

1957

AICPA Annual report 1957

American Institute of Certified Public Accountants

Follow this and additional works at: https://egrove.olemiss.edu/aicpa_arprts

Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

American Institute of Certified Public Accountants, "AICPA Annual report 1957" (1957). *AICPA Annual Reports*. 153.
https://egrove.olemiss.edu/aicpa_arprts/153

This Article is brought to you for free and open access by the American Institute of Certified Public Accountants (AICPA) Historical Collection at eGrove. It has been accepted for inclusion in AICPA Annual Reports by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

Annual Report 1957



Annual Report 1957

*A Summary of Activities of
the National Professional Society
of Certified Public Accountants*

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

270 Madison Avenue, New York 16, N. Y.



MARQUIS G. EATON

A Letter from the President

TO THE MEMBERS:

In presenting this report, with the Institute's Executive Director, I would like to make a personal observation from my year's experience:

In no other post is it possible to gain so clear a view of the devotion with which the members of this Institute serve their profession. I have made requests for service to the Institute from more than a thousand of you, through committee work and otherwise. I have asked members to drop their own personal affairs at most inconvenient times, and without any notice whatever. Some of these jobs were humdrum and uninteresting; some were unpleasant in every way. Never once have I been refused. I know of no instance in which the responsibility was neglected.

I congratulate the members of this Institute on their spirit. I thank you for the cooperation I have received.

Marquis G. Eaton

President

Officers and Executive Committee - - 1957

MARQUIS G. EATON
President

WILLIAM S. DEEMING
Vice President

L. H. PENNEY
Vice President

*DONALD P. PERRY
Vice President

R. WARNER RING
Vice President

JOHN B. INGLIS
Treasurer

JOHN L. CAREY
Executive Director

DONALD J. BEVIS

WILLIAM M. BLACK

RUSSELL S. BOCK

GORDON M. HILL

J. S. SEIDMAN

MAURICE H. STANS

JOHN H. ZEBLEY, JR.

* Deceased April 29, 1957

Report on Activities

THE CHANGE OF NAME of our national professional society during 1957 to American Institute of Certified Public Accountants pointed to no specific novelty either in qualifications for membership or in activities.

Yet the change was meaningful. Above all, it underscored the significant letters CPA. And it did so at an appropriate time in our historical development, just as the business and financial communities have come more widely to recognize the professionalism implicit in CPAs' certificates. The new name should thus remove any possible doubts about the nature and status of the Institute and its membership.

Also, the change will be significant in the future. Our profession stands at the commencement of a new thrust in economic functioning, and we can already glimpse new and enlarged responsibilities. As we accept or refrain from accepting them, it would seem to be in the public interest to establish as clearly as we can who we are.

At the moment the work of our national society, reflecting the varied and specialized demands of clients and third parties upon CPAs, is becoming more and more complex. But its over-all aim is relatively simple — an increase in its members' prestige, opportunities for service, and rewards. In general, it strives to bring this increase about by helping CPAs improve their professional services and management of their practices, and by augmenting recognition of CPAs as professional public servants useful to the community.

How the Institute served its basic objective while facing up to the particular problems of 1957 is summarized in what follows.

Financial Reporting

During the year the Institute took a number of steps affecting the evolution of theory and practice in financial reporting.

At its first meeting of this year, the committee on accounting procedure explored two broad questions: Was the committee moving fast enough to keep up with the economic and social changes that influence accounting and financial reporting? Should the Institute insist that others share the responsibility for deciding which basic postulates or assumptions should govern corporate accounting? The search for answers was implicit in a variety of activities during the following months.

ADAPTING FINANCIAL REPORTING TO NEW CONDITIONS • Concerned with the well-known lag in the development of railroad accounting, the committee on relations with the Interstate Commerce Commission undertook to study the divergencies between accounting principles prescribed by the ICC for railroads and those accepted by other industries. In a report submitted to the ICC on April 1, the committee pointed out several major variations and recommended their elimination.

The ICC has moved toward putting into effect most of the committee's recommendations.

