention of colleges the value of the program to them and to their students. With the help of the Institute's Public Relations Department, the fall, mid-year and spring announcements have been revised and given wider distribution. The committee is also formulating plans to work through the various state societies in establishing relationships with colleges.

Acknowledgments

We wish to acknowledge the ready cooperation and assistance of the American Accounting Association's Committee on Selection of Personnel; the continued contributions of Drs. Wood and Traxler and of their associates at the Project Office, and the helpful assistance of Mr. Kane, Educational Director of the Institute.

Respectfully submitted,
 RAYMOND G. ANKERS, *Chairman*
 THOMAS H. CARROLL
 SAMUEL J. DUBOFF
 THOMAS D. FLYNN
 RUSSELL H. HASSLER
 S. WESLEY MARCUS
 LEO A. SCHMIDT
 JAMES W. STRUDWICK

October 3, 1951

Advisory Committee of Individual Practitioners

TO THE COUNCIL OF THE
AMERICAN INSTITUTE OF ACCOUNTANTS
GENTLEMEN: On March 30, 1951 the first all-day meeting of the advisory committee of individual practitioners was held in New York City. Previously, the committee had met only for comparatively brief sessions at the time of the Institute's annual meetings. We believe that the growing interest and importance of the committee's work is well indicated by the fact that eleven members attended the New York meeting, coming from points as far distant as Maine, Florida and Texas.

The advisory committee was formed in recognition of two facts: First, the increasing proportion of CPAs who are in practice for themselves or in association with small firms; second, the increasing importance of service to small business in the work of certified public accountants throughout the United States.

These facts have long been recognized in the policies and programs of the American Institute, but they have naturally been accorded a role of steadily growing importance in the last few years. The primary functions of this committee are to suggest ways in which the Institute's activities can be made more valuable to the smaller practitioners, and also to evaluate the Institute activities from the point of view of the smaller practitioner when that is especially pertinent to policy decisions.

Accordingly, the committee takes an across-the-board rather than a specialized approach. We have been concerned during the past year with activities of the Research Department, Public Relations Department, the Education Department, *The Journal of Accountancy* and a number of other things. While recognizing that other committees have primary responsibility in most of these areas, we have been able to make suggestions and offer comments and criticisms which we hope have had a beneficial effect on numerous occasions.

In connection with the activities of the Research Department, we have suggested intensification of efforts to educate bankers with respect to the work of the CPA on financial statements and we feel that considerable progress has been made through such activities as the distribution of "Audits by Certified Public Accountants" to all the banks in the United States, and through articles contributed to bankers' publications. There remains, however, ample opportunity for further efforts along this line. We would particularly like to see the promotion of more local meetings between bankers and certified public accountants.

We are also gratified to note the increasing emphasis on financial problems of small business in the case studies of auditing procedure and we welcome the publication of articles such as "The CPA's Opinion" prepared by the Research Department for *The Journal of Accountancy* and reprinted for wider distribution.

The managing editor of *The Journal of Accountancy* attended our meeting last March, and we believe that *The Journal* is steadily improving the quality and quantity of articles of special interest to smaller practitioners.

We recommend that the promotional activities of the Public Relations Department should be further expanded, particularly along the lines of articles in the trade press, distribution of pamphlets addressed primarily to the small businessman, and such projects undertaken in cooperation with trade associations as the series of booklets which were prepared for the Association of Master Plumbers. We were especially gratified by the action of council at its Spring meeting in deciding that the Institute should continue to expand rather than curtail such activities, and note that with the authorization of council the executive committee has adopted the recommendation contained in our last report that additional financing be obtained by requests for contributions from

public accounting firms if that proved necessary.

A draft of the Institute's new public relations pamphlet "Your CPA's Responsibility" was submitted to the members of this committee by the Public Relations Department and we expressed our opinion that smaller practitioners would welcome the opportunity to buy copies for distribution to their clients. The proposal to prepare such a pamphlet, containing a simple explanation of *Statements of Auditing Procedure Number 23* had been discussed and endorsed at our March meeting.

The growing dispersion of certified public accountants into smaller communities where no CPA has practiced before has given added reason for public relations activities designed to make the general public more aware of what the CPA is and what he does. We strongly recommend as much expansion of these public relations efforts as the budget will permit.

Another Institute activity in which this committee has taken special interest is the preparation of an accountant's handbook under the editorship of the Institute's Education Director. We believe that our committee may properly take some credit for bringing this project to its present stage of active development, and we urge that

funds and facilities be made available to assure its completion at the earliest possible date.

During the year this committee has also offered recommendations to the Institute's staff and other committees concerning a number of other subjects. We believe that the time its members have given to this committee's work has been well spent, and express our appreciation for the attention which has been given to our suggestions and recommendations by the Institute's council and staff.

Respectfully submitted,

ROBERT E. WITSCHY, *Chairman*

JOSEPH ACRE	STANLEY A. MILLER
A. L. AMACHER	JOHN G. MOODY
MORRIS M. BERMAN	R. M. MUSSELMAN
WILLARD S. BOWEN	HAROLD A. OBREY
WINSTON BROOKE	WILLIAM E. PONDER
L. C. DODGE	LEONARD D. RICCIO
DIXON FAGERBERG, JR.	R. WARNER RING
EDGAR S. GAGE, JR.	DALE E. ROSE
MYRON E. GUILL	JOSEPH J. SEAMAN
WILLIAM D. HAYES	GEORGE F. SHANNON
GLENN R. KLEINAU	SYDNEY H. SHAW
PHILIP B. KRAVITZ	ORLEY R. TAYLOR
HOMER L. LUTHER	H. M. TURNBURKE
FRANK I. MCGLONE	C. HOWARD WALDEN

October 1, 1951

Committee on Admissions

TO THE COUNCIL OF THE

AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: For the fiscal year, September 1, 1950, through August 31, 1951, 2,207 applications were received, and 2,131 applicants were admitted to membership. This compares with 2,408 applications received and 2,292 admissions during the same period last year.

From September 1, 1950, to September 30, 1951, the committee felt that it could not recommend admission of 36 applicants who failed to have had the equivalent of two years of public practice. 34 applications were rejected during this period for other reasons.

A total of 21 applications for admission as international associates were received

from September 1, 1950, through August 31, 1951, and upon recommendation of the committee, 21 international associates were elected by council at the October, 1950, and May, 1951, meetings. Two have been recommended for admission at the current meeting of council.

The committee wishes to thank members of council and all other members of the Institute who have cooperated with the committee in its work.

Respectfully submitted,

J. ARTHUR MARVIN, *Chairman*

EDWARD L. LAWSON
MAURICE E. PELOUBET
DONALD M. RUSSELL
PERCY M. SMITH, JR.

October 1, 1951

Committee on Annual Awards

TO THE COUNCIL OF THE
AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: This committee was appointed by your president under authority of a resolution adopted by the council in October, 1943, establishing annual awards as follows:

1. For outstanding service to the profession.
2. For the outstanding book or article in the field of accounting or auditing.
3. For outstanding research work in accounting or auditing by a student.

No award has ever been made for the outstanding research student, and the council last year eliminated the third award.

This committee has reviewed the reports of previous committees and, after recognition of the accepted policy that awards may not be appropriately given for outstanding service to the profession when rendered as an incident of service as an officer or member of a committee, has reached the opinion that no award for outstanding service to the profession should be awarded this year. It has also

reached the opinion that none of the publications during the year was sufficiently outstanding to warrant an award in that

Because of the difficulties experienced by this committee and the previous committee in recommending annual awards under the policies previously adopted, with which we agree, your committee recommends that the council adopt the following resolution:

“Resolved: That the name of the committee be changed to ‘committee on awards;’ that the committee be relieved of the duty of recommending annual awards; and that its responsibility in recommending awards shall be to consider service to the profession, during a year or over a period of years, through publications, public service, or otherwise, that is so outstanding as to justify recognition.”

Respectfully submitted,

C. OLIVER WELLINGTON, *Chairman*

BURNELL H. DEVOS

ANSON HERRICK

HERBERT E. MILLER

JACKSON W. SMART

October, 1951

Committee on Cooperation with Bankers and Other Credit Grantors

TO THE COUNCIL OF THE
AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: The work of the committee on cooperation with bankers continues to be directed primarily to acquainting bankers and other credit grantors with the functions, standards, and responsibilities of certified public accountants. The chairman of the committee and the staff of the Institute have had several conferences with the chairman of the Robert Morris Associates' committee on cooperation with public accountants, and with the staff of the RMA, at which a number of matters of mutual interest were discussed.

We believe that considerable progress has been made in stimulating interest among bankers in the standards of our profession. A large number of very successful joint meetings of accountants and

bankers at the community level have been held in recent months, and more are being arranged. The booklet *Audits by Certified Public Accountants*—which was distributed along with reprints of the article, “The CPA’s Opinion,” from the March issue of *The Journal of Accountancy* to all members of the Robert Morris Associates—has served as a basis for discussion at several of these meetings, and has been very helpful in developing among bankers a better understanding of the CPAs work. In addition, members of the Institute have frequently addressed meetings of bankers and have prepared a number of articles on the certified public accountant’s responsibilities, which have appeared in periodicals directed to bankers.

Bankers are one of the largest users of accountants’ reports, but there are many

among them who do not understand fully the functions or the responsibilities he assumes in reporting upon financial statements. These efforts to develop closer cooperative relationships with bankers at the community level are of very great importance to the profession, and as they are continued should aid materially in raising the standards of practice within the profession.

This fall, the Robert Morris Associates expects to issue a new pamphlet entitled *Financial Statements for Bank Credit Purposes*. The purpose of the pamphlet is to promote a better understanding by businessmen of the nature of the financial information that the banker needs for credit purposes, and why he needs it. It describes financial information useful to the businessman and generally required by the banker.

Copies of the "final draft" of the pamphlet were made available to members of our committee, and we submitted a few comments for consideration of the Robert Morris Associates' Committee on Cooperation with Public Accountants. Most of the

changes suggested were of minor importance, and we are glad to report that we believe the pamphlet is excellent in quality and should serve a most useful purpose, not only to businessmen but also to bankers and certified public accountants.

It should be emphasized that this booklet is the product of the Robert Morris Associates' Committee on Cooperation with Public Accountants, and not of our committee. However, we believe consideration should be given to methods by which CPAs could be helpful in widening its distribution. In view of the splendid work performed by the Robert Morris Associates' committee in the preparation of this pamphlet, the staff of the Institute has offered representatives of the Robert Morris Associates the Institute's services, and possibly financial assistance, in bringing the pamphlet to the attention of as many accountants, bankers, and businessmen as appears reasonable.

Respectfully submitted,
PAUL GRADY, *Chairman*

October 1, 1951

Committee on CPA Handbook

TO THE COUNCIL OF THE
AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: Since last fall's report to council, the committee has regretfully accepted the resignation of James L. Dohr as editor of *The CPA Handbook*. Mr. Dohr found it necessary to be relieved of this work because of ill health and the pressure of other matters.

The committee has been fortunate in securing Robert L. Kane, Jr., as editor for the project. Several committee meetings have been held and the chairman of the committee has been in close touch with Mr. Kane in the planning of the *Handbook*, the chapter outlines and the detailed outlines of the contents of the volume.

The present status of the work is as follows:

a. The content and scope of the *Handbook* has been fixed. The work will be divided into twenty-seven chapters, with an author for each chapter. The twenty-seven authors have been selected and their

work of research and writing is under way. Included among the chapters will be revisions of two former publications of the Institute, *Duties of the Junior Accountant*, and *Duties of the Senior Accountant*.

b. To assist the authors, a consultant from one of the large national firms of accountants has been named for each chapter. His responsibility will be to review the outline and manuscript of the chapter, with the definite objective of bringing to light for the small practitioner the experience of the larger firms in dealing with similar problems.

c. Approximately 500 small firms and individual practitioners have agreed to assist the authors by filling out various questionnaires and supplying forms relating to their own practices and methods. The editor and his staff have arranged for the preparation of approximately twenty detailed questionnaires and these are now in the process of being distributed and completed.

d. In addition, a selected panel of thirty substantial local firms of accountants has been chosen for the purpose of independently completing all the questionnaires, as a cross-check and supplemental source to the information secured from the questionnaires filled out by the smaller firms and individual practitioners.

The deadline for the submission of manuscripts has tentatively been fixed at the end of November. However, it is expected that the time required for the accumulation of information by the questionnaire procedure may make it necessary to extend this deadline in some cases. There will be a very great amount of editorial work following the receipt of the manuscripts. The committee, however, continues to hope that final publication will take place in 1952.

The extent of enthusiasm for and assistance to this project has been extremely gratifying to the committee. Almost without exception, the members of the profession in large and small firms have agreed to accept assignments to assist in the project. As editor, Robert L. Kane, Jr., has devoted a great amount of time, effort, and real ability to the *Handbook*. The committee is confident that the final work will be one of which the profession may well be proud.

Respectfully submitted,
MAURICE H. STANS, *Chairman*
STEPHEN CHAN
MARQUIS G. EATON
ARTHUR B. FOYE
ROBERT E. WITSCHHEY

October 1, 1951

Committee on Coordination of Activities of State and National Organizations

TO THE COUNCIL OF THE
AMERICAN INSTITUTE OF ACCOUNTANTS
GENTLEMEN: In our reports over the last few years, the committee on coordination of activities of state and national organizations has stressed the work of the state society department, and the improvement of channels of communication between American Institute headquarters, the state societies and their chapters.

We believe that these channels of communication are now sufficiently well established so that it is not necessary to report again in detail on specific activities such as correspondence, distribution of reports, and pamphlets, radio transcriptions, etc. Members of Council receive the *State Society Newsletter* which contains this information, and from time to time they have also received copies of material going to the state societies.

Examination of this material makes it clear that the present function of the state society service department is somewhat different from the original concept. Instead of operating more or less independently to provide special services for the state societies and chapters, the department has become to a considerable extent a transmission belt between all of the other In-

stitute departments and the state and local organizations. This has been a natural development, and we believe that it has been of benefit to all concerned. The interests of the state societies and chapters coincide closely with those of the Institute, and it is therefore desirable for them to maintain a close contact with all Institute departments rather than with just one.

For example, the research department solicits the opinion of state societies on new or revised bulletins on accounting procedure and statements on auditing procedure. It has looked to the state societies and chapters for assistance in the distribution of such publications as *Audits by Certified Public Accountants* and reprints of the article on "The CPA's Opinion" which was prepared for *The Journal of Accountancy*.

The education department has obtained the cooperation of state societies and chapters in connection with the personnel testing program, publicity concerning the CPA examinations and other matters.

A number of Institute committees, such as the executive committee, the committee on federal taxation, the committee on national defense, and others have from time to time obtained very valuable support

from the state societies and chapters in connection with problems involving federal legislation or the rules and regulations of federal agencies.

The public relations department has turned more and more to the state societies and chapters for distribution of pamphlets, material for the press, radio programs, pattern speeches and other publicity and promotional material.

In most of these cases the state society service department serves as a connecting link. In addition, the department does prepare special reports such as periodic tabulations of the provisions of state CPA laws, dues and assessment privileges in the state societies, by-laws and chapter organization, etc. The department also keeps a close check on developments in state legislation, and on numerous occasions has furnished special assistance to the state societies and chapters on request.

The weak link in this chain of communication is the fact that not all of the state societies are well-enough organized to take advantage of the services offered by the Institute, and particularly to obtain distribution of information and educational or public relations material in local communities throughout their respective states. An attempt was made to improve local contacts last year by appointment of local representatives with whom Institute headquarters might communicate directly, but for various reasons this did not prove satisfactory. Consequently, we welcome the formation of new local chapters in a considerable number of states during the past year, and we believe that the further growth of chapter organization will probably provide the best means of further improvement in communication between the Institute and the membership of state societies as well as with the general public. It has been demonstrated that there can be healthy and active chapters even where there are only a few CPAs.

We have also been pleased to note a steady increase in the number of state societies with part or full-time paid secretaries. The growth in membership and variety of interests in both the Institute and the state societies makes it increas-

ingly difficult for society officers and committee members who are engaged in public practice to handle the volume of work involved in successful society organization and coordination of activities with those of the Institute. There is no doubt that the value of the services provided by Institute headquarters for the benefit of members is enhanced in states which have a paid secretary.

It might have been anticipated that the rapid growth of the profession and its increasing dispersion into smaller communities in recent years would have brought about more difficult problems of coordination and perhaps even a certain amount of friction. On the contrary, we believe that the relationships between the Institute, the state societies and the chapters have never before been as close as they are today, and that the state societies and chapters have been making more and more effective use of the services provided by the Institute.

When the state society service department was first established, it was necessary to start with a more or less arbitrary plan of operation. Some parts of the program worked well, and others did not. We believe that most of the initial problems have been more or less satisfactorily worked out, and that further development of the activities of the state society service department and of the Institute as a whole in its relations with the state societies, can best be guided by the nature and the demands for this service from the state societies, rather than by any set plan which this committee might recommend.

Respectfully submitted,
ROBERT L. PERSINGER, *Chairman*
J. L. BENNETT
EVERETT W. DELANEY
FRED G. EICHHORN
WILLIAM B. JONES
JOHN C. MARTIN
JOHN J. McISAAC
JOHN M. STOY
CYRIL TALBOT
WILLIAM H. WALKER
PAUL K. WEBSTER

October 1, 1951

Committee on Education

TO THE COUNCIL OF THE
AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: The activities of the committee on education for the year ended August 31, 1951, have necessarily been confined to those which could be carried on by correspondence since it was not practicable to hold any meetings of the committee. The committee has worked in close cooperation with and served as a consulting group for the educational director of the Institute, Robert L. Kane, Jr.

During the year ended August 31, 1951, the committee carried further a project initiated by the committee of the preceding year, namely the contest for submission of programs for improving staff training in effective writing. Each member of the committee, as well as the staff of the Educational Director of the Institute, participated in reviewing the 52 papers that were submitted in the contest. The paper written by Professors George Owen and Richard Gerfen of Northwestern University was declared to be best and the award of \$500 has been made to the authors. It is planned to have a digest of the winning paper published in *The Journal of Accountancy*. It is also suggested that the Committee on Education for the ensuing year give consideration to ways and means by which the ideas contained in the winning paper can best be translated into action to the benefit of the entire membership of the Institute.

The members of the committee are not unanimous in their views as to the desirability and practicability of developing, in collaboration with the American Business Writers Association, some correspondence course in the art of effective writing to be made available to the entire Institute membership. We suggest that the succeeding Committee on Education of the Institute pursue this matter further and resolve the question, if possible.

During the past year, the committee gave some consideration to the matter of the extent to which the curricula of collegiate schools of business are giving the

training that students need in auditing and in the art of expressing themselves effectively both orally and in writing. In this connection the committee studied an excellent report entitled "Comments on Curriculum for Collegiate Schools of Business" prepared by the National Education Committee of the Controllers Institute in cooperation with a committee of the American Accounting Association. This question needs further analysis and study. In this area the Institute committee on education may very well be able to exert a constructive and effective influence. It is suggested that future education committees of the Institute consider the desirability of initiating some long-range program whereby the committee works closely and counsels with the deans and administrative heads of collegiate schools of business in an effort to improve curricula in the areas of auditing and communications. If this is done, the possibilities of coordinating more closely the activities of the educational committees of three organizations: The Controllers Institute, The American Accounting Association, and The American Institute of Accountants, should be investigated.

The suggestion was made that the committee prepare or sponsor a staff training manual that would be made available to the entire membership of the Institute. The committee recognized the popular demand that this suggestion reflects but took no action. The inaction reflects the strong belief held by some members of the committee that staff-training programs must be tailor-made to fit the needs and special circumstances of each practitioner or firm. Anything which might be prepared for the use of all would probably be so general in nature and content as to be of very limited usefulness to a particular firm.

A number of accounting group study conferences were held at various schools throughout the country during the past year. This plan of holding such symposia was initiated a few years ago and now seems to be so regularized and established as to require very little attention and coun-

sel from the Committee on Education. The office of the Director of Education of the Institute is very ably assisting in the planning of the conferences.

The committee was consulted on several occasions during the past year on the question of what the educational and experience requirements should be for the granting of the CPA certificate. Quite naturally the members of the committee held differing views on the question. How-

ever, it seemed appropriate to express those views.

Respectfully submitted,
 RICHARD S. CLAIRE, *Chairman*
 ELMER G. BEAMER
 WILLIAM BOYNTON
 JAMES E. HAMMOND
 LOUIS M. KESSLER
 ROBERT T. KNIGHT
 HENRY P. VOLKKOMMER

September 17, 1951

Committee on History

TO THE COUNCIL OF THE
 AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: The committee on history submits its report for the past year. It does not ask for an appropriation or for an approval of any policy but it does ask for a consideration of the third suggestion in its report for the year 1948-1949, now submitted as its recommendation: that work be started at once upon a comprehensive index of the minutes of Institute, council, executive committee etc.

The works on accountancy history during the past year which has come to the notice of the committee are here listed.

WORK COMPLETED

Connecticut

"Society History" (cont'd) by E. Petze
 4 chapters *Conn. CPA* 1950-1951

Michigan

"Fifty Years, 1901-1941" by G. W. Troost *Mich. CPA* July 1951

New York

"Pace Institute (1906)" by Committee . .
NY CPA Sep 1950

"Society's First Dinner" by Committee . .
NY CPA March 1951

"Auditor's Report" by G. Cochrane . .
NY CPA May 1951

"Joseph Hardcastle" by Committee . . .
NY CPA Sep 1951

Virginia

"Narrative of Growth" by W. P. Hilton
 39 & 14 pp. Typed 1951

All States

"Current News as History Material"
 State Magazine

WORK NEARLY COMPLETE OR UNDER WAY

Massachusetts

"Accountancy in Mass.," practically ready for Society Office

Ohio

"Full History" planned by L. G. Battelle & Committee

Wisconsin

Much material collected by C. E. Dietze
 American Association

"First Twenty Years 1886-1906," 47 of 53 Chapters ready.

Respectfully submitted,
 NORMAN E. WEBSTER, *Chairman*
 WILLIAM P. HILTON
 ETHEL S. KINGMAN
 A. C. LITTLETON
 ERNEST RECKITT
 T. EDWARD ROSS

September 24, 1951

Committee on Membership

TO THE MEMBERS OF THE
 AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: The committee on membership offers the following statistics on membership growth during the past year:

Applications received 2,207
 Admissions 2,131

Membership at August 31,
 1951 17,998
 Membership at September 1,
 1950 16,062
 Net increase 1,936
 During the previous year 2,480 applications were received and 2,292 admitted.

The committee and the Institute staff have cooperated during the year in the following promotional activities:

1. A congratulatory letter and a revised pamphlet descriptive of Institute activities were sent to each new CPA over the signature of the committee chairman. The respective committee members were advised of this mailing for local follow-up.
2. Inquiries about Institute membership were referred to the respective committee members for local follow-up.
3. In some of the more populous centers, letters were sent to non-member CPAs over the signatures of past presidents of the respective state societies.
4. An increasing number of state society bulletins have printed articles on Institute membership and the names of society members recently elected to Institute membership.
5. Lists of non-member CPAs in each state were furnished to the members of the membership committee in the respective states. With the aid of these lists a very substantial number of prospective members was reached by the local committeemen by personal visit, telephone or letter.
6. A 15-page pamphlet entitled *Coopera-*

tion for Professional Advancement was prepared by the Public Relations Department with the collaboration of the executive director, the administrative secretary and the committee on membership. It was mailed in July to all nonmember CPAs in the United States.

7. Letters were sent out in July to all individual practitioners and firms represented in the Institute membership urging them to promote Institute membership among the members of their staffs. Copies of the pamphlet, *Cooperation for Professional Advancement*, were also mailed to them with these letters.
8. Membership growth statistics, compiled by states, were furnished at frequent intervals to all membership committee members.

The committee gratefully acknowledges the initiative, cooperation and general efficiency of the members of the Institute staff assigned to new membership matters.

Respectfully submitted on behalf of the 180 members of the committee on membership.

Respectfully submitted,
COLEBURKE LYONS, *Chairman*

September 25, 1951

Committee on Natural Business Year

TO THE COUNCIL OF THE

AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: Pursuant to resolution adopted by the Council in October, 1950, this committee was increased in size so that each state will be represented on the committee when all appointments have been made and accepted. Subsequently appointments were made, and on April 4, 1951, a letter was sent to the new members, setting forth, as well as enclosing, information for their use. These new members are 31 in number, some appointments not having been made as yet, and are in addition to the eight original members of the committee.

It is obvious from the size of the committee, that it will take considerable direction and organization, and this cannot be accomplished by a volunteer chairman.

Due to the lateness in the year of a substantial number of appointments, no specific plan of organization was formulated, and therefore each member, more or less, acted on his own. As a result of past experience, however, it is felt that specific recommendations can be made, which will result in substantially more efficient use of the committee's resources in the future. Such recommendations follow:

1. By far the most was accomplished in those states in which our committee member was also chairman of the state society or local chapter committee on the natural business year. Therefore, our first recommendation is to urge every state society to appoint a committee. In fact it might be advisable to ask each state society to appoint a committee, with the chairman

also a member of the Institute, and then to make up the Institute committee by appointing the chairman from each state

2. A specific program should be formulated at Institute headquarters, in which program the chairman of the Institute natural business year committee should participate. The time involved in aggressively promoting this program solely by the chairman, in our opinion, would far exceed that which could ordinarily be expected of a voluntary chairman unless he was retired, or semi-retired. Material resulting from this activity should be sent to state committee members periodically, with requests for reports on specific dates. Such material could be printed matter for the society to distribute, pattern speeches, subjects for preparation of articles for periodicals, etc.

3. Statistics should be gathered and sent out frequently on a current basis, to the chairman of each state society committee who was a member of the Institute committee.

Obviously, because of the large territory covered and the number of members involved, the program for this committee is long term. However, it should also be borne in mind that the number of members now participating might soon lose interest unless there is an aggressive program immediately started. We recommend giving serious consideration to assigning a definite place (possibly in the state society service department) for this committee. It can well become of considerable importance, certainly in numbers, as one appointment from each state, plus eight members at large, gives a total of 56. In our opinion there should also be a minimum of two appointed by each state society on its committee, which would total 154 persons actively participating.

There is available at the chairman's of-

fice, a large file on this committee, and included therein are reports from some of the committee members which show substantial activity. We think valuable information, including statistics, could be gathered from this file. Considerable time must be taken to do so, however. The names of these committee members follow:

Lincoln L. Adam, Maine
 Millen D. Atwood, Utah
 Charles C. Bailey, North Dakota
 Walter M. Baird, California
 Louis K. Bell, Georgia
 Norman H. Bunting, Florida
 Kenneth H. Cassidy, Indiana
 Ralph Cole, Washington, D. C.
 M. T. Deaton, Idaho
 Dixon Fagerberg, Jr., Arizona
 Thomas C. Ferris, Montana
 Karl K. Fireside, Missouri
 G. M. Hatfield, South Carolina
 Hobart S. Hutzell, West Virginia
 Wm. B. Kottinger, Jr., Nevada
 Theodore Krohn, New Jersey
 H. Calvert Krueger, Kansas
 John F. Lee, Oregon
 Francis E. Moore, Massachusetts
 M. C. Dean Mundell, Wyoming
 Russell V. Puzey, Illinois
 Lawrence P. Quill, Pennsylvania
 Robert Richardson, Wisconsin
 Edgar C. Salvesen, Vermont
 Donald E. Schmidt, Iowa
 Harrison F. Spengler, Michigan
 J. B. Stephenson, New Mexico
 Elton B. Taylor, North Carolina
 B. A. Timmons, Tennessee
 Wm. B. Tittsworth, Maryland
 Walter E. Vater, Texas

Respectfully submitted,
 C. C. GABRIELSON, *Chairman*
 HARRY W. BABINEAU
 JOHN J. DEERING
 E. S. HARRINGTON
 TOM L. MELVEN
 M. D. McCASKILL
 J. F. SULLIVAN
 A. M. TOLER
 L. C. J. YEAGER

October 4, 1951

Committee on Public Relations

TO THE COUNCIL OF THE

AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: Since the general public relations policy and program of the American Institute will be covered at one of the technical sessions which will be car-

ried in the proceedings of the annual meeting, this report will be largely confined to a record of the major activities of the Institute's public relations department during the past year. These activities were carried out under the general policy

and program approved at a meeting of the public relations committee which was held at the time of the Institute's last annual meeting in Boston. At that time it was agreed that the public relations program should give continuing emphasis to the three major themes previously selected by the committee, which were as follows:

1. Protection of the position of certified public accountants in tax practice.
2. Maintenance of the integrity of state CPA laws.
3. Expansion of opportunities for certified public accountants, particularly the individual practitioners, by giving more information to small businessmen about the advantages of good accounting service.

The national emergency and the creation of the Institute committee on national defense have raised problems which have also required a good deal of time and attention during the past year. Specifically, the Public Relations Director was assigned staff responsibility for work with the defense manpower subcommittee and has assisted that committee in detailed presentations for use in Washington hearings on the essentiality of the services of certified public accountants, and in the preparation and tabulation of a manpower questionnaire which was sent to all public accounting firms represented in the Institute. He has also devoted an increasing amount of time to legislation affecting the accounting profession which has been pending in Congress. The other principal activities of the public relations department have been as follows:

1. PAMPHLETS. A new pamphlet entitled *Your CPAs Responsibility*, to explain *Statement on Auditing Procedure No. 23* to the clients of smaller CPA firms, was prepared and made available to all firms represented in the Institute membership. A pamphlet describing the nature and activities of the American Institute, was prepared in cooperation with the membership committee and sent to all nonmember CPAs in the United States. A brochure describing the testing program for accounting students was distributed to schools of accounting throughout the

country. Distribution of two earlier "best sellers" among Institute pamphlets, *A Career in Public Accounting* and *The CPA Examination: Gateway to a Profession*, has continued and reached totals of 43,948 and 67,890 copies respectively.

2. RADIO. Two new transcribed radio shows were prepared with professional actors for use during the tax season. In addition to 171 transcriptions sent by the Institute to state societies and chapters, 250 more recordings were ordered by them, and the shows were used on 356 radio stations in 39 states and the District of Columbia. This was a very considerable improvement over the distribution of the radio tax shows in the previous year. The Institute also prepared and received credit for two other 15-minute tax shows which were carried on more than 150 stations of the ABC network.

3. GENERAL MAGAZINE ARTICLES. The public relations department assisted in the preparation of articles emphasizing CPAs services in *Look* magazine, *Changing Times* (the Kiplinger magazine), and *The Office*.

4. TRADE PRESS. A total of 40 articles on the general theme of bigger profits through better accounting, prepared by the public relations department, have now been carried in trade press magazines.

5. HOUSE ORGAN PIECE. A special article containing tax hints for the average employees, with credit to the American Institute of Accountants, was carried in more than 100 company and corporation house organs, including many distributed by the country's largest corporations.

6. PATTERN SPEECHES. A new pattern speech on "Your Future in Public Accounting," intended primarily for use before high school audiences, was made available to members, and an older speech, "What Accounting Means to You," was completely revised and brought up to date.

7. REGIONAL CONFERENCES. The department assisted in preparations and publicity for the New England, Middle Atlantic States, Southern, and Northwest regional conferences, including press releases sent to papers in the home towns of those who attended.

8. SPEAKERS BUREAU. Arrangements

were made for more than 200 speaking engagements for Institute officers, staff, and committee members during the year.

9. THE CPA AND STATE SOCIETY NEWSLETTER. Both of these publications are edited in the public relations department.

10. PRESS RELEASES. Both general and specialized press releases were sent out regularly during the year on all newsworthy events, including over 1800 individual home-town releases on new members of the Institute.

Because of the defense emergency and the pressure of other activities as well as the effect of inflation on the Institute's budget, the public relations committee has not requested any substantial increase of funds for public relations activities either last year or for the coming year. However, we should again like to call attention to the fact that these activities have a substantial dollars-and-cents value to the Institute membership, especially through protection of the integrity of the CPA certificate and expansion of opportunities for CPAs, particularly the small practitioners, to serve small business. We are satisfied that this dollar value to the profession is much larger than the modest sums which have been spent on public relations activities and we believe that these activities should be further expanded as soon as the time seems propitious.

We call your attention particularly to the fact that the public relations department, including state society service, provides many valuable services to the membership, the state societies and their chapters which are not included by most people in what they think of as public relations. The amount spent on direct promotional activities such as pamphlets, radio, magazine articles and press releases is less than four per cent of the Institute's total budget, even including all of the time spent by staff members on such activities.

In addition the availability of professional service from the Institute's public relations department and public relations counsel has been of very considerable value in other fields such as national and state legislation, relationships with government agencies and with other business and professional groups, membership promotion, and direct service to state societies, chapters, and individual Institute members.

Respectfully submitted,
 GEORGE E. PERRIN, *Chairman*
 WILLIAM M. BLACK
 ROBERT L. CHESNUTT
 WILLIAM B. FRANKE
 A. STANLEY HARMON
 N. LOYALL MCLAREN
 CLIFTON H. MORRIS

October 1, 1951

Committee on Publications

TO THE COUNCIL OF THE

AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: The circulation of *The Journal* at September 1, 1951, was 61,175 compared to 55,855 a year ago. These are net-paid figures. However, the total distribution of *The Journal* is 62,100, which figure is significant because it indicates the total number of copies which are put into the hands of readers. The difference is free distribution of one sort or another—exchanges, advertisers, copies to authors, etc.

Last spring, it was feared that advertising revenue would drop in the second six months of the fiscal year. However, actual billings were larger than anticipated, which made the advertising revenue for

the year about as budgeted: \$122,000. Several new advertising accounts were obtained during the year.

An increase in printer's rates is expected October 31st to give effect to a new wage scale which is now being negotiated. At the date of writing this report, it appears likely that an increase in postage rates of twenty per cent a year, to a total of sixty per cent over three years, will be enacted, which will increase our postage costs about \$600 per month. We are trying to have *The Journal* classified as an educational publication, which would put it into a substantially lower postage-rate class, but cannot predict the result of this effort.

The circulation promotional campaign has continued, though in the last six

months of the year a gradual shift has been made from use of outside lists—that is, rented lists of possible subscribers who are not necessarily accountants—to lists which are composed primarily of accountants. We have found that promoting to the peripheral groups barely pays for itself in the present circumstances. In planning the 1951-52 promotional program, most emphasis has been laid on what we have come to think of as our own people; that is to say, accountants and those immediately associated with them.

The reclassification of subscribers into new occupational categories has been virtually completed. It gives a very interesting picture of *The Journal's* distribution. For the first time, we know that we have approximately 6,000 CPA nonmember subscribers, making a total of about 24,000 CPAs, and some 37,000 non-CPA subscribers, of which about 10,000 are in public practice. There remain about 8,000 subscribers who are not classified, which limits the accuracy of these figures somewhat. Subject to this limitation, however, the number of students now shown is about 3,000 compared to an excess of 10,000 in recent years. This is believed to be because most of the subscribers we have

carried as students are actually employed and going to school part-time. The new analysis shows that about 44 per cent of *Journal* subscribers are in public practice, about 30 per cent are employed by corporations, and the remainder are government, teachers, libraries, students, and unclassified.

The volume of editorial material processed, both that which is published and that which is not, is large. The number of manuscripts submitted continues to grow, and in addition the staff invites a substantial number of authors to write specific articles to order, so that even coverage of all areas of accountancy may be obtained. Three subjects now receiving increasing emphasis are: (1) problems of operating an accounting practice; (2) special problems of the smaller practitioner; and (3) matters of especial interest to corporate accountants. Continuing effort is being made to improve coverage of news sources.

Respectfully submitted,

T. COLEMAN ANDREWS, *Chairman*

HAROLD R. CAFFYN

THORNTON G. DOUGLAS

J. WILLIAM HOPE

JOHN H. ZEBLEY, JR.

October 1, 1951

Committee on Relations with Bar

TO THE COUNCIL OF THE

AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: The activities of your committee on relations with bar have been directed towards improving our relations with the lawyers, and we have held meetings and considerable correspondence with the lawyer members of the National Conference of Lawyers and Certified Public Accountants. Our last meeting was held on September 14. We discussed and decided upon the machinery which we are suggesting for creating local conferences on a state level to hear and investigate complaints and disputes. It was agreed that John Randall, my co-chairman, and I would write the presidents of each State CPA Society and the presidents of each State Bar Association about the organization of the National Conference and the Statement of Principles relating to prac-

tice in the field of federal income taxation which has been adopted. We are asking them to advise us what steps they have already taken towards cooperation between the two professions on a state level. We are also suggesting that state conferences be established patterned after the National Conference, that is, with five lawyers and five CPAs appointed by the presidents of the respective state organizations. The following procedure is proposed:

1. That each complaint submitted to a state conference be referred for investigation to a subcommittee of three members of the conference who are members of the profession of which the object of the complaint is a member.
2. If the subcommittee cannot dispose of the matter to the satisfaction of all concerned it should report to the state conference which

- a. Will decide whether or not the case comes within the jurisdiction of the conference and it wishes to hear the case;
 - b. Will request the parties to indicate whether or not they will accept the decision of the conference;
 - c. Will determine procedures for taking testimony and hearing witnesses
3. If the state conference is unable to reach agreement or to settle the matter to the satisfaction of all concerned, the matter should then be referred to the National Conference to permit another effort at mediation.
 4. That state conferences consider complaints against non-lawyers involving tax practice, whether CPAs or not, but that they do not consider questions involving only the reasonableness or excessive character of a fee.

The conference considered a suit filed by Meyer Barton, CPA of New Orleans, La., against the De Jean Packing Company of Mississippi. A special committee of the conference was appointed to investigate the dispute and reported back to the conference suggesting mediation. Mr. Barton agreed to accept mediation by the National Conference but the attorney for the De Jean Packing Company refused. The American Bar Association's Committee on Unauthorized Practice of the Law considered the matter and decided not to intervene "in view of the basic policy of

attempting to avoid litigation involving accountants." The National Conference has again expressed willingness to arbitrate the dispute.

The conference also considered a communication from J. L. McNees, an attorney of Dallas, Texas, directed against a CPA of that city, alleging his unauthorized practice of the law and complaining of the character of his work and the amount of his fees. After discussion it was decided to report the matter to the presidents of the Texas CPA Society and Texas Bar Association, suggesting that they appoint a state conference or a special committee to consider the complaint. We further indicated that the services of the National Conference would be available on request to consider the dispute on any matters other than fee.

While some lawyers seem to breathe fire in their own meetings, the lawyer members of our conference have been most cooperative in dealing with us and I look forward to greatly improved relations over the next few years. There are so many important business problems on a state and national level that require our joint cooperative experience and effort that it is absurd to dissipate our energies in controversies between our two professions.

Respectfully submitted,
PERCIVAL F. BRUNDAGE, *Chairman*

October 1, 1951

Committee on Relations with the Securities and Exchange Commission

TO THE COUNCIL OF THE
AMERICAN INSTITUTE OF ACCOUNTANTS
GENTLEMEN: Since the annual meeting of the Institute in October, 1950, an important milestone has been passed in the course of relations between the accounting profession and the SEC. At that time, we were facing the possibility that the SEC might, through finalization of a revised Regulation S-X then in draft form, take long additional steps toward establishment of accounting principles by rule of this governmental agency.

A revised draft of Regulation S-X issued

in November, 1950, in large measure met our objections to the official promulgation of accounting rules. In this draft were only two matters to which practicing accountants could take serious objection: (1) incorporation by reference of the commission's series of accounting releases (some of which contain accounting rules) and (2) a requirement for an all-inclusive income statement. While we regretted the former, there did not seem to be much chance of securing the cancellation of presently outstanding accounting pronouncements of the Commission. Incidentally,

our hope in this area lies in possible future codification and revision of the releases. On the proposed requirement for an all-inclusive income statement emphatic protest was necessary.

Consequently, President Andrews appointed a special committee comprised of himself with Messrs. Jennings, Knight and Williams of our committee, who with Mr. Blough of the Institute research staff appeared before the Commission on December 6, 1950. A prepared statement was presented to the Commission by President Andrews. This dealt with the following:

1. Independence of the certifying public accountant
2. Tendency of rules to become fixed and difficult to modify in step with progress in the art of accounting
3. Unsound results that may develop from application of rules in unusual circumstances
4. Rules stifle accounting judgment, experimentation and progress
5. Rules should not be based on the exceptional bad case.

The statement cited the progress of our Institute in defining accounting principles which made unnecessary the proposed reaffirmation of all Accounting Series Releases, and supported the "operating performance" type of income account in order to avoid misleading inferences. Discussion with the members of the Commission was chiefly directed to the latter problem and concluded in the compromise with which all accountants are now familiar; i.e., the final items on the income statement to be filed with the Commission, defined as:

Item 16—Net income or loss

Item 17—Special items

Item 18—Net income or loss and special items.

This approach to the problem of the "all-inclusive" income statement will of course not solve all problems or be satisfactory to everyone. However, it must be recognized that the profession has not been unanimous in its thinking. Also the SEC staff has had genuine difficulty with the application of Bulletin 32. A substantial minority of registrants have carried charges or credits to surplus which many accountants would prefer to recognize in

determining the amount reported as net income; and the staff has been troubled by the showing in surplus of material charges or credits clearly resulting from events of the year.

Subsequent discussions with the SEC staff indicate that, although material retroactive adjustments of prior year income would appear to require location as special items on the income statement, the staff may not object to carrying such items direct to surplus; presumably this treatment will be sanctioned under the phrase "except as otherwise permitted by the Commission."

Our committee met with the SEC accounting staff on March 20, 1951, when several timely subjects were discussed.

Commissioner McCormick, before his resignation to assume the presidency of the New York Curb Exchange, arranged for the Commission to issue for public discussion a draft of a revised Form S-1. The objective is to obtain a streamlined prospectus, particularly as to financial statements, which might be more easily read by the "average investor." We expressed the view that if the proposed abbreviated financial information in the prospectus were required to be certified by the independent accountant, either by rule or by request of the registrant or the underwriters, the proposed revision in Form S-1 might prove beneficial to the public.

As to the results in practice of the new items required by Regulation S-X at the foot of the income statement, experience with filings for the year 1950 is expected by the SEC staff to disclose interesting problems.

The staff is considering a change in policy as to the disposition of goodwill particularly when recently purchased or otherwise obviously unimpaired. This step is intended to preserve the investors' equity from arbitrary understatement resulting from the write-off of an unimpaired asset purchased in an arm's length transaction.

Discussion was also directed to (1) the balance sheet location of the provision for income taxes on uncollected installments of a registrant reporting for financial pur-

poses on the accrual basis but for tax purposes on the cash basis, (2) consolidation problems in relation to the criterion to "exhibit clearly the financial condition and results of operations" and (3) work for receivers and trustees. As to the latter, we suggested that the practice of the courts, presumably supported by the legal staff of the SEC, to expect a new accounting firm to be engaged by the receiver was a denial of the principle of independence on the part of certifying accountants. Mr. King deprecated the appearance of price competition by accounting firms who submitted bids or estimates for work for receivers and trustees.

Our committee believes that its occasional conferences with the SEC staff are

helpful to both parties. Although conclusions can seldom be reached, there is benefit in the disclosure of divergent views both among our own members and among members of the SEC staff as well as between the two groups. We are impressed by the intelligent approach of the staff to the many difficult problems which it encounters in administration of the accounting aspects of the laws under which the Commission operates.

Respectfully submitted,
 ROBERT W. WILLIAMS, *Chairman*
 SAMUEL W. ESKEW
 ALVIN R. JENNINGS
 PAUL K. KNIGHT
 WELDON POWELL

October 6, 1951

Committee on State Legislation

TO THE COUNCIL OF THE
 AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN: State legislation is a subject that must be dealt with by state societies and members of the profession in the states in which there is legislative activity. The type of accounting legislation that will effectively serve the profession and the public interest is best determined by those who are fully aware of local problems. The maintenance of standards, however, is not purely a local problem. A uniformly high standard contributes materially to the universal acceptance of the opinion that accountancy is national rather than local in character. The AIA as the national professional body, has the task of leadership in maintaining high standards for the CPA certificates on a national basis.

During the year, this committee has undertaken to draft a statement of principles which could serve as a general guide to Institute policy with respect to state legislation.

A draft embodying recommendations previously approved by the membership or the council and some of the provisions contained in the 1945 "model bill" was circulated among the members of this committee. It was agreed, however, that the subject of regulatory versus permissive legislation would not be considered.

Comments from the various members of the committee on the preliminary draft revealed some areas of fairly general agreement and some points of rather sharp disagreement, particularly with respect to education and experience requirements. The draft was therefore recirculated, with a tabulation of the comments received, together with suggestions made by committee members for additional points which might be included in the proposed statement.

We are not as yet ready to submit recommendations for the consideration of the council, and will therefore pass along the results of our work for further development by next year's committee. The subject of state legislation will, however, be brought up for general discussion at a technical session on state legislation during the current annual meeting.

The results of a questionnaire on reciprocity prepared and sent out by this committee at the request of the executive committee have been reported to the executive committee with the suggestion that the report be placed in the hands of members of the Association of Certified Public Accountant Examiners for further consideration and possible action.

Since many state legislatures meet only in odd-numbered years, it was to be expected that the past year would see a

large volume of legislative proposals affecting the accounting profession. Actually, the number of bills introduced on this subject was slightly under the 1949 total, although it was about seven times the 1950 total. The reduction from 1949 is apparently due in part to the fact that state associations of public accountants have been considerably less active in pushing permanent two-class legislation. All such bills introduced in 1951 were defeated.

In general, it may be said that no bill which would have been seriously harmful to the profession was enacted, and also that comparatively few bills of major importance were enacted under the sponsorship of state societies of certified public accountants. There was one addition to the number of states with regulatory legislation during the year.

At this writing, all but three of the forty-four state legislatures holding regular sessions this year have adjourned or recessed, and only one state has pertinent bills pending in its legislature. 110 bills (including 19 companion bills) of interest to CPAs were introduced in 35 states and 33 bills have been enacted into law. Companion bills have not been included in the totals listed in the following summary of 1951 accounting legislation.

Regulatory Bills Sponsored By State CPA Societies

Introduced: 5 bills in 5 states

Enacted: 1 bill

Of the regulatory bills which were introduced this year under the sponsorship of the state CPA societies in Connecticut, Massachusetts, New York, Oklahoma, and Oregon, the Oregon bill was the only one that became law. Connecticut's bill died in committee, Massachusetts' bill was referred to the next annual session, New York's bill was reported out of committee but defeated in the Senate by a vote of 31-24, and Oklahoma's bill was reported with amendments and then killed.

Public Accountants' Bills

Introduced: 11 bills—Kansas, Massachusetts, Minnesota (2) Nebraska, Ohio, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia.

Enacted: None.

The Kansas bill, which would have repealed the existing CPA law, created a Board of Accountancy composed of three CPAs and two additional CPAs or PAs, and provided for a dying class of public accountants, was killed. (A revised permissive bill, sponsored by the state CPA society, was enacted into law.) The PA-sponsored Massachusetts regulatory bill, which was referred to the next annual session, provided for a Board composed of five CPAs and two PAs, whereas the bill sponsored by the state CPA society provided for a five-member CPA Board. The Nebraska bill would have required CPAs to register with a State Board of Registered Public Accountants and use the designation "registered public accountant," was reported with amendments, indefinitely postponed, and died in the legislature. The Rhode Island bill, which would have amended the existing CPA law and provided for the issuance of licensed public accountant certificates, without examination, to qualifying persons who applied before Sept. 1, 1951, and thereafter, to applicants who passed an examination, was passed by the House, but failed to reach the Senate floor before adjournment. In Utah, companion bills, which would have repealed the present CPA law, created a State Board of Accountancy composed of five CPAs or PAs in active practice, and provided for the registration of a dying class of PAs, died in their respective houses in introduction. The PA-sponsored Vermont bill, reported unfavorably and killed in the House, would have amended the existing CPA law, added three practicing licensed PAs to the present three-member CPA Board, specified that only CPA Board members would have authority over the CPA examination and final grades, and provided for the registration of a dying class of PAs. This bill was neither opposed nor supported by the Vermont CPA society.

The following bills died in committee: A Minnesota bill, which purported not to regulate the practice of public accounting by CPAs, would have defined the practice of public accounting, provided for the continuing registration of eligible persons, without examination, by the Secretary of

State, and prohibited unregistered persons from engaging in the practice of public accounting and using the title "registered public accountant" after May 1, 1952; another Minnesota bill would have created a State Board of Public Accounting composed of the Secretary of State, one CPA, one PA and one employee of the Commissioner of Taxation, provided for the issuance of registration certificates, without examination, to PAs who had maintained an office for accounting services for two years immediately prior to enactment and to other eligible persons who passed an examination within two years, and prohibited unregistered persons (other than attorneys) from preparing tax returns or engaging in public accounting practice; a PA-sponsored Ohio bill would have repealed the existing CPA law, created a state board of public accountancy composed of five CPAs or PAs, permitted any person to apply for PA registration within one year after effective date, and provided for the issuance of CPA certificates by waiver; a West Virginia bill would have created a separate Board of Public Accountants and provided for continuing registration of public accountants through examinations.

The Pennsylvania bill, which would create a State Board of Examiners for the Licensing of Public Accountants composed of the Superintendent of Public Instruction, two attorneys and five licensed PAs, not more than two of whom may be CPAs, and provide for the issuance of licenses as PAs, without examination, to eligible persons who apply within twelve months after effective date, and thereafter to qualifying applicants who pass an examination, was reported with amendments and recommitted.

Bills Strengthening Present Accountancy Laws

Introduced: 19 Bills in 14 States

Enacted: 12 Bills in 10 States

EDUCATION AND EXPERIENCE

Introduced: 4 bills—Colorado, Delaware, Florida, Nebraska (all sponsored or supported by state CPA societies).

Enacted: 2 bills—Colorado, Florida.

(A North Carolina bill, classified elsewhere, increased education requirement.)

As introduced, the Colorado bill provided for increasing fees and raising the educational requirement after June 30, 1956 from a high school education or equivalent to a college degree and technical education equivalent to a college major in accounting. As enacted, the bill eliminates the new educational requirement and as a result there will be no educational requirement in the law after June 30, 1956, changes the experience requirement in effect until June 30, 1956 from five years public accounting experience to accounting experience acceptable to the Board, requires only three years of such experience after June 30, 1956, and increases fees.

The Florida bill, also enacted into law, allows college graduates with majors in accounting to sit for the CPA examination; the certificate will be withheld pending completion of one year's work in a registered accountant's office or an additional one-year college accounting course. It also provides that five years after enactment, new applicants must be accounting-major college graduates.

A bill sponsored by the Delaware Society of CPAs was passed by the Senate with an amendment but died in a House committee. It would have required applicants for the CPA exam after January 1, 1954 to have had two years public accounting practice, self or employed, or three years equivalent diversified accounting experience (present rules only require that employment record for five years immediately preceding be shown on application), required one year's residence, employment or maintenance of an office in Delaware preceding application, specified additional titles which could not be used by non-CPAs, provided for ownership of working papers and privileged communication, changed the term of Board members from three to four years, and required at least two of the four CPA Board members to be engaged in public practice at time of appointment. The Senate amendment would have eliminated the privileged communication provision.

The Nebraska bill, which would have raised the educational and experience requirements and provided for privileged communication for CPAs, was reported with amendments, amended three times on the floor of the one-house legislature, indefinitely postponed, and died in the legislature. Floor amendments would have eliminated the requirement that public accounting experience be obtained in the employ of a CPA and the privileged communication provision, and would have required holders of CPA certificates to pass the examination every five years to retain their certificates.

FEEs

Introduced: 6 bills—Idaho (3), Indiana, North Dakota, Oklahoma.

Enacted: 6 bills—Idaho (3), Indiana, North Dakota, Oklahoma. (Colorado, Kansas, Oregon, and Texas bills, classified elsewhere, also increased fees.)

The following have been enacted into law: Three Idaho bills increasing re-examination fee from \$10 to \$15, annual renewal fee for CPAs from \$2 to \$10, and reciprocal certificate fee from \$5 to \$50; an Indiana bill, sponsored by the state society, requiring \$25 fee for each examination, increasing from \$600 to \$1200 maximum annual salary of Board secretary and treasurer, and increasing from \$3 to \$5 annual registration fee for CPAs; a North Dakota bill requiring one year's residence prior to application for CPA examination, increasing fee from \$25 to \$35, and fixing re-examination fees varying with the subject, with House floor amendment providing for \$20 refund to reciprocal certificate applicants, in addition to applicants not approved for examination; and an Oklahoma bill requiring CPAs to pay \$5 annual registration fee.

OTHER

Introduced: 9 bills—Alabama, California (2), Illinois (3), Iowa, Kansas, West Virginia.

Enacted: 4 bills—California, Illinois, Kansas, West Virginia.

The following have been enacted into law: A bill which had the approval of the California Society of CPAs provides that the members of any committee appointed

by the State Board shall receive all transportation expenses and \$25 for each day of attendance at meetings of the board or committee; an Illinois bill, sponsored by the state CPA society as a result of a recent court decision declaring one section of the existing regulatory law unconstitutional, specifies the subjects to be covered in the examination for the CPA certificate given by the special board of five examiners to public accountants who apply on or before July 22, 1953, and have held Illinois certificates of registration as PAs and have been engaged in public accounting practice in Illinois for five years, and specifically authorizes the University of Illinois to adopt rules and regulations relative to the qualifications of applicants, examination, and determination of successful applicants; a Kansas permissive bill (sponsored by the state society), effective July 1, 1951, repeals the present permissive law, creates a Board of Accountancy to administer the law, incorporates educational and experience requirements in the law, increases fees for the CPA certificate and re-examination, and provides for issuance of annual permits to CPAs; a West Virginia bill clarifies wording of examination and registration section of general provisions applicable to all state boards.

An Alabama bill, which would have required that State Board funds be deposited in the State Treasury to the credit of the Board, died in committee. A CPA-approved California bill, which would have required all partnerships to register with the State Board, also died in committee. An Illinois bill, which would have added a new section to the existing regulatory law, authorized the Director of Registration and Education through the Attorney General or any state attorney to apply for an injunction to enjoin unregistered persons from practicing public accounting, and made violations of any injunction contempt of court, was reported favorably, amended on the Senate floor, and subsequently killed.

A bill sponsored by the Iowa Society of CPAs, which would have substituted a definition of public accounting practice for the present definition of the term "accountant" and eliminated the present \$5,000 bond requirement, passed the Sen-

ate with an amendment and died in a House committee on adjournment. The amendment would have retained the bond requirement, but also provided that insurance carrier certificate showing \$5,000 liability coverage could be filed in lieu of bond.

Bills Weakening Present Accountancy Laws

(Introduced: 20 bills in 12 states)

(Enacted: 3 bill in 3 states)

EXPERIENCE

Introduced: 5 bills—Idaho, Iowa, New Hampshire, New Mexico, New York (all opposed by state CPA societies).

Enacted: 2 bills—Idaho, New Hampshire.

The following bills became law: An Idaho bill permits CPA candidates to satisfy experience requirement after passing the examination; a New Hampshire bill, which as introduced would have eliminated the experience requirement of four years in the employ of a CPA or similar responsible experience, was amended before enactment so that the experience requirement remains unchanged, except that it may be met after passing the examination.

Iowa's bill, which would have authorized the Board to accept experience equivalent to present requirement of one year as staff accountant in the employ of a registered practitioner, was reported favorably but died in the House on adjournment. The governor of New Mexico vetoed a bill, passed by both houses, which would have permitted college graduates with accounting majors to take CPA or RPA examination without experience prerequisite (appropriate certificate would have been withheld pending completion of experience requirement). A New York bill which would have allowed experience credit for nonconsecutive hours of experience with a CPA died in committee.

VETERANS

Introduced: 6 bills—California (3), New York (2), West Virginia.

Enacted: None.

The following bills died in committee: A California bill, opposed by the state CPA society, would have waived for veterans all examinations required by the

Business and Professions Code; another California bill, also opposed by the state CPA society, would have given a 15-point credit on examinations required by the Business and Professions Code to disabled veterans who had been bona fide residents of California for ten years immediately preceding examination; two New York bills would have allowed certain veterans credit toward experience requirement for military service after September 16, 1940; a West Virginia bill would have exempted veterans from experience requirement.

An Assembly-passed California bill, which would have made available to merchant seamen all the benefits available to veterans under California law, died in the Senate.

OTHER

Introduced: 9 bills—California, Delaware, Florida (2), Iowa (2), Oklahoma, Pennsylvania, Texas (see Misc.—Other bills).

Enacted: 1 bill—California.

A California bill, permitting eligible persons who failed to register as PAs within the prescribed time because of lack of knowledge to file applications for registration before March 15, 1952, was amended by the Senate and subsequently enacted. The Senate amendment requires that applications be filed prior to December 31, 1951.

The following bills died in committee: A Delaware bill which would have created a Department of Economic Development, transferred the State Board of Accountancy and other examining boards to the Department, and required each board to deliver to the department director all records, forms, and other material relating to the operation of the board; an Iowa bill, opposed by the state society, would have allowed the governor to ignore nominations from associations in making appointments to examining boards, another Iowa bill, also opposed by the state society, would have created a Division of Occupational Registration in the office of the Secretary of State and amended the existing accountancy law to transfer from the Board of Accountancy to the Secretary of State the duties of publication of an annual register and collection of fees;

an Oklahoma bill would have created a Department of Professional and Vocational Licensing and transferred certain functions of the Board of Accountancy and other specified boards and commissions to the Department.

The Florida bill, which would have amended the present regulatory law and provided for the issuance of CPA certificates until Sept. 1, 1951, under rules prescribed by the board as to qualifications and fitness, to holders of certificates of authority to practice as PAs, who applied within sixty days after effective date and who had been legally domiciled and had maintained an office and practiced public accounting in Florida continuously since June 1, 1927, was reported unfavorably and died in the House.

A Pennsylvania bill, which would amend the existing CPA law and provide for the issuance of CPA certificates, without examination, to any United States citizen of good moral character and repute who is a resident of Pennsylvania, speaks and writes the English language, is over forty years of age, and has had fifteen years of public accounting experience, is still in committee.

Miscellaneous Bills

Introduced: 36 bills in 22 states

Enacted: 16 bills in 13 states

VETERANS

Introduced: 4 bills—California (2), Indiana (2).

Enacted: 3 bills—California (2), Indiana.

The following bills have been enacted: Two California bills, both of which were unopposed by the state CPA society—one allows a veteran who filed an application for registration as a PA and failed to complete education or experience requirements prior to re-entering military service an additional eighteen months after discharge to meet either requirements, and the other permits reinstatement of licenses or registrations expiring during military service, without examination or penalty, upon application within one year after discharge; an Indiana bill extends present provision so that license holders, inducted into military service prior to July 1, 1953, may apply for renewal of expired

license without re-examination or penalty within six months after discharge from the service.

PRACTICE OF LAW

Introduced: 4 bills—Arkansas, Montana, New Mexico, New York.

Enacted: None.

An Arkansas bill, which would have defined and prohibited the unauthorized practice of law and law business, was amended by the author to exempt CPAs and preparation and filing of income tax returns, and then killed. A Montana bill, which would have included in the definition of practice of law representing others before any Court of Record, judicial body, referee, commissioner or other officer appointed to determine any question of law or fact by any Court of Record and the preparation of any legal instrument, contract or document whatsoever, and would have prescribed a penalty for practicing law without a license, was reported favorably, indefinitely postponed, and died in the Senate. A New Mexico bill, which would have included representing others before any judicial, administrative, or executive tribunal in the definition of practice of law, was killed after a floor amendment exempted CPAs from its provisions. A New York Senate resolution, which would have created a joint legislative committee to investigate the unlawful practice of law by unlicensed persons, including accountants, and to recommend remedial legislation, died in committee.

MUNICIPAL AUDITING

Introduced: 13 bills—Delaware, Maryland, Minnesota, New Jersey, North Carolina (4), Pennsylvania (2), Utah, Vermont (2).

Enacted: 7 bills—Delaware, Maryland, New Jersey, North Carolina (3), Vermont.

The following bills have been enacted: A Delaware bill requires the Delaware Permanent Budget Commission to have the accounts of each state board, commission or department audited annually by a CPA beginning July 1, 1951 and appropriates funds for this purpose; a Maryland bill requires Town of Easton books to be audited annually by a CPA appointed by the Mayor and Council; a New Jersey bill

requires the Board of Education in every school district to have an annual audit made by a registered municipal accountant or a CPA and provides that three years after effective date such RMAs and CPAs must have qualified as public school accountants and hold registration licenses issued annually by the State Board of Public Accountants; three North Carolina bills—one requires annual independent audits of all accounts of the Town of Black Mountain by qualified public accountants, the second requires Board of County Commissioners to have books of Clay County audited annually by a CPA, and the third provides that report issued by a CPA as a result of annual audit of accounts of any Superior Court Clerk may be substituted for the annual report required of the court clerk; a Vermont bill requires the trustees of savings banks and trust companies to have an audit made of the corporation at least once in six months by a committee of not less than three of the trustees or a public accountant approved by the commissioner and provides that, upon request, a copy of the report shall be made available to the commissioner.

A Utah bill, which would have authorized the employment of one or more CPAs in the office of the State Auditor, required annual audits of certain Utah institutions, commissions, and departments by the CPA employees, and appropriated \$25,000 for this purpose, was reported without recommendation, read the third time, and died in the House. A Vermont bill, which would have required the auditor of accounts to audit the accounts of every municipality at least once every four years, authorized the employment of the necessary public accountants, and permitted the recognition of annual municipal audits by CPAs, was reported unfavorably and later killed in the House.

A Minnesota bill, which would have provided for the appointment of the public examiner by a legislative committee instead of the governor and changed the qualification for the position from skilled accountant to CPA, died in committee.

A Pennsylvania bill, which would authorize commissioners by majority vote to

employ independent accountants to make quadrennial audits of the accounts of counties and to provide funds for this purpose, has passed the Senate and is in a House committee. Another Pennsylvania bill, which would require the General Assembly to employ CPAs to advise it on the administration's proposed budget for the 1951-53 biennium and the fiscal status of the Commonwealth and authorize the appropriation of sufficient funds, is still in committee.

OTHER

Introduced: 15 bills—Florida (3), Illinois, Massachusetts, Michigan (2), Missouri, New York, North Carolina (2), Ohio, Texas, Utah, Wisconsin.

Enacted: 6 bills—Illinois, Missouri, New York, Ohio, Texas, Wisconsin.

The following bills have been enacted: An Illinois bill requires each agency authorized to administer or interpret any Illinois statute to file with the Secretary of State on or before July 1, 1952 a copy of certain rules and regulations promulgated by it on or before the effective date of the Act and provides that rules subsequently adopted shall become effective ten days after date of filing; a Missouri bill amends the existing regulatory law and provides that board members shall receive \$10, instead of \$5, for each day devoted to the affairs of the board; a New York bill requires biennial registration of CPAs, fixes registration fees, and provides for published lists of registered CPAs; a North Carolina bill (sponsored by the state CPA society) amends the existing regulatory law, permits persons other than North Carolina CPAs and registered PAs to engage in the public practice of accountancy and use the title "accountant," authorizes use of AIA examination and grading services, provides that after July 1, 1955 new applicants for the CPA examination must have completed two years' college or equivalent and a course of study in accounting in a board-approved college or school of accountancy or business administration, and empowers board to adopt rules of professional ethics and conduct; a bill sponsored by the Texas Association of Public Accountants, and opposed by the state CPA society as originally intro-

duced, was amended before enactment so that, with one exception, the final version contains the same provisions included in a bill sponsored by the state CPA society. It adds 4 PAs to the five-member CPA board, provides that non-CPA board members shall have the same authority and duties as CPA Board members, except for CPA examinations and the issuance of CPA certificates, increases re-exam fee, and provides that, within six months after receiving grades and on payment of a fee, unsuccessful CPA candidates may obtain copies of their answers and the official answers to the examination questions. The bill sponsored by the Texas Society of CPAs did not contain the last provision. Although the Wisconsin bill, as introduced, would have provided that certain rules adopted by state agencies would not become effective or have the force of law until approved by the governor, filed with the Secretary of State, and published in the official state paper, the provisions of an Assembly substitute bill which became law only apply to general codes adopted by the State Department of Agriculture or the State Board of Health.

A resolution passed by the Ohio House, authorized a five-member committee to investigate the operations and activities of state boards of examiners, including the State Board of Accountancy, subpoena witnesses, and report and make recommendations to the House of Representatives no later than May 1, 1951.

A Florida bill, which would have required each board, bureau, commission, institution, department or other branch of the state government to file all rules and regulations in effect during the preceding calendar year with the Attorney General on or before April 1 each year for presentation to each legislature for adoption or rejection, was passed by the House, but failed to reach the Senate floor before adjournment. A Massachusetts bill, which would have established an administrative court in the department of the state secretary to hear appeals from decisions or rulings of the Board of Registration of CPAs and other boards, was referred to the next annual session. A North Carolina bill, which would have established a Tax Court and provided that only attorneys

authorized to practice before the North Carolina Supreme Court and accountants authorized to practice before the Tax Court could practice before it, was reported unfavorably and died in the Senate.

The following bills died in committee: A Florida bill would have created a three-member State Board of Tax Consultants, defined the term "tax consultant," provided for the issuance of certificates as tax consultants, and prohibited persons not holding certificates from practicing as tax consultants; another Florida bill would have prohibited the employment of attorneys by state officials, boards, bureaus, agencies or commissions and provided for representation by the Attorney General; a Michigan bill would have created a separate State Board of Registered Accountancy and provided for the issuance of certificates as registered accountants, without examination, to qualifying public accountants, public bookkeepers, and public tax consultants who registered with the board before January 1, 1952, and thereafter, to eligible applicants who passed an examination; another Michigan bill would have established a State Board of Public Bookkeepers, required all persons, firms and corporations engaged in public bookkeeping on enactment date to register with the board before January 1, 1952, provided for the issuance of certificates as public bookkeepers to eligible applicants who passed an examination, and given the board discretionary authority to waive the examination, not later than the year 1952, in the case of qualifying applicants who had been practicing as public bookkeepers in Michigan for more than two years prior to enactment.

Respectfully submitted,

RAYMOND D. WILLARD, *Chairman*

HERMAN I. ARENSON	ROBERT L. MILLER
RAYMOND D. ASHMAN	J. SYDNOR MITCHELL
LLOYD R. BOCK	LEE J. MUREN
ROY C. COMER	JOHN A. PEYROUX, JR.
AUSTIN H. GRESHAM	RUSSEL G. RANKIN
C. V. HEIMBUCHER	R. E. RICKBEIL
JAMES W. HICKEY	IRVIN R. SQUIRES
ARTHUR W. KOELBEL	E. EARLE TOMLINS
E. WOODY KUHLMAN	RALPH J. WHITINGER
O. H. MASCHKE	WILLIAM R. WINN

October 1, 1951

Report on Examination of Financial Statements

TO THE MEMBERS OF THE
AMERICAN INSTITUTE OF ACCOUNTANTS
GENTLEMEN: We have examined the balance-sheets at August 31, 1951, and the related statements of income and expenses and fund transactions for the year then ended of:

American Institute of Accountants,
American Institute Publishing Co.,
Inc.
American Institute of Accountants
Foundation, and
American Institute Benevolent Fund,
Inc.

Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Following past practice, the financial statements include income from investments on a cash basis and inventories of bulletins and pamphlets as prepaid expenses only to the extent of the unrecovered costs of bulletins and pamphlets for sale.

In our opinion, the accompanying balance sheets and the related statements of income and expenses and fund transactions of the aforementioned organizations present fairly their financial position at August 31, 1951, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

FRANKE, NORTH, HANNON & WITHEY
October 3, 1951

American Institute Benevolent Fund, Inc.

Report of Board of Trustees

TO THE AMERICAN INSTITUTE
BENEVOLENT FUND, INC.

GENTLEMEN: During the fiscal year ended August 31, 1951, the American Institute Benevolent Fund, Inc., received in the form of contributions, income from investments, and interest on savings bank deposits, \$15,401. During the year the fund extended assistance to members of the Institute in the amount of \$5,450, and expended \$225 for stationery, printing, postage, and general expenses.

Contributions to the fund this year were \$12,787, compared with \$10,424 the previous year. The New Jersey Society of Certified Public Accountants sent in contributions to the fund in memory of five deceased members of the Society. The principal fund as of August 31, 1951, was \$90,515.

A statement of assets of the fund as of August 31, 1951, and August 31, 1950, and an analysis of the increases and decreases

of the principal fund during the fiscal year are submitted as a supplement to this report.

It is gratifying to report that assets of the fund continue to increase. Contributions are currently in excess of expenditures, though experience indicates that we must be prepared to meet unforeseen demands. With the increased number of members of the Institute, a wider variety of contingencies must be anticipated, and we believe the fund should be kept large enough to meet these increased responsibilities.

Respectfully submitted,
C. OLIVER WELLINGTON, *President*
HAROLD R. CAFFYN, *Treasurer*
SAMUEL J. BROAD
N. LOYALL McLAREN
ROBERT H. MONTGOMERY
GEORGE S. OLIVE
JOHN L. CAREY, *Secretary*

September 15, 1951

AMERICAN INSTITUTE OF ACCOUNTANTS
Statement of Changes in Funds

For the Year Ended August 31, 1951

	General fund				Restricted funds	
	Appropriated for contingency fund (Note 1)	Income retained for working capital (Note 1)	Endowment	Business income research (Note 3)	Elijah Watt Sells scholarship	
					Principal	Unexpended income
Balance, September 1, 1950	\$162,741.88	\$ —	\$227,529.88	\$16,185.89	\$1,112.50	\$642.38
<i>Add or deduct (*):</i>						
Excess of income over expenses for fiscal year	—	9,278.45	—	—	—	2.66
Dividend received from American Institute Publishing Co., Inc.	—	20,000.00	—	—	—	—
Transfer from contingency fund	12,741.88*	12,741.88	6,219.84	—	—	—
Gain on sales of securities	—	—	—	—	—	—
Balance of grant received from Rockefeller Foundation	—	—	—	10,000.00	—	—
Excess of expenses over income	—	—	—	21,420.31*	—	—
Balance, August 31, 1951	\$150,000.00	\$42,020.33	\$233,749.72	\$ 4,765.58	\$1,112.50	\$645.04

NOTES: 1. During the current fiscal year, by authority of the council of the Institute, the balance of the contingency fund at August 31, 1950, in excess of \$150,000 and consisting of cash and the investment in the American Institute Publishing Co., Inc., was transferred to the general fund. The council also authorized that any excess of assets over liabilities of the general fund be designated as Income Retained for Working Capital, until a part or all of such retained income is specifically appropriated to the contingency fund.

2. The book value of the American Institute Publishing Co., Inc., stock as shown by its balance sheet amounted to \$31,797.19 at August 31, 1951, after payment of a dividend of \$20,000, and \$45,713.09 at August 31, 1950.

3. The Rockefeller Foundation and the American Institute of Accountants each contributed \$30,000 for a study of business income to be completed in December, 1951. The activities of the business income research fund are conducted apart from those of the Institute.

AMERICAN INSTITUTE OF ACCOUNTANTS
Comparative Balance Sheet
August 31, 1951, and 1950

<u>Assets</u>	<u>1951</u>	<u>1950</u>
GENERAL FUND (Note 1) †		
Cash	\$ 77,980.13	\$ 32,415.59
Accounts receivable	38,693.69	47,443.81
Moving, alteration and rental costs to be reimbursed by landlords	—	6,672.61
Prepaid expenses	13,671.92	3,532.67
Investment in capital stock (100%) of American Institute Publishing Co., Inc., at cost (Note 2)	5,000.00	—
Furniture and equipment at nominal value	1.00	1.00
Due from American Institute Publishing Co., Inc.	8,500.000	7,200.00
Due from endowment fund	—	332.50
	<u>\$143,846.74</u>	<u>\$ 97,598.18</u>
CONTINGENCY FUND (Note 1) †		
Cash	\$ 15,961.17	\$ 5,071.84
Marketable securities, at cost (value based on market quotations 1951—\$135,114.78; 1950—\$133,219.88)	134,038.83	134,038.83
Investment in capital stock (100%) of American Institute Publishing Co., Inc., at cost (Note 2)	—	5,000.00
Due from general fund	—	18,631.21
	<u>\$150,000.00</u>	<u>\$162,741.88</u>
ENDOWMENT FUND		
Cash	\$ 867.91	\$ 285.06
Marketable securities, at cost (value based on market quotations 1951—\$283,937.54; 1950—\$258,034.38)	232,880.81	227,576.32
Library books, furniture and equipment at nominal value	1.00	1.00
	<u>\$233,749.72</u>	<u>\$227,862.38</u>
BUSINESS INCOME RESEARCH FUND (Note 3) †		
Cash	\$ 4,765.58	\$ 16,185.89
ELIJAH WATT SELLS SCHOLARSHIP FUND		
Marketable securities, at cost (value based on market quotations 1951—\$1,485.00; 1950—\$1,597.50)	\$ 1,531.57	\$ 1,531.57
Due from general fund	225.97	223.31
† See notes on page 85.	<u>\$ 1,757.54</u>	<u>\$ 1,754.88</u>

<u>Liabilities and Funds</u>	<u>1951</u>	<u>1950</u>
Liabilities:		
Note payable to bank	\$ —	\$ 50,000.00
Accounts payable and accrued expenses	22,691.63	23,642.20
Employee deductions for taxes and savings bonds	315.53	299.79
Due to Elijah Watt Sells scholarship fund	225.97	223.31
Due to contingency fund	—	18,631.21
	<u>\$ 23,233.13</u>	<u>\$ 92,796.51</u>
Contributions for maintenance of Institute services to members, to be used in succeeding fiscal year	73,302.33	—
Dues paid in advance	5,290.95	4,801.67
Income retained for working capital	42,020.33	—
	<u>\$143,846.74</u>	<u>\$ 97,598.18</u>
Balance of fund	<u>\$150,000.00</u>	<u>\$162,741.88</u>
	 <u>\$150,000.00</u>	 <u>\$162,741.88</u>
Liabilities:		
Due to general fund	\$ —	\$ 332.50
Principal	233,749.72	227,529.88
	<u>\$233,749.72</u>	<u>\$227,862.38</u>
Balance of fund	<u>\$ 4,765.58</u>	<u>\$ 16,185.89</u>
Principal	\$ 1,112.50	\$ 1,112.50
Unexpended income	645.04	642.38
	<u>\$ 1,757.54</u>	<u>\$ 1,754.88</u>

AMERICAN INSTITUTE OF ACCOUNTANTS
Schedule of Marketable Securities

August 31, 1951

CONTINGENCY FUND

Par value or number of shares	Description	Rate	Year of maturity	Cost	Value based on market quotations
Bonds:					
\$68,500	United States savings bonds, series G	2½%	1958	\$ 68,500.00	\$ 64,869.50 (a)
14,500	United States Treasury bonds	2¼%	1962/59	14,885.15	14,364.66
15,000	American Telephone and Telegraph Co. debentures	2¾%	1971	15,119.55	14,568.75
5,500	Shawinigan Water and Power Co. first mortgage and collateral trust	3½%	1970	5,183.75	4,791.87
				<u>\$103,688.45</u>	<u>\$ 98,594.78</u>
Preferred stocks:					
100	Consolidated Edison Co. of N. Y. \$5			\$ 10,510.00	\$ 10,787.50
140	Pacific Gas and Electric Co., 6%, \$25 par value			4,764.90	4,620.00
				<u>\$ 15,274.90</u>	<u>\$ 15,407.50</u>
Common stocks:					
200	Gulf Oil Corporation \$25 par			\$ 5,564.34	\$ 10,350.00
300	Otis Elevator Company, no par			9,511.14	10,762.50
				<u>\$ 15,075.48</u>	<u>\$ 21,112.50</u>
	Total contingency fund			<u>\$134,038.83</u>	<u>\$135,114.78</u>

ENDOWMENT FUND

Bonds:					
\$17,000	United States saving bonds, series G	2½%	1953	\$ 17,000.00	\$ 16,592.00 (a)
9,000	United States savings bonds, series G	2½%	1955	9,000.00	8,703.00 (a)
3,500	United States savings bonds, series G	2½%	1958	3,500.00	3,314.50 (a)
1,000	United States Treasury bond	2¼%	1962/59	1,026.57	990.66
10,000	Chicago, Milwaukee, St. Paul and Pa- cific Railroad Co. general mortgage in- come, series A	4½%	2019	9,975.00	7,300.00
5,000	Macon Terminal Co. guaranteed first mortgage, gold bonds	5 %	1965	5,400.00	5,175.00
10,000	New York Central and Hudson River Railroad Co., Lake Shore collateral	3½%	1998	6,982.50	6,237.50
7,500	Shawinigan Water and Power Co. first mortgage and collateral trust	3½%	1970	7,122.50	6,534.38
10,000	Southern Pacific Co., gold bonds	4½%	1981	9,083.75	9,462.50
				<u>\$ 69,090.32</u>	<u>\$ 64,309.54</u>

AMERICAN INSTITUTE OF ACCOUNTANTS
Schedule of Marketable Securities

Par value or number of shares	Description	Cost	Value based on market quotations
Preferred stocks:			
29	American Smelting and Refining Co., 7%, \$100 par value	\$ 4,880.43	\$ 4,553.00
100	Consumers Power Company \$4.50	10,383.18	10,987.50
100	P. Lorillard Co., 7%, \$100 par value	16,907.05	15,300.00
15	Pacific Gas and Electric Co., 6%, \$25 par value	510.53	495.00
157	United States Steel Corporation, 7% cumulative, \$100 par value	21,886.53	22,922.00
		<u>\$54,567.72</u>	<u>\$54,257.50</u>
Common stocks:			
200	Allied Chemical & Dye Corp., no par	\$ 7,951.75	\$ 14,975.00
100	American Tel. & Tel. Co., 100 par value .	16,147.26	16,112.50
110	Central Illinois Light Co., no par value	1,925.05	3,850.00
560	Consumers Power Co., no par value	8,910.95	18,620.00
200	General Electric Co., no par value	7,155.29	11,925.00
100	General Motors Corp., \$5 par value	4,912.22	10,000.00
18	Guaranty Trust Co. of New York, \$100 par value	5,918.00	5,085.00
216	Gulf Oil Corp., \$25 par value	5,970.01	11,178.00
300	International Harvester Co., no par value	8,821.97	10,350.00
100	National City Bank of New York, \$20 par value	4,537.50	4,625.00
600	Northern States Power Co. (Minne- sota) \$5 par value	6,165.36	6,150.00
250	Ohio Oil Co., no par value	12,716.74	14,000.00
430	Standard Oil Co. of New Jersey, \$15 par value	11,367.43	30,100.00
400	Virginia Electric & Power Co., \$10 par value	6,723.24	8,400.00
		<u>\$109,222.77</u>	<u>\$165,370.50</u>
	Total endowment fund	<u>\$232,880.81</u>	<u>\$283,937.54</u>

ELIJAH WATT SELLS SCHOLARSHIP FUND

Preferred stock:			
45	Pacific Gas & Electric Co., 6%, \$25 par value	\$ 1,531.57	\$ 1,485.00

**SUMMARY OF TOTAL CONTINGENCY, ENDOWMENT, AND
ELIJAH WATT SELLS SCHOLARSHIP FUNDS**

Bonds	\$172,778.77	\$162,904.32
Preferred stocks	71,374.19	71,150.00
Common stocks	124,298.25	186,483.00
Total investments	<u>\$368,451.21</u>	<u>\$420,537.32</u>

(a) Current redemption value

AMERICAN INSTITUTE OF ACCOUNTANTS
Comparative Statement of Income and Expenses

Years Ended August 31, 1951, and 1950

	GENERAL FUND	<u>1951</u>	<u>1950*</u>
Income:			
Dues and reinstatement fees		\$389,930.50	\$352,983.75
Fees from state boards of accounting		141,297.54	158,030.96
Services to American Institute Publishing Co., Inc.		128,500.00	109,000.00
Profit on publications sold		82,895.38	105,295.62
Application fees		2,850.00	2,550.00
Income from securities and interest on bank balances		4,904.32	4,324.05
Contributions for expansion of Institute services to members		—	69,451.50
Income from endowment fund for library expenses		14,426.90	13,601.80
Contribution from American Institute of Accountants Foundation for library expenses		3,473.30	3,195.09
Gain on sale of securities		31.01	63.55
Sundry income		2,142.74	2,988.48
Total income		<u>\$770,451.69</u>	<u>\$821,484.80</u>
Expenses:			
Salaries and technical services		\$291,211.49	\$248,847.83
Portion of dues covering subscriptions of members to <i>The Journal of Accountancy</i>		50,856.25	44,571.25
Cost of publishing <i>The CPA Magazine</i>		17,035.43	13,179.19
Special reports to members		19,593.19	38,055.60
Permanent binders for members' reports and membership lists		3,705.16	15,422.33
Board of Examiners—preparation and grading uniform CPA ex- aminations		113,394.87	131,041.37
Rent, electricity, insurance, and building service (less \$12,000 charged to library expenses)		60,231.40	62,568.60
Traveling		20,630.99	16,592.76
Pensions		18,126.41	15,429.32
Stationery, printing and supplies		16,072.20	14,958.71
Postage and expressage		15,459.07	15,226.47
Annual, council and executive committee expenses		15,029.85	15,808.95
Technical and other committee expenses		12,875.89	13,271.42
Legal and audit fees:			
Regular		9,439.17	8,058.13
Special		6,311.07	12,013.70
Telephone and telegraph		6,548.38	6,234.17
Equipment purchased		6,880.87	10,763.76
Social security taxes		8,705.79	7,311.56
Advertising and announcements		3,025.74	3,378.39
Public relations—professional fees, printing, and sundry expenses		23,716.15	31,910.37
Contributions			
Committee on Selection of Personnel		—	10,000.00
Business income research fund		—	10,000.00
Library—salaries and other expenses		36,273.20	34,813.35
Moving and alteration		—	17,641.27
State society staff meetings		1,172.29	—
Other expenses		4,878.38	5,755.09
Total expenses		<u>\$761,173.24</u>	<u>\$802,853.59</u>
Excess of income over expenses		<u>\$ 9,278.45</u>	<u>\$ 18,631.21</u>
Dividend from American Institute Publishing Co., Inc.		20,000.00	—
Net income for fiscal year		<u>\$ 29,278.45</u>	<u>\$ 18,631.21</u>

* Reclassified for comparative purposes.

AMERICAN INSTITUTE OF ACCOUNTANTS
Comparative Statement of Income and Expenses

Years Ended August 31, 1951 and 1950

	1951	1950*
ENDOWMENT FUND		
Income:		
Income from securities	\$ 14,216.23	\$ 13,121.99
Sale of Accountants' Index Supplements	779.32	1,004.69
	14,995.55	14,126.68
Less—Custodian fees	568.65	524.88
Income transferred to general fund to be used for library expenses ..	\$ 14,426.90	\$ 13,601.80
ELIJAH WATT SELLS SCHOLARSHIP FUND		
Income from securities	\$ 64.80	\$ 64.80
Less—Cost of medals for awards	62.14	57.59
Excess of income over expenses	\$ 2.66	\$ 7.21

*Reclassified for comparative purposes.

AMERICAN INSTITUTE PUBLISHING CO., INC.

Comparative Balance-Sheets

August 31, 1951 and 1950

	1951	1950
Assets		
Cash	\$ 43,594.98	\$ 51,610.30
Marketable securities, at cost (United States Government securities, market or redemption value 1951—\$92,249.28; 1950—\$93,977.50) ..	94,994.38	94,994.38
Accounts receivable	3,954.54	5,886.35
Purchased interest on bonds	—	350.29
Inventories:		
Books, unbound sheets, paper stock and wrappers at cost or nominal value	4,359.37	5,330.91
In-process expenses of <i>The Journal of Accountancy</i>	8,879.84	—
Prepaid expenses	200.00	200.00
Furniture and equipment	1.00	1.00
Goodwill	14,699.08	14,699.08
	\$170,683.19	\$173,072.31
Liabilities and Capital		
Liabilities:		
Due to American Institute of Accountants	\$ 8,500.00	\$ 7,200.00
Accounts payable and accrued expenses	10,539.78	1,125.07
Taxes withheld from salaries	46.42	380.26
Provision for Federal and state taxes	3,434.26	12,200.00
	\$ 22,520.46	\$ 20,905.33
Deferred income:		
Subscriptions, advertising and other unearned income	\$116,365.54	\$106,453.89
Capital stock and surplus:		
Capital stock—		
Authorized and outstanding, 1,000 shares without par value ...	\$ 5,000.00	\$ 5,000.00
Paid-in surplus	\$ 1,375.00	\$ 1,375.00
Earned surplus—		
At beginning of year	\$ 39,338.09	\$ 17,017.55
Net income for the fiscal year	6,084.10	22,320.54
	\$ 45,422.19	\$ 39,338.09
Less—Dividend paid	20,000.00	—
Balance, end of year	\$ 25,422.19	\$ 39,338.09
	\$170,683.19	\$173,072.31

AMERICAN INSTITUTE PUBLISHING CO., INC.
Schedule of Marketable Securities

August 31, 1951

Par value	Description	Rate	Year of maturity	Cost	Value based on market quotations
Bonds:					
\$20,000	United States savings bonds, series G	2½%	1958	\$20,000.00	\$18,940.00 (a)
74,000	United States Treasury bonds	2¼%	1962/59	74,994.38	73,309.28
Total investments				<u>\$94,994.38</u>	<u>\$92,249.28</u>

(a) Current redemption value.

Comparative Statement of Income and Expenses

Years Ended August 31, 1951 and 1950

Income:	1951	1950*
<i>The Journal of Accountancy—</i>		
Subscriptions earned,		
Members of the American Institute of Accountants	\$ 50,856.25	\$ 44,571.25
Other subscribers	218,298.89	189,678.03
Advertising	121,668.40	113,990.20
Sales of single copies, bound volumes, binding and other items	4,480.45	5,628.93
	<u>\$395,303.99</u>	<u>\$353,868.41</u>
Less—Costs of paper, printing, postage and addressing	119,489.76	103,819.20
Gross profit from magazine	<u>\$275,814.23</u>	<u>\$250,049.21</u>
Books—		
Sales	\$ 11,661.58	\$ 13,374.12
Cost of books sold and royalties	4,762.63	5,421.60
Gross profit from books	<u>\$ 6,898.95</u>	<u>\$ 7,952.52</u>
Miscellaneous revenue—		
Service sales and other items	\$ 8,898.02	\$ 13,077.66
Interest on investments	1,814.71	500.00
Total miscellaneous revenue	<u>\$ 10,712.73</u>	<u>\$ 13,577.66</u>
Total income	<u>\$293,425.91</u>	<u>\$271,579.39</u>
Expenses:		
Services charged by American Institute of Accountants	\$128,500.00	\$109,000.00
Salaries and fees for technical services	91,807.07	79,633.12
Reprints	597.87	480.89
Advertising and promotion	48,445.62	32,849.16
Postage and express	3,523.59	3,943.53
Equipment purchased	1,156.74	2,111.05
Stationery, printing and supplies	2,934.76	4,141.95
Social security and excise taxes	4,019.90	3,050.07
Telephone and telegraph	328.72	255.00
Other expenses	2,633.74	1,594.08
Total expenses	<u>\$283,948.01</u>	<u>\$237,058.85</u>
Net income before provision for taxes on income	\$ 9,477.90	\$ 34,520.54
Provision for taxes on income	3,393.80	12,200.00
Net income for fiscal year	<u>\$ 6,084.10</u>	<u>\$ 22,320.54</u>

*Reclassified for comparative purposes.

American Institute of Accountants Foundation

Report of Board of Trustees

TO THE AMERICAN INSTITUTE OF
ACCOUNTANTS FOUNDATION

GENTLEMEN: Your board of trustees has held two meetings since the annual meeting in October, 1950.

Income from the Foundation, amounting to \$3,674, derived from interest on the capital fund, has been contributed toward the support of the Institute's library as in the past, with the exception of \$201, which has been paid in fees to the se-

curities custodian, and other expenses.

During the year \$16,740 was received in fees from the testing program. Expenses of the special research project for the fiscal year amount to \$26,418, leaving an unexpanded balance of \$12,902, in the special research fund.

Respectfully submitted
for the board of trustees,
T. COLEMAN ANDREWS, *President*

September 26, 1951

AMERICAN INSTITUTE OF ACCOUNTANTS FOUNDATION

Comparative Balance-Sheets

August 31, 1951 and 1950

FOUNDATION FUND

	Assets	1951	1950
Cash		\$ 981.29	\$ 839.54
Marketable securities, at cost (value based on market quotations 1951—\$78,831.50; 1950—\$78,757.50)		72,890.24	72,944.52
		\$73,871.53	\$73,784.06

SPECIAL RESEARCH PROJECT FUND (COMMITTEE ON SELECTION OF PERSONNEL)

Cash		12,902.36	21,079.86
		\$86,773.89	\$94,863.92
	Liabilities and Funds		
Principal		\$73,871.53	\$73,784.06
Unexpended balance of special research project fund		12,902.36	21,079.86
		\$86,773.89	\$94,863.92

FOUNDATION FUND

Statement of Changes in Fund

Year Ended August 31, 1951

Principal at September 1, 1950	\$73,784.06
Contributions received	142.23
	\$73,926.29
Less—Loss on sale of securities	54.76
Principal at August 31, 1951	\$73,871.53

AMERICAN INSTITUTE OF ACCOUNTANTS FOUNDATION
Comparative Statement of Income and Expenses

Years Ended August 31, 1951 and 1950

	FOUNDATION FUND	1951	1950
Income from securities	\$	3,674.39	\$ 3,392.36
Less—Custodian fees		201.09	197.27
Contribution to American Institute of Accountants for library expenses	\$	3,473.30	\$ 3,195.09
SPECIAL RESEARCH PROJECT FUND (COMMITTEE ON SELECTION OF PERSONNEL)			
Income:			
Contributions—			
American Institute of Accountants	\$	—	\$10,000.00
Other		1,500.00	—
Income from testing service—schools and firms		16,740.72	27,597.84
Sales of "Public Accounting as a Career"		—	22.26
Total income	\$	18,240.72	\$37,620.10
Expenses:			
Printing of bulletins and reprints	\$	—	\$ 124.98
Postage, printing, supplies and travel		581.10	498.54
Educational Records Bureau—			
Payroll		16,986.99	22,477.53
Professional services		1,677.00	1,668.00
Postage, supplies and travel		3,649.72	7,640.22
Printing of bulletins and reprints		1,523.49	1,221.69
Rent		1,999.92	1,999.92
Total expenses	\$	26,418.22	\$35,630.88
Excess of expenses over income	\$	8,177.50	\$ 1,989.22*
Unexpended balance of fund—beginning of year		21,079.86	19,090.64
Unexpended balance of fund—end of year	\$	12,902.36	\$21,079.86

*Excess of income over expenses.

Schedule of Marketable Securities

August 31, 1951

Par value or number of shares	Description	Year of Rate maturity	Cost	Value based on market quotations
Bonds:				
\$ 3,000	United States savings bonds, series G	2½% 1953	\$ 3,000.00	\$ 2,928.00 (a)
5,000	United States savings bonds, series G	2½% 1955	5,000.00	4,835.00 (a)
6,000	United States savings bonds, series G	2½% 1959	6,000.00	5,682.00 (a)
5,000	Illinois Central Railroad Co. and Chicago, St. Louis and New Orleans Railroad Co., series A, joint first refunding mortgage	5 % 1963	4,525.00	5,381.25
5,000	New York Central & Hudson River Railroad Co., Lake Shore collateral	3½% 1998	2,718.75	3,118.75
4,000	Shawinigan Water & Power Co., first mort- gage and collateral trust	3½% 1970	3,985.00	3,485.00
10,000	Southern Pacific Co., gold bonds	4½% 1981	8,863.75	9,462.50
			<u>\$34,092.50</u>	<u>\$34,892.50</u>

AMERICAN INSTITUTE OF ACCOUNTANTS FOUNDATION

Par value or number of shares	Description	Cost	Value based on market quotations
Preferred stocks:			
52	American Smelting & Refining Co., 7%, \$100 par value	\$ 8,722.48	\$ 8,164.00
50	P. Lorillard Co., 7%, \$100 par value	7,839.55	7,650.00
100	Pacific Gas & Electric Co., 6%, \$25 first preferred	3,403.50	3,300.00
70	United States Steel Corp., 7%, \$100 par value, first preferred	9,376.49	10,220.00
		<u>29,342.02</u>	<u>29,334.00</u>
Common stocks:			
100	Kennecott Copper Corp., no par	\$ 3,241.00	\$ 8,125.00
96	J. C. Penney Co., no par	6,214.72	6,480.00
		<u>\$ 9,455.72</u>	<u>\$14,605.00</u>
	Total investments	<u>\$72,890.24</u>	<u>\$78,831.50</u>

(a) Current redemption value.

AMERICAN INSTITUTE BENEVOLENT FUND, INC.

Comparative Balance-Sheets

August 31, 1951, and 1950

	Assets	
	1951	1950
Cash	\$ 9,098.31	\$ 9,194.71
Marketable securities, at cost (value based on market quotations 1951 —\$79,851.08; 1950—\$70,741.75)	81,416.96	71,806.37
	<u>\$90,515.27</u>	<u>\$81,001.08</u>
	Fund	
Principal	<u>\$90,515.27</u>	<u>\$81,001.08</u>

Statement of Changes in Fund

Year Ended August 31, 1951

Principal at September 1, 1950	\$81,001.08
Excess of income over expenses	9,726.24
	<u>\$90,727.32</u>
Less—Loss on sale of investments	212.05
Principal at August 31, 1951	<u>\$90,515.27</u>

AMERICAN INSTITUTE BENEVOLENT FUND, INC.
Comparative Statement of Income and Expenses

Years Ended August 31, 1951 and 1950

Income:			
Contributions	\$12,787.00		\$10,424.00
Income from securities	2,573.58		2,361.29
Interest on savings account	40.82		40.02
Total income	<u>\$15,401.40</u>		<u>\$12,825.31</u>
Expenses:			
Assistance to members	\$ 5,450.00		\$ 4,500.00
Stationery, printing and other expenses	225.16		247.81
Total expenses	<u>\$ 5,675.16</u>		<u>\$ 4,747.81</u>
Excess of income over expenses transferred to principal	<u>\$ 9,726.24</u>		<u>\$ 8,077.50</u>

Schedule of Marketable Securities

August 31, 1951

Par value or number of shares	Description	Rate	Year of maturity	Cost	Value based on market quotations
Bonds:					
\$26,000	United States savings bonds, series G	2½%	1958	\$26,000.00	\$24,654.00 (a)
6,000	United States savings bonds, series G	2½%	1959	6,000.00	5,682.00 (a)
10,000	United States savings bonds, series G	2½%	1960	10,000.00	9,560.00 (a)
5,000	United States Treasury bonds	2¼%	1962/59	5,167.19	4,953.33
5,000	American Telephone & Telegraph Co. debenture bonds	2¾%	1971	5,056.25	4,856.25
5,000	Pacific Gas & Electric Co., first mort- gage and refunding, series L	3 %	1974	5,243.75	5,031.25
5,000	Shawinigan Water & Power Co., series J, first mortgage and collateral trust	3½%	1970	4,712.50	4,356.25
				<u>\$62,179.69</u>	<u>\$59,093.08</u>
Preferred stocks:					
46	Safeway Stores, Inc., 4% cumulative, \$100 par value			\$ 4,623.00	\$ 4,531.00
35	United States Steel Corp., 7% cumulative, \$100 par value			\$ 5,203.04	\$ 5,110.00
				<u>\$ 9,826.04</u>	<u>\$ 9,641.00</u>
Common stocks:					
80	Best Foods, Inc., \$1 par value			\$ 2,128.55	\$ 2,700.00
80	Cincinnati Gas & Electric Co., \$8.50 par value			2,319.77	3,020.00
100	National Biscuit Co., \$10 par value			3,070.13	3,325.00
37	Ohio Oil Co., no par			1,892.78	2,072.00
				<u>\$ 9,411.23</u>	<u>\$11,117.00</u>
	Total investments			<u>\$81,416.96</u>	<u>\$79,851.08</u>

(a) Current redemption value.