AIA Annual report 1951-52

American Institute of Accountants

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ANNUAL REPORT

OF THE

AMERICAN INSTITUTE OF ACCOUNTANTS

1951-1952
Officers and Executive Committee—1951-52

J. William Hope, President
Marquis G. Eaton, Vice President
Arthur B. Foye, Vice President
George E. Perrin, Vice President
Donald M. Russell, Vice President
Harold R. Caffyn, Treasurer

T. Coleman Andrews
William M. Black
Roy C. Comer
John B. Inglis
Saul Levy
Maurice H. Stans
J. Harold Stewart

John L. Carey, Executive Director

Officers (left to right): Messrs. Hope, Caffyn, Russell, Foye, Eaton and Perrin.
A MESSAGE
FROM THE PRESIDENT

As members of the American Institute of Accountants, each of us can exercise a constructive influence on its affairs.

Through our chapter, our state society, our Council representative, we can support what we think is good, and oppose what we think is bad. If all of us express ourselves, the Institute will surely be what the majority wants it to be.

But to exercise our influence intelligently, we need to have adequate information.

The Institute has tried in the past to keep us informed of its work by sending us each year the full reports of some 30 or 40 committees. However, since the reading of all these reports has required more time than most of us could afford, the Council of the Institute last year authorized the publication of this condensed version of the year's work. The full reports will still be essential as a complete record of the Institute's endeavors in behalf of the profession, and they will continue to be available to members on request. You are urged to send for any of them if you are interested in special phases of the activities.

The whole story of the last twelve months obviously cannot be told in such limited space. This report, for example, fails to pay tribute by name to scores of members who freely contributed their time and energies for the advancement of the profession. The achievements reviewed here would have been impossible without their generous help. They have created a record of service which obligates every member to assume a fair share of the labor in the profession's local and state organizations as well as in the Institute itself.
No one, indeed, could be more aware of the limitations of this report than I. For no one can realize the full scope of the Institute's work until he has had the privilege of occupying its highest office. Nonetheless, I am confident that these pages will convince you that the Institute continues to be a vital and creative force in the rapid progress of our profession — thanks to the selfless labor of many of you and the persistent faith of all of you.

October 1, 1952.

[Signature]

President
The basic objectives of the American Institute of Accountants can be simply stated.

It seeks to assist certified public accountants in establishing high standards — high standards of admission to the profession, of technical performance, of ethical conduct and of public service.

Only on the foundation of high standards can the Institute achieve another of its purposes: to promote greater recognition of the accounting profession, particularly by a number of key groups whose opinions directly affect its welfare.

Neither of these objectives can be attained, of course, unless the Institute is strong; and it cannot be strong unless it is ably managed, adequately financed and loyally supported by an ever-growing number of members.

All these aspects of the Institute will be considered in this brief summary of its activities for the 1951-52 fiscal year.

THE SHORTAGE OF CPAs

Standards can be kept high only if enough properly trained people are available to do the work.

All evidence points to a growing shortage of qualified accountants and a decline in the number of college graduates interested in public accounting.

During the year under review, the Institute:

Distributed 10,000 copies of two booklets — "A Career in Public Accounting" and "The CPA Examination: Gateway to a Profession" — designed to interest high school and college students in professional accounting.
Provided 325 members with copies of a pattern speech on public accounting as a career, to be given before high school audiences.

Offered a $250 scholarship through the Junior Achievement organization to encourage college study of accounting.

Continued the selection of personnel testing program (some 21,915 tests — which indicate aptitude, interest or achievement in accounting — were given in colleges and 3,030 by accounting firms to staff members).

But it became apparent during the year that these efforts were inadequate to solve the problem, and in May the Council authorized a program of much greater scope. Its principal elements are:

1. Combine all existing committees dealing with personnel into one enlarged committee on accounting personnel, which will carry out the program with a $40,000 appropriation.

2. Make surveys or studies to determine (a) present personnel practices and staff needs of accounting firms; (b) attitudes of college students and accounting teachers toward public accounting as a career; and (c) what other professions have done to solve their problems in this field.

3. Develop tests for high school students to ascertain potential ability in accounting.

4. Prepare new printed material and speeches (perhaps with slide film illustrations) for student audiences, in the light of the survey results.

5. Explore other methods of presenting the opportunities in public accounting to superior high school and college students, and to vocational guidance counselors.

6. Improve utilization of available personnel by assisting firms with staff training and promoting graduate study conferences.

Although some of this work has already been done, many of the activities to be undertaken must still be developed in detail. Personnel recruiting, testing, training and perhaps placement will occupy an even more prominent place in the Institute’s 1952-53 program.
Sixty-seven CPAs, retained on a per diem fee basis, graded 23,000 subject papers from May, 1952, examination. Reports were made to state boards of accountancy 73 days after the grading began.

**HIGH STANDARDS OF ADMISSION**

The preparation and grading of the uniform CPA examination is the Institute's great contribution to maintaining high standards of admission to the profession.

The examination became 100 per cent uniform in 1952 when Pennsylvania joined all the other states and territories in adopting it. No comparable profession can match this achievement.

The Institute took action this year on another aspect of maintaining high admission standards: the educational and experience requirements for the CPA certificate.

These are set by state laws and now vary widely. What should they be in terms of an ideal preparation for the profession? The answer to that question is now being sought by a Commission on Standards of Education and Experience for CPAs, composed of 24 eminent educators and practitioners, which the Institute took the lead in organizing last year. The group has received a $10,000 grant from the Institute for expenses, but it remains wholly independent.

**AIDS TO TECHNICAL PERFORMANCE**

**AUDITING**

Shortly before the 1951 annual meeting, the committee on auditing procedure completed a two-year project of great importance. It
produced a 60-page booklet codifying all of the statements on auditing procedure issued by the Institute in the last 12 years. The importance attached to it can be quickly demonstrated: 26,798 copies have been sold during the year.

With this major task completed, the committee redirected its attention to the Institute's long-range campaign to promote greater compliance with accepted auditing standards and procedures.

One of its most significant projects is a nation-wide survey of audit reports submitted to bankers. Undertaken with the aid of state societies of CPAs and local banks, the survey has a two-fold aim:

1. To provide the basis for a candid appraisal of the profession's level of performance in inventory observation, accounts-receivable confirmation and clarification of reports; and
2. To focus the bankers' attention on the audit reports submitted to them for credit purposes, in order to win their full support for independent audits by CPAs.

The committee has also:

Prepared a series of "case studies" describing inventory observation procedures applied in a number of businesses which often present unusual problems. These will be published shortly.

Sponsored a booklet on the preparation of long-form reports (also to be published soon).

Reviewed problems involved in cash-basis financial statements.

ACCOUNTING

The committee on accounting procedure made substantial progress on a restatement of its 41 accounting research bulletins. Each of the bulletins, like the auditing statements, is being carefully reviewed and redrafted — a job that has already taken more than two years. Most of the changes are being made in the interest of greater clarity or to eliminate outdated material; but some are changes of substance. The pamphlet is not expected to be ready until sometime after the first of the year.

The committee on accounting procedure has also explored some of the problems in connection with cash-basis financial statements;
discussed the subject of accounting for facilities acquired under certificates of necessity during the current defense period; studied accounting for pension costs, stock dividends and stock options; and begun reconsideration of accounting problems born of inflation.

The fruits of some of these labors will appear in the year to come.

TERMINOLOGY

The bulletins on terminology, originally released in the same series as the accounting research bulletins, are now being revised for publication in a separate booklet.

SERVICES AND PUBLICATIONS

The profession gained further aid in maintaining a high level of accounting service from the Institute's:

LIBRARY

The Library — one of the world's great sources of accounting literature — brought its collection of books, bound magazines and pamphlets to 42,755; compiled for publication next year that essential guide to printed material, the bi-annual Accountants Index; welcomed some 9,581 visitors; answered 16,000 reference questions; and furnished nearly 9,000 pieces of printed material to members.

Forty states and the District of Columbia were represented at the Spring meeting of the Council in White Sulphur Springs, W. Va., last April. Total attendance at the four-day conference was 120.
Technical Information Service

Inquiries on accounting and auditing problems were directed to the Technical Information Service from 40 states, the District of Columbia, Alaska and 11 foreign countries. Most of these originated in smaller communities where CPAs had little chance to exchange views with other practitioners or where library facilities were inadequate. The inquiries covered a wide range — from proper accounting for special capital stock issues to depreciation rates for race horses.

Meetings

The Institute assisted in arrangements for more than a dozen graduate study conferences, three regional conferences and many state society and chapter meetings — all designed to expand the CPAs’ professional knowledge. It was represented by speakers and delegates at the Second Inter-American Conference in Mexico and the Sixth International Congress in England. Its 1951 annual meeting in Atlantic City, with a program geared to the accounting needs of the defense period, attracted an attendance of 1,036 and the technical papers presented there had an even greater audience in published form.

Publications

The Journal of Accountancy brought news of accounting developments to a still growing number of subscribers — 63,710 of them as compared with 61,523 a year ago.
Other publications included:

1. The fifth yearly edition of *Accounting Trends and Techniques*, research-staff survey of more than 1,100 published corporate annual reports.

2. A 96-page booklet reprinting major tax articles from recent issues of *The Journal*.


**USEFUL TOOL FOR BUSY ACCOUNTANTS**

Perhaps the Institute's most ambitious project to aid the profession in improving its service is the *CPA Handbook* — a two-volume, 27-chapter, 1,600-page manual on the conduct of an accounting practice.

Several hundred practitioners contributed their knowledge and experience to the publication. Designed primarily for accountants in small and medium-sized firms, it will be available in a few weeks.

Said a member of the committee which supervised its production: "The effect of the *Handbook* will never be measurable; but it has every promise of becoming the most useful tool ever made available to the harried accountant in practice. It is certain to raise materially the level of technical performance of the profession, and to extend the already great influence of accountancy to smaller and smaller business units to the vast benefit not only of the profession but also of the economic community . . . ."

**LIFE INSURANCE PROGRAM**

Greater service to more clients requires a relatively stable staff. One means of retaining partners and employees is to provide for their families' financial security through the Institute insurance program.

Insurance in force under the plan neared 50 million dollars, with over 1,400 firms and 9,000 individuals protected. The Trust also
issued a refund to participating firms which reduced the annual insurance cost from the basic rate of $1.17 to about 88 cents a month per thousand of insurance.

THE WORK OF SELF-DISCIPLINE

In performing the vital work of professional self-discipline, the ethics committee this year:

*Answered* more than 31 requests for interpretations of the Institute's rules of professional conduct.

*Investigated* 24 complaints against members — most of them involving relatively minor infractions.

*Referred* one serious complaint to the Trial Board for a hearing which ended in the offender's expulsion from membership.

In addition to these regular tasks, the committee continued to re-examine the rules of conduct to determine whether any of them needed revision in the light of changing conditions.

The possibility of further improving the profession's enforcement procedures was also studied during the year.

CONTRIBUTIONS TO PUBLIC SERVICE

NATIONAL DEFENSE

The Institute's public-service efforts during the year have been centered in two areas — national defense and federal taxation.

Through committees and staff, it has maintained regular contact with mobilization officials on a host of problems; specifically, it has contributed to the defense program by:

1. Aiding the armed forces to find CPAs for top civilian or military posts and expediting the assignment of qualified accountants in service to duties which best utilize their skills.

2. Reviewing proposed regulations, directives and manuals released for comment by the Renegotiation Board and the Department of Defense.
3. Preparing testimony for Congress, as a public service, on several pieces of defense legislation.

**FEDERAL TAXATION**

The staff of the Joint Congressional Committee on Internal Revenue Taxation has sought the aid of the Institute in a current study that may result in an important overhauling of the tax laws.

After months of concerted effort, the committee on federal taxation completed in late summer a detailed report on ways of improving the revenue code and its administration. Printed in booklet form, some 60 suggestions will be submitted to Congress and distributed to other interested groups in a few weeks.

Earlier the Institute reviewed in detail the proposed reorganization of the Bureau of Internal Revenue. Major conclusion (presented in testimony to Congress): the plan, while sound in principle, is weak in the appeals procedures available to taxpayers. One suggestion is that it should be supplemented by the creation — along the lines of the Mills bill — of an independent agency to settle tax controversies.

*Members of the federal taxation committee came from all parts of the country to attend five meetings during the 1951-52 fiscal year.*
informally on the basis of factual representations by taxpayers and officials of the Bureau.

Throughout the year, the Institute was also active in connection with Congressional probes of the tax-collecting unit. It conferred with the King Committee's counsel on possible connection of enrolled attorneys and agents with suspected federal employees; it cooperated with the Treasury Department's Committee on Practice by supplying renewal applications to members and by obtaining the names of CPAs disciplined by state CPA societies.

Other activities in the field of taxation included:

**Preparation** and submission of a bill (passed by Congress late last summer) to permit an additional two-month extension of the deadline for certain corporate and excess-profits tax returns.

**Development** of three studies on various aspects of long-range tax policy — the first of which, on averaging of income for tax purposes, appeared in the January *Journal of Accountancy*.

**Conference** in Washington with government officials and industry leaders on amending the revenue code to allow application of "cost or market" principle in LIFO method of inventory for tax purposes.

**Discussion** with federal officials on possibility of clarifying responsibility of taxpayers' agents in preparing tax returns.

**OTHER FIELDS OF SERVICE**

The Institute's public-interest endeavors were not limited, of course, to defense or tax matters. Typical contributions in other fields:

1. Aided the U. S. Labor Department in developing a booklet, "Employment Outlook in Accounting" — the first time accounting has been included in the occupational outlook series.

2. Continued to maintain close liaison with the Securities and Exchange Commission. Some topics on the agenda for one of the year's several conferences: difficulties encountered by smaller practitioners in SEC work; problems in auditing brokerage houses; SEC attitude toward requiring amendment of statements when the CPA's opinion is qualified.
The maintenance of high standards, as stated in the opening of this report, is the essential first step in securing greater recognition of the accounting profession.

But there is nothing automatic about this process.

The Institute's efforts to assure the profession of that greater recognition which its standards have earned for it are second in importance only to its maintenance of the standards themselves.

WASHINGTON DEVELOPMENTS

CPAs, like most citizens, have been vitally affected in recent years by decisions of the Federal Government.

Consequently, the Institute last fall reorganized its staff to centralize all responsibility for keeping informed as to legislation of interest to the profession.

As a result, the profession has been more fully aware than ever before of fast-breaking developments in the nation's capital—even though the number of matters of interest has constantly increased.

Events in two major areas provide a general insight into the Institute's Washington coverage.

SALARY STABILIZATION

Early this summer Congress freed from controls the wages, salaries and other compensation paid to CPAs "licensed to practice as such" who are employed in a professional capacity by a CPA or firm of CPAs engaged in public accounting.

The Institute had filed a petition in August of 1951 with the Salary Stabilization Board requesting exemption from the freeze by regulation. Reply: any such blanket exemption must be granted by
Congress. Amendments to the Defense Production Act authorizing the exemption were then offered by Senators Ives and Bricker. An Institute representative testified at formal hearings on the measure before the Senate Banking and Currency Committee in March. Three months later the bill containing the amendment was passed by both houses of Congress and signed by the President.

The Salary Stabilization Board, however, has since issued a narrow interpretation of the law. Said the Board: the “licensed to practice” phrase means licensed in the state where the CPA is currently employed. This needlessly restrictive ruling has been protested.

**Retirement Income for CPAs**

At the 1951 annual meeting, the Institute went on record as endorsing in principle the Keogh-Reed bills, which would allow professional and other self-employed persons to postpone federal income taxes on part of their earned net income paid into a restricted retirement fund.

The president of the Institute, in conformity with this resolution, testified on the bills before the House Ways and Means Committee early this spring. Congress adjourned without acting on the measures; but, as a result of the hearings, the bills have now been extensively revised, and will be reintroduced at the next session.

The Institute also arranged for the introduction in Congress of a bill to permit optional Social Security coverage for CPAs, after similar legislation was proposed for other professions. However, voluntary coverage is strongly opposed by government officials on the grounds that “self-selection” of recipients of old-age benefits would impair the financial stability of the whole federal program.

**Selective Service and Other Matters**

In addition to these activities, the Institute succeeded last year in:

*Obtaining* assurance from Selective Service headquarters that local draft boards are qualified to grant limited deferments, on an individual basis, to qualified candidates to permit them to take the next succeeding CPA examination.

*Securing* from the U. S. Post Office a second-class mailing permit
for *The Journal of Accountancy* as an educational publication, and a similar third-class permit for other volume mailings. Total estimated savings to the Institute: $10,000 annually.

**Persuading** the Bureau of the Budget to undertake a full study of the Institute’s request that CPAs be classified separately and as professional, rather than under business service, in the forthcoming Census of Business. (As a result of earlier efforts, CPAs were listed as professional for the first time in the 1950 population census.)

**STATE LEGISLATIVE DEVELOPMENTS**

No adverse legislation was passed this year — though 21 bills of interest to the profession were introduced.

The Institute’s committee on state legislation produced a report urging the inclusion of nine points in all accountancy laws, in the interest of uniformity. The nine points: state boards of accountancy should be composed exclusively of certified public accountants . . . the CPA certificate should be issued only to citizens or those who have declared their intention to become citizens of the United States, and have passed a written examination . . . authorization for the state board of accountancy to use the Institute’s uniform CPA examination should be included in the law . . . state laws should include a definition of partnerships permitted to practice as certified public accountants, and should prohibit practice by corporations . . . annual registration of certified public accountants should be required . . . procedures for hearings in the event of charges against a certified public accountant, and for the method of reinstatement of those whose certificates may be suspended or revoked, should be spelled out . . . penalties for unauthorized use of the title “certified public accountant” or any similar title should be included in the law . . . the certified public accountant’s ownership of his working papers should be specified . . . state boards should be authorized by statute to promulgate rules of professional conduct.

The Council of the Institute, at the 1952 annual meeting in Houston, adopted a resolution in support of the final point. The eight
other principles will be considered at the spring meeting of Council.

Another committee took on a long-range chore: the study of methods of eliminating existing barriers to inter-state practice.

**RELATIONS WITH OTHER GROUPS**

**LAWYERS**

A long history of controversy with unauthorized-practice-of-law committees of Bar associations has impressed CPAs with the necessity for defending their legitimate activities in tax practice.

But the influence of the National Conference of Lawyers and CPAs, the existence of the “Statement of Principles Relating to Practice in the Field of Federal Income Taxation” (adopted the year before), and the formation of 13 state conferences of lawyers and CPAs have greatly strengthened the machinery for cooperation. There was no litigation or legislative activity last year in which the two professions were opposed.

Nevertheless, in two suits for fees for tax services, CPAs are confronted with the defense that they engaged in unauthorized practice of law. Thus the issue may reach the courts again, despite the most sincere efforts of the American Bar Association and the American Institute of Accountants to settle the differences in these cases by friendly negotiation. The committee on relations with the bar, therefore, recognizes that the Institute must be prepared for the possibility that controversy may break out again. With this in mind, a thorough

*The National Conference of Lawyers and CPAs held two all-day sessions. Seated (l. to r.) Maurice H. Stans, Co-chairmen Percival F. Brundage and John D. Randall; Maurice Austin, Thomas J. Boodell, Mark E. Richardson, Judge Charles D. Hamel, H. Cecil Kilpatrick. Standing: T. Dwight Williams and John L. Carey.*
analysis — based on extensive research — has been made of this highly complex problem, and a joint conference of the committee on relations with the bar and the executive committee is to be held soon to discuss the matter.

BANKERS AND CREDIT EXECUTIVES

Ever since the end of World War II, the Institute and the Robert Morris Associates have been engaged in a cooperative educational program to inform bankers, borrowers and CPAs themselves of the mutual advantages of compliance with accepted auditing standards.

The year under review produced a major achievement in this campaign. It was a 12-page pamphlet, *Financial Statements for Bank Credit Purposes,* prepared by the Robert Morris Associates and distributed by that organization to almost every U. S. bank and trust company.

One quote from the booklet: “If the scope of his audit is unduly restricted, the CPA cannot render the most effective service of which he is capable. For this reason unrestricted audit engagements are recommended. Their cost should be regarded as a normal operating expense necessary to good management.”

Among other activities worthy of note:

1. The nation-wide survey of audit reports (discussed on page 8) — further proof of the accounting profession’s genuine desire to meet, as far as possible, the needs of bankers.

2. Continuing use of the Institute’s pamphlets, *Audits by Certified Public Accountants* and *The CPA’s Opinion,* in courses on analyzing financial statements conducted by the American Institute of Banking.

3. Promotion of joint meetings between bankers and CPAs in a number of local communities.

The need for sound accounting advice has been stressed in trade magazines read by more than a million businessmen.

PUBLICITY AND PROMOTION

In this area of its public relations activities, the Institute used almost every means of communication during the year to carry the profession's story.

It used radio — arranging a nation-wide broadcast from the Atlantic City annual meeting; three programs on income taxes over the 334 station network of the American Broadcasting Company; two recorded tax shows and eight one-minute “spot” announcements. (For results, see next page). All of this air time was donated as a public service by the broadcasting industry; most of the programs identified the CPA as an authority on taxes.

It used television — preparing a six-page outline of a TV program which over a dozen state societies and chapters adapted for local shows.

It used newspapers — issuing 4,451 press releases covering such events as the annual meeting and spring Council meeting, elections,
TWO CHANNELS OF COMMUNICATION TO THE PROFESSION AND THE PUBLIC

Radio stations using advertisements and/or spots
Speakers made by officers and staff
admission of new members, awards, speeches, publications and committee appointments.

It used "house organs" — furnishing a tax-hint article to more than 3,500 employee and stockholder magazines published by such firms as General Motors, U. S. Steel, Alcoa, General Mills, Liggett Drug Company, and International Harvester.

And it used magazines — supplying 13 more trade publications with articles on the value of the CPA’s services. Number published to date: 53, with a potential readership of over a million. A similar article appeared in Changing Times (The Kiplinger Magazine), and more than 90,000 reprints of it were distributed to businessmen.
Is the organization strong enough to keep up and expand the kind of work that has been described?

This report ends with a brief analysis of the present health of the American Institute of Accountants.

**FIRST TEST: FINANCES**

The financial story is told succinctly by the financial statements on pages 28 to 31 covered by the auditors' certificate (page 27). The budget estimates for 1952-53 appear on page 32.

**THE TEST OF MEMBERSHIP**

The Institute membership passed the 20,000 mark at the end of this fiscal year — a growth of 2,299 members (or a percentage increase of 11.3) in 12 months.

There were 110 resignations, and 71 members were dropped for non-payment of dues. Total losses from these causes amounted to less than four-tenths of one per cent of the membership.

The increase results largely from the active efforts of the membership committee. Two figures indicate the scope of these efforts: 3,609 congratulatory letters were sent to new CPAs by the committee chairmen; 2,097 resulting inquiries were answered and copies furnished to committee members for personal follow-up. The program, needless to say, was conducted on a dignified level with no impairment of admission standards.

Death took 123 members during the year — including Council members C. Weldon Barstow of Ohio and Frank V. Russell of
Louisiana; and Ira B. McGladrey of Iowa, a long-time member of the committee on auditing procedure.

**INTERNAL COMMUNICATION**

Effective communications within the profession are essential to coordinated, efficient action by the profession as a whole.

There have been several significant changes in the membership rolls. First: about half the members have been members for less than five years and thus cannot be expected to have an old-timer's knowledge of the society. Second: nearly a third are individual practitioners and thus have a greater concern for the needs of smaller businesses. Third: almost 30 per cent now live in communities of less than 100,000 population and thus have fewer opportunities to meet Institute spokesmen.

The state societies have also grown (19,571 to over 30,000 members in five years); and their activities have greatly expanded as
more and more of them (23 to date) have employed full- or part-time staff assistants.

These developments led the Council last spring to approve the creation of a separate department for state society and membership services. Its first-priority job: to maintain and improve the Institute's network of communication lines between the membership and national headquarters. Some of these lines run directly to and from the members; others are routed through state societies and chapters; all exist to carry two-way messages which will permit CPAs to derive the maximum benefit from their professional associations.

The recent work of the new department has included:

Revamping of The CPA to provide a more concise and readable monthly review of Institute activities.

Revising the format of the Newsletter sent to officers, Council members (including state society presidents), Institute committeemen, state society public relations chairmen and secretaries.

Planning the third conference of state society executive secretaries in Houston on October 4.

Assisting a number of Institute committees, particularly the advisory committee of individual practitioners (one of the prime sources of information on the needs of many members).

Arranging for a series of field trips by officers and staff, and preparing tape-recorded speeches for chapter meetings.

There is, of course, one other new device for stimulating more awareness of Institute services and full cooperation in advancing its aims: this modern form of annual report to the membership.

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**NOTE:** The text of any or all committee reports is available to members on request.
To the members of the
American Institute of Accountants:

We have examined the balance sheets at August 31, 1952 and the related statements of income and expense and fund transactions for the year then ended of the American Institute of Accountants, the American Institute of Accountants Foundation and the American Institute Benevolent Fund, Inc. In this connection, we also examined the statements of income and expense and surplus of the American Institute Publishing Co., Inc., for the seven months ended March 31, 1952, at which date this company was liquidated. Our examinations were made in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Following past practice, income from investments is reported as income on a cash basis and inventories of bulletins and pamphlets are included in the balance sheet 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 related statements of income and expense and fund transactions of the afore-mentioned organizations present fairly their financial position at August 31, 1952 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with the preceding year.

September 25, 1952
AMERICAN INSTITUTE OF ACCOUNTANTS
BALANCE SHEET — August 31, 1952

GENERAL FUND

ASSETS
Cash .......................................................... $173,970
Marketable securities, at cost (market value $92,484) ...... 95,788
Accounts receivable, including amounts billed for grading CPA examinations. 64,285
Inventories, at cost:
  Paper stock, wrappers, sundry prepublication expense, and in-process expenses of September Journal ..... 20,544
  Prepaid expenses ......................................... 6,517
  Furniture and equipment........................... 2
$361,106

ELIJAH WATT SELLS SCHOLARSHIP FUND
Marketable securities, at cost (market value $1,485) ................ $ 1,532
Due from general fund ........................................ 212
$ 1,744

LIABILITIES AND FUNDS
Liabilities:
  Accounts payable and accrued expenses .......................... $ 51,281
  Employees' deductions for insurance and savings bonds ............ 259
  Due Elijah Watt Sells scholarship fund .......................... 212
  Due paid in advance ...................................... 14,264
  Subscriptions, advertising and other unearned income ......... 146,625
  Income retained for working capital ...................... 148,465
$212,641

CONTINGENCY FUND
Cash .......................................................... $ 15,613
Marketable securities, at cost (market value $134,510) .. 134,387
$150,000

ENDOWMENT FUND
Cash .......................................................... $ 5,426
Marketable securities, at cost (market value $295,732) .. 230,118
Library books, furniture and equipment ......................... 1
$235,545

ELIJAH WATT SELLS SCHOLARSHIP FUND
Marketable securities, at cost (market value $1,485) ................ $ 1,532
Due from general fund ........................................ 212
$ 1,744

STATEMENT OF CHANGES IN FUNDS BALANCES
Year Ended August 31, 1952

<table>
<thead>
<tr>
<th>Income retained for working capital</th>
<th>Contingency</th>
<th>Endowment</th>
<th>Business income research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, September 1, 1951 ........</td>
<td>$ 42,021</td>
<td>$150,000</td>
<td>$233,750</td>
</tr>
<tr>
<td>Add or (deduct):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of income or (expense) ......</td>
<td>93,504</td>
<td>—</td>
<td>(3,230)</td>
</tr>
<tr>
<td>Gain or (loss) on sale of securities</td>
<td>—</td>
<td>—</td>
<td>5,025</td>
</tr>
<tr>
<td>Contributions received .............</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Surplus arising from liquidation of American Institute Publishing Co., Inc.</td>
<td>12,940</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Unexpended balance in fund returned, one-half to the Institute and one-half to Rockefeller Foundation</td>
<td>—</td>
<td>—</td>
<td>(219)</td>
</tr>
<tr>
<td>Balance, August 31, 1952 ..........</td>
<td>$148,465</td>
<td>$150,000</td>
<td>$235,545</td>
</tr>
</tbody>
</table>

— 28 —
### American Institute of Accountants

#### Comparative Statement of Income and Expense

Including American Institute Publishing Co., Inc.

**Years Ended August 31, 1952 and 1951**

#### Income:

<table>
<thead>
<tr>
<th>Description</th>
<th>1952</th>
<th>1951</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dues, application and reinstatement fees</td>
<td>$425,558</td>
<td>$392,781</td>
</tr>
<tr>
<td>Fees from state boards of accountancy</td>
<td>147,150</td>
<td>141,298</td>
</tr>
<tr>
<td>Sale of publications other than The Journal of Accountancy, less production costs</td>
<td>110,307</td>
<td>103,598</td>
</tr>
<tr>
<td>The Journal of Accountancy —</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subscriptions earned from nonmembers, sales of single copies, etc., less production costs</td>
<td>159,392</td>
<td>147,441</td>
</tr>
<tr>
<td>Advertising</td>
<td>146,696</td>
<td>121,668</td>
</tr>
<tr>
<td>Income from and gain on sales of securities, including securities' income from American Institute of Accountants Foundation for library expense</td>
<td>26,955</td>
<td>24,439</td>
</tr>
<tr>
<td>Sundry income</td>
<td>3,681</td>
<td>2,143</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>$1,019,739</strong></td>
<td><strong>$933,368</strong></td>
</tr>
</tbody>
</table>

#### Expense:

<table>
<thead>
<tr>
<th>Description</th>
<th>1952</th>
<th>1951</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, technical fees and social security taxes</td>
<td>$448,718</td>
<td>$409,851</td>
</tr>
<tr>
<td>Pensions</td>
<td>19,942</td>
<td>18,126</td>
</tr>
<tr>
<td>Legal, auditing and editorial fees</td>
<td>27,860</td>
<td>17,000</td>
</tr>
<tr>
<td>Stationery, printing, postage, telephone, supplies and other expense</td>
<td>60,664</td>
<td>54,096</td>
</tr>
<tr>
<td>Equipment and equipment maintenance</td>
<td>26,711</td>
<td>8,833</td>
</tr>
<tr>
<td>Excise taxes and taxes on income of American Institute Publishing Co., Inc.</td>
<td>6,995</td>
<td>4,673</td>
</tr>
<tr>
<td>Rent, electricity, insurance, etc.</td>
<td>72,873</td>
<td>72,231</td>
</tr>
<tr>
<td>Publications sent to members, including cost of The Journal of Accountancy and the CPA</td>
<td>88,458</td>
<td>76,183</td>
</tr>
<tr>
<td>Expense of uniform CPA examinations, including fees for preparation and grading, but excluding departmental salaries and overhead</td>
<td>110,297</td>
<td>113,395</td>
</tr>
<tr>
<td>Expense of annual, council and executive committee meetings</td>
<td>17,760</td>
<td>23,494</td>
</tr>
<tr>
<td>Travel</td>
<td>16,058</td>
<td>12,167</td>
</tr>
<tr>
<td>Technical and other committee expense</td>
<td>32,531</td>
<td>23,716</td>
</tr>
<tr>
<td>Special expense of public relations department, including professional fees</td>
<td>719</td>
<td>1,172</td>
</tr>
<tr>
<td>Special expense of state society and membership services department, including state society staff meeting</td>
<td>5,511</td>
<td>5,698</td>
</tr>
<tr>
<td>Library books and magazines</td>
<td>55,552</td>
<td>64,495</td>
</tr>
<tr>
<td>Advertising and promotion (publications and The Journal of Accountancy)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special projects —</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development of accounting personnel</td>
<td>5,030</td>
<td>—</td>
</tr>
<tr>
<td>Commission on CPA standards</td>
<td>314</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td><strong>$1,004,638</strong></td>
<td><strong>$918,006</strong></td>
</tr>
</tbody>
</table>

#### Excess of Income over Expense:

<table>
<thead>
<tr>
<th>Description</th>
<th>1952</th>
<th>1951</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special contributions from members</td>
<td>$15,101</td>
<td>$15,362</td>
</tr>
<tr>
<td>Dividend from American Institute Publishing Co., Inc.</td>
<td>79,245</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$94,346</td>
<td>$35,362</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Description</th>
<th>1952</th>
<th>1951</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income of the American Institute of Accountants</strong></td>
<td>$93,504</td>
<td>$29,278</td>
</tr>
</tbody>
</table>

**Note:** The American Institute Publishing Co., Inc., a wholly owned subsidiary of the American Institute of Accountants, was liquidated on March 31, 1952 and its business and net assets taken over by the parent company. For comparative purposes, the income and expense of both companies have been combined in this statement.
### Comparative Balance Sheet

**American Institute of Accountants Foundation**

**August 31, 1952 and 1951**

#### Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>1952</th>
<th>1951</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$6,848</td>
<td>$13,884</td>
</tr>
<tr>
<td>Marketable securities, at cost (market value 1952 — $79,390; 1951 — $78,832)</td>
<td>$74,601</td>
<td>$72,890</td>
</tr>
<tr>
<td></td>
<td><strong>$81,449</strong></td>
<td><strong>$86,774</strong></td>
</tr>
</tbody>
</table>

#### Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>1952</th>
<th>1951</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
<td>$75,852</td>
<td>$73,872</td>
</tr>
<tr>
<td>Unexpended balance of special research project fund</td>
<td>5,597</td>
<td>12,902</td>
</tr>
<tr>
<td></td>
<td><strong>$81,449</strong></td>
<td><strong>$86,774</strong></td>
</tr>
</tbody>
</table>

### Comparative Statement of Income and Expense and Changes in Principal

**Years Ended August 31, 1952 and 1951**

#### Foundation Fund

<table>
<thead>
<tr>
<th>Description</th>
<th>1952</th>
<th>1951</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from securities, less custodian fees — contributed to American Institute of Accountants for library expense</td>
<td>$3,459</td>
<td>$3,473</td>
</tr>
<tr>
<td>Principal, beginning of year</td>
<td>$73,872</td>
<td>$73,784</td>
</tr>
<tr>
<td>Contributions received</td>
<td>59</td>
<td>142</td>
</tr>
<tr>
<td>Gain or (loss) on sale of securities</td>
<td>1,921</td>
<td>(54)</td>
</tr>
<tr>
<td>Principal, end of year</td>
<td><strong>$75,852</strong></td>
<td><strong>$73,872</strong></td>
</tr>
</tbody>
</table>

#### Special Research Project Fund

<table>
<thead>
<tr>
<th>Description</th>
<th>1952</th>
<th>1951</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$1,000</td>
<td>$1,500</td>
</tr>
<tr>
<td>Income from testing program</td>
<td>15,983</td>
<td>16,740</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>$16,983</strong></td>
<td><strong>$18,240</strong></td>
</tr>
</tbody>
</table>

#### Expense:

<table>
<thead>
<tr>
<th>Description</th>
<th>1952</th>
<th>1951</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>$15,748</td>
<td>$16,987</td>
</tr>
<tr>
<td>Professional services</td>
<td>1,272</td>
<td>1,677</td>
</tr>
<tr>
<td>Rent</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Supplies, printing, postage and other expense</td>
<td>5,268</td>
<td>5,754</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td><strong>$24,288</strong></td>
<td><strong>$26,418</strong></td>
</tr>
</tbody>
</table>

#### Excess of expense over income                                           | **$7,305** | **$8,178** |

#### Unexpended balance, beginning of year                                   | 12,902    | 21,080    |

#### Unexpended balance, end of year                                         | **$5,597** | **$12,902** |

---

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## AMERICAN INSTITUTE BENEVOLENT FUND, INC.

### COMPARATIVE BALANCE SHEET

**August 31, 1952 and 1951**

<table>
<thead>
<tr>
<th>Assets:</th>
<th>1952</th>
<th>1951</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$22,560</td>
<td>$9,098</td>
</tr>
<tr>
<td>Marketable securities, at cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(market value 1952 — $78,884; 1951 — $79,851)</td>
<td>81,902</td>
<td>81,417</td>
</tr>
<tr>
<td>Balance of fund</td>
<td>$104,462</td>
<td>$90,515</td>
</tr>
</tbody>
</table>

### COMPARATIVE STATEMENT OF INCOME AND EXPENSE AND CHANGES IN FUND BALANCE

**Years Ended August 31, 1952 and 1951**

| | 1952 | 1951 |
| Contributors | $14,342 | $12,787 |
| Income from securities and interest on savings accounts | 2,740 | 2,614 |
| **TOTAL INCOME** | $17,082 | $15,401 |
| Expense: | | |
| Assistance to members | $3,470 | $5,450 |
| Stationery, printing and other expense | 160 | 225 |
| **TOTAL EXPENSE** | $3,630 | $5,675 |
| Excess of income over expense | $13,452 | $9,726 |
| Balance of fund, beginning of year | 90,515 | 81,001 |
| Gain or (loss) on sale of securities | 495 | (212) |
| **Balance of fund, end of year** | $104,462 | $90,515 |
### American Institute of Accountants

**Budget — For Year Ending August 31, 1953**

**Compared with Actual Income and Expenses for Year Ended August 31, 1952**

#### Income:

<table>
<thead>
<tr>
<th>Category</th>
<th>Budget 1952-3</th>
<th>Actual 1951-2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dues, application and reinstatement fees</td>
<td>$550,000</td>
<td>$425,558</td>
</tr>
<tr>
<td>Fees from state boards of accountancy</td>
<td>$147,000</td>
<td>$147,150</td>
</tr>
<tr>
<td>Sales of publications, other than The Journal of Accountancy, net of production costs</td>
<td>$130,000</td>
<td>$110,307</td>
</tr>
<tr>
<td>The Journal of Accountancy:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subscriptions earned (non-members), sales of single copies, bound volumes, binding lists, all less production costs</td>
<td>$180,000</td>
<td>$159,392</td>
</tr>
<tr>
<td>Advertising</td>
<td>$158,000</td>
<td>$146,696</td>
</tr>
<tr>
<td>Income from securities, including contributions from Foundation for the library, and sundry</td>
<td>$25,000</td>
<td>$30,636</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>$1,190,000</strong></td>
<td><strong>$1,019,739</strong></td>
</tr>
</tbody>
</table>

*The expenses in this budget statement are presented as far as possible on a departmental basis for better interpretation.*
Institute Staff Organization

John L. Carey, Executive Director
Elizabeth Arliss, Assistant to Executive Director
Carmen G. Blough, Director of Research
William H. Hird, Controller
Robert L. Kane, Jr., Educational Director
Miriam W. Donnelly, Librarian
Charles E. Noyes, Director of Public Relations
William S. Papworth, Director of Publications
H. T. Winton, Administrative Secretary
John L. Lawler, Director of State Society and Membership Services