During the year the committee on accounting procedure published bulletins covering two areas affected by changing business practice — pension plans and business combinations. The committee on terminology and the committee on auditing procedure continued our attempt to improve techniques, issuing a terminology bulletin on cost, expense and loss, and an auditing procedure statement concerning long-form reports.

Also, there are a number of questions related to new trends in accounting and auditing which the committee on accounting procedure and the committee on auditing procedure have advanced to various stages of study. In some cases drafts for bulletins or statements have been formulated and exposed for comments. Subjects include:

Upward restatement of assets
Income tax allocation
Consolidated financial statements
Deferred credits
Research, exploratory, and development costs
Accounting problems which have developed or may develop in
 connection with supplementary unemployment benefit plans
Earnings per share
Internal controls
Special reports
Contingencies
Declining-balance depreciation

COOPERATION IN DEVELOPING STANDARDS OF FINANCIAL REPORTING • In an address delivered before the Illinois Society of Certified Public Accountants on June 7, President Marquis G. Eaton issued a call to business management, government agencies, organized labor, bankers, economists and other financial specialists to participate in developing standards for financial reporting. Mr. Eaton noted:

“The accounting profession, through the Institute, has accepted the responsibility of leadership in the incessant search for better methods of financial reporting. But it does not have, cannot assume, and in my opinion should not permit itself to be regarded as having the *sole* responsibility for the results. . . . We would welcome the advice and assistance of those who share the responsibility with us.”

The Institute is at present polling the opinions of some who might share such responsibility. Initially, we hope to find out whether corporation executives and others in the financial community believe that reports would be more useful to all concerned if they indicated current-dollar cost of depreciation as well as historical cost, and whether it is now practicable to make them do so. A similar test several years ago disclosed that a majority of business executives, securities analysts, economists and others

did not favor any change in methods of reporting. The present study should determine whether this opinion has changed.

The prominence given to standards of financial reporting at the 1957 annual meeting, featuring a speech by the president-nominee, Alvin R. Jennings, indicates the high importance of the subject in the estimation of the Institute.

Work with other Organizations

Because others besides CPAs share some responsibility for accounting standards, it is natural that the Institute should have developed over the years close and cooperative relationships with other organizations. With the general aim of furthering high standards and advancing the interests of CPAs in common with those of other groups, the Institute during 1957 worked with many private and government agencies, including:

American Accounting Association	Federal Deposit Insurance Corporation
American Bankers Association	Federal Government Accountants Association
American Bar Association	Federal Reserve Board
American Gas Association	General Accounting Office
American Petroleum Institute	Home Loan Bank Board
American Society of Chartered Life Underwriters	Independent Bankers Associates
Association of Reserve City Bankers	Institute of Internal Auditors
Bureau of Federal Credit Unions	Interstate Commerce Commission
Canadian Institute of Chartered Accountants	Joint Committee on Internal Revenue Taxation
Catholic Hospital Association	Municipal Finance Officers Association
Chamber of Commerce of the United States	National Association of Accountants
Controllers Institute of America	National Association of Bank Auditors and Comptrollers
Credit Union National Association	National Association of Credit Men
Department of Defense	National Association of Insurance Commissioners
Department of Labor	National Association of Life Underwriters
Department of the Treasury	
Edison Electric Institute	

National Association of Manufacturers	Office of the Comptroller of the
National Association of Mutual	Currency
Savings Banks	Robert Morris Associates
National Association of State Auditors,	Rural Electrification Administration
Comptrollers, and Treasurers	Securities and Exchange Commission
National Association of Supervisors	Special Subcommittee on Welfare and
of State Banks	Pension Fund Legislation of the
National Bankruptcy Conference	Senate Committee on Labor and
National Federation of College	Public Welfare
Business Officers	Subcommittee on Executive and
National Federation of Financial	Legislative Reorganization of the
Analysts Societies	House Committee on Government
National Foreign Trade Council	Operations
National Health Council	Subcommittee on Internal Revenue
National Security Industrial	Taxation of the House Ways and
Association	Means Committee
New York Credit and Financial	Surety Association of America
Management Association	United States Council of the
New York Stock Exchange	International Chamber of
	Commerce

New Projects to Meet New Needs

A PROFESSIONAL INCOME FOR A PROFESSIONAL SERVICE • In May, the executive committee, after getting the views of state society presidents and members of the advisory committee of local practitioners, launched a project to help CPAs with the economic aspects of their practice. The committee on professional statistics had tabulated the results of a questionnaire the previous November which seemed to indicate the need to improve the economic position of CPAs. And one member, expressing what seemed to be the general feeling, wrote: "I feel we have lost ground in our relative economic position . . . it is high time we did something about it."

Three studies are in progress dealing with: (1) the level of income of practicing CPAs; (2) professional commitments and other factors

affecting the setting of reasonable fees; and (3) client attitudes toward the type of services currently rendered by CPAs and toward additional services which CPAs might render.

EXPANSION OF MANAGEMENT SERVICES • In October, 1956, the committee on management services by CPAs distributed to the membership a tentative draft of the pamphlet *A Classification of Management Services by CPAs*. The purpose of distributing the classification was to stimulate interest in the problem and to solicit comments and suggestions. The committee is preparing a revised classification which will reflect the suggestions received. This all represents a first step in exploring developments in this area.

AUDITING SERVICES FOR FIDUCIARY-TYPE ORGANIZATIONS • During the year the Institute responded to the growing realization among fiduciary-type organizations of the needs and advantages of a CPA's audit. In May two new committees were appointed to clarify techniques in their respective fields: the committee on bank auditing and the committee on stock brokerage auditing. The new committee on insurance accounting, appointed in January, has planned a guide for insurance company audits similar to *Audits of Brokers and Dealers in Securities* and *Audits of Savings and Loan Associations*.

Representatives of credit unions have expressed a desire for more information on the uses of audits in that field, and a new liaison here is in the making.

The growth of welfare and pension funds, and the much-publicized abuses connected with them, led to the testimony of Research Director Carman G. Blough before a special Congressional subcommittee concerning what audits could and could not do. Also, the executive committee endorsed in the name of the Institute the two bills (S. 2175 and H.R. 7802), backed by the Eisenhower Administration, requiring professional independent audits of welfare and pension funds, as having objectives "clearly in the broad public interest."

Audits for Credit Purposes

Two activities in particular reflected the steady expansion of the use of audits for credit purposes. The Institute published the booklet *40 Questions and Answers About Audit Reports* and distributed approximately 50,000 copies to our members, to all Robert Morris Associates and to all member banks of the American Bankers Association. A CPA-Banker Cooperation "kit" was distributed by the state society services department.

The committee on cooperation with surety companies, which was first appointed in June, 1956, has been meeting with leaders of the surety industry during the past year. They have undertaken to clarify the accountant's responsibility in the minds of the surety people and to help surety companies evaluate audit reports of contractors seeking performance bonds.

Defending Our Tax Practice

In general, 1957 saw the growth of a spirit of cooperation in solving problems related to our tax practice.

On September 20, 1956, after two years of uncertainty in which the regular practice of CPAs before the Treasury Department seemed to be questioned in the *Agran* case, the Appellate Department of the Superior Court of Los Angeles County decided against the CPA. However, the language of the decision was so vague that it can scarcely be applied to another circumstance. High legal authority advised the Institute that there was no reason — moral or legal — why CPAs could not continue in their customary tax practice. Therefore, the executive committee of the American Institute and the Board of Directors of the California Society of Certified Public Accountants made no effort to have the *Agran* case reviewed by the United States Supreme Court.

Meanwhile, cooperating committees of the Institute and the Ameri-

can Bar Association were at work and by January produced a joint report, *The Professional Relations of Lawyers and Certified Public Accountants*. This included:

- Secretary of the Treasury Humphrey's statement of January 30, 1956, reaffirming the customary right of CPAs to represent their clients fully before the Department.
- "Statement of Principles Relating to Practice in the Field of Federal Income Taxation," by the two committees.

While it made no attempt to define prohibited acts, the reorganized National Conference of Lawyers and Certified Public Accountants, composed of members of the cooperating committees, announced the intention of building precedent on a case-by-case basis.

One case which served the National Conference as an example in establishing procedures for dealing with threatened litigation was settled out of court by a CPA and his client, partly as a result of informal effort of the Institute and the American Bar Association.

While such cooperation is encouraging, there is a need for vigilance in Washington. The time-honored practice of CPAs before Federal agencies seems potentially threatened by a bill (H.R. 3350 — S. 932) introduced in Congress at the end of January. This bill (like others put forth in previous sessions) would prohibit non-lawyer experts from engaging in "the practice of law," but leaves this phrase to the interpretation of state courts, which have used it in the past to deprive CPAs of fees for performing regular tax services.

The Institute promptly published *A Preliminary Analysis of H.R. 3350 a Bill Entitled: "Federal Administrative Practice Reorganization Act of 1957."* Interested organizations were alerted. Institute members talked with and wrote to Senators, Congressmen, executive officials, and others. With quick legislative action unlikely, the Senate Judiciary Committee was asked to hold public hearings if the bill is taken off the shelf. And if public hearings are held, the Institute has been assured of an opportunity to testify.

“... A VALUABLE PUBLIC SERVICE” RENDERED . . . • While the Institute keeps a watch on this bill, its committees and members continue to give the public the benefit of specialized knowledge of taxes.

In October the committee on federal taxation filed 262 recommendations for amendments to the Internal Revenue Code which had been drawn up by the predecessor committee. General Chairman Wallace M. Jensen testified before the Subcommittee on Internal Revenue Taxation of the House Ways and Means Committee, commenting on the draft of a bill to make technical amendments to the tax law. He also advised the subcommittee on outstanding problems that had been listed by the staffs of the Joint Congressional Committee on Internal Revenue Taxation and the Treasury Department.

This year's committee, enlarged and reorganized to include six subcommittees, continued to review legislation, tax forms, revenue rulings and proposed regulations.

In addition to these and other organized activities of the Institute, individual members served on advisory groups to the Subcommittee on Internal Revenue Taxation.

This mass of specialized and complex work defies summary here. But it is gratifying to observe that its value and disinterested character have been recognized.

At the conclusion of the Institute's testimony before the Subcommittee on Internal Revenue Taxation, Chairman Wilbur D. Mills stated:

“The American Institute of Accountants has rendered a valuable public service in the attitude that the organization has taken with respect to improvement of our tax laws, pointing out those things that operate adversely against both government and taxpayers. . . . Sometimes we do not always agree with you, but we have some reluctance to state the fact that we do not agree with you because of your fine reputation.”

Savings, Pensions, and Insurance for CPAs

The Institute was engaged in three activities during 1957 to improve retirement plans and welfare of CPAs.

1. Along with 26 other major groups of the self-employed, the Institute helped to organize "The American Thrift Assembly for Ten Million Self-Employed," which coordinated the drive for the Jenkins-Keogh bill. This legislation would allow a self-employed person to deduct from gross income each year a limited amount contributed to a restricted retirement fund or to purchase an insurance policy with retirement features. A member represented the Institute on the Assembly's seven-man steering committee. A CPA in each Congressional district was asked to serve on local American Thrift Assembly chapters. Although a majority of Congressmen and President Eisenhower ("... Something ought to be done to help these people help themselves . . .") have indicated that they favor such legislation, it did not reach the floor in the 1957 session. But the House Ways and Means Committee has placed it on the agenda for tax revision hearings which will begin January 7, 1958.

2. During the year the executive committee requested professional advice on the possibilities of establishing a pension plan of national scope for accountants and their staff and other employees. In April the Hanover Bank and Reid, Collins & Co., Inc. answered the request with a memorandum which concluded:

"A national pension plan for accountants, their staff and other employees should be developed at this time with a view toward Institute sponsorship. It is hoped that favoring legislation will be enacted so that proprietors and partners may be included with their employees on a basis of equal advantage and so that sole practitioners may participate. Whether or not Congress takes the desired action, a profound need exists which Institute action can satisfy."

As the next step, a national pension committee was appointed.

3. The insurance trust committee has approved agreements making group insurance available to individual practitioners without employees.

Raising Educational Standards

At its spring meeting, Council endorsed in principle the findings of the Commission on Standards of Education and Experience for Certified Public Accountants that education for the profession should be more advanced. Council also approved establishment of a special coordinating committee to make an organized analysis of the views of the profession toward the Commission's recommendations.

To assist CPA firms in developing their staff training programs, the Institute made available last spring *A Study Guide for Beginning Accountants*. This material was prepared for the Michigan Association of CPAs and the Institute's committee on accounting personnel by Dr. Charles Lawrence of Michigan State University.

The November, 1956, and May, 1957, uniform examinations were given to 20,972 candidates — over a thousand more than last year but still about five thousand under the peak examination year of 1949.

There was much discussion throughout the year suggesting that the Institute's continuing education program must soon be greatly enlarged — far beyond the three courses organized since 1953 and the two new ones on which preparation began this year. While in the past the public accounting profession has depended on staff training, meetings of professional societies, and publications for continuing education, new demands on CPAs in recent years have indicated a need for additional Institute action. CPAs do not have a separate organization for continuing education, like the American Law Institute. They do not attend courses in large numbers as the doctors and dentists do. Of all the professions, it may be that accountancy is most retarded in providing for continuing education.

Revealing the Profession's Achievements

Many of the activities of the Institute and its members have great value in terms of public relations even while they are undertaken primarily for other motives. For example, the scores of speeches and articles on tax subjects by members of the committee on federal taxation in the first place represent the professional man's acceptance of responsibility for public service. In addition, the speeches and articles help to establish in the public mind an image of the certified public accountant as the tax specialist he is. So they are also public relations — in the long run, probably the most effective kind.

However, many aspects of the accounting profession would never be broadly revealed to the public without systematic and continuing use of the various communications media. Specifically, this work makes up what we call our public relations program.

This year the Institute has tried to do better what we have been doing all along. As a result, release lists have been expanded, more magazine articles have been published, and more TV stations have carried our tax information. In general, published material reflecting the special knowledge and point of view of CPAs has reached more of the public.

It seems a clear indication of the need for the CPA's special knowledge in public service that the Institute has received requests for more than 12,000 reprints of Lowell E. Larson's *Journal* article, "Church Accounting." This apparent latent demand for the viewpoint of accountants in public affairs prompted the appointment, in December, of the committee on public school accounting. The objective was defined as helping taxpayers to understand their public school costs.

The Report of the Commission on Standards has been so generally regarded as a milestone in the development of the profession that more copies were sent to university presidents this year.

Publications

During the year the Institute published two books of special interest. John Carey's *Professional Ethics of Certified Public Accountants* was sent to leading businessmen, educators, government officials, bar association presidents, and deans of law schools. James J. Mahon's *Working with the Revenue Code — 1957*, published in July, was distributed widely for review.

Circulation of *The Journal of Accountancy* and *The C.P.A.* reached new highs — *The Journal* going over 81,000 (ABC) in August.

The following list of non-periodical publications distributed from September 1 to June 1 indicates other publishing activity during the year:

Accounting Research Bulletins*	100,725
Classification of Management Services by CPAs*	27,832
40 Questions and Answers About Audit Reports*	62,910
Officers, Council and Committees*	30,146
Recommendations for Amendments to the Internal Revenue Code	11,602
Accounting Trends and Techniques (10th Ed.)	3,511
The Professional Relations of Lawyers and CPAs*	30,930
Audits of Brokers and Dealers in Securities*	30,531
Let's Talk Fees	2,161
Survey of Consolidated Financial Statement Practices	4,639
Annual Report*	30,692
Examination Questions May 1954 to November 1956 (Published April 15, 1957)	1,476
Modern Accounting for Better Business Management (April 4, 1957)	6,504
Total	<hr/> 343,659

* Sent free to all Institute members.

More than 45,000 copies of an address by Marquis G. Eaton, *Financial Reporting in a Changing Society*, which was published in pamphlet form in June, had been distributed by the middle of August.

New Rules of Professional Conduct Proposed

This year the committee on professional ethics undertook a major re-examination of some of the rules of professional conduct. Drafts of new rules were exposed to state society committees, members of Council, state board members, and members of the Institute before bringing them to the floor of Council and to the annual meeting for decision as to whether they should be submitted to the membership's vote.

The following new rules and amendment to Rule 15 were approved by Council at its spring meeting for submission to the membership:

Proposed Rule 17 reads:

"A member in his practice of public accounting shall not permit an employee to perform for the member's clients any services which the member himself or his firm is not permitted to perform."

Proposed Rule 18 reads:

"A member who receives an engagement for services by referral from another member shall not extend his services beyond the specific engagement without consulting with the referring member."

Proposed amendment to Rule 15 reads:

"A member engaged in an occupation in which he renders services of a type performed by public accountants, or renders other professional services, must observe the by-laws and rules of professional conduct of the Institute in the conduct of that occupation."

One proposed new rule, intended to cover Auditing Statement No. 23 in the Rules of Professional Conduct, is being considered further by

Council in the light of recommendations of the auditing procedure committee. The problem here is to put in the economical language of a rule the substance of the Statement.

State Legislation Favored

After ten years of study and debate, during which the Institute took no position on "regulatory" as against "permissive" legislation, Council adopted by a substantial majority at the 1956 annual meeting a statement of policy favoring laws requiring that ultimately those who offer services as public accountants demonstrate to the state their competence and responsibility. The committee on state legislation had approved in August, 1956, a "Form of Regulatory Public Accountancy Bill" as a draft which might be modified to fit conditions in any particular state. However, the executive committee has given reassurances that the Institute will support the state societies to the fullest extent which policy will permit, regardless of whether or not they favor legislation along lines of the form bill.

During the year bills affecting accountancy were under consideration in 25 states. Nebraska and the Virgin Islands adopted bills essentially similar to the Institute's "Form Bill," raising the number of jurisdictions with regulatory legislation from 26 to 28.

Accounting in the World Economy

There was increasing evidence during the year of the expanding role of accounting in the stimulation of foreign trade and investment.

As this report goes to press, some hundred official and general delegates from the Institute are attending the Seventh International Congress of Accountants in Amsterdam. Our hosts are the Netherlands Institute

of Accountants and the Association of University Trained Accountants. The discussions concern accounting principles, verification of assets, budgeting, ascertainment of profits, internal auditing, and the relation between business and the public accountant.

The Executive Director and Director of Research have been invited to address the First National Accountants' Conference in Ankara, Turkey.

Arrangements are being made for a substantial United States delegation at the Inter-American Conference on Accounting which will meet November 15-23 in Santiago, Chile.

It is expected that the Institute's 75th Anniversary meeting in 1962 will also be the occasion for the Eighth International Congress of Accountants. The Institute is offering to be host to the International Congress and the Inter-American Accounting Conference.

In order to explore what can be done to eliminate or reduce present diversities in world accounting standards, the committee on foreign affairs has been collecting information about accounting and auditing standards and the status of accountants in other countries. It has been working with five interested groups: the New York Stock Exchange, the United States Council of the International Chamber of Commerce, the National Association of Manufacturers, the Securities and Exchange Commission, and the National Foreign Trade Council.

Channelizing Our Energies

"... anyone who had predicted in 1937 or 1947 the developments of the intervening years would have been considered an impractical visionary."

— Editorial in The Journal of Accountancy

The accountancy profession has been growing so fast, and the Institute with it, that it has been necessary during the past year to devote more

time and effort than ever before to evaluating what we are doing at present and to planning more specifically for the future. This year, membership in the Institute passed the 30,000 mark. Assuming that the Institute will grow as fast as its environment during the coming period of national and professional growth, it has been predicted that in 1960 membership will reach 37,000; in 1965, 50,000; and in 1970, 62,000.

After many discussions and review of data assembled by the staff, the new committee on long-range objectives is preparing propositions on five crucial questions which the Institute must inevitably face in the years ahead:

1. Should it be the objective of the Institute to represent all CPAs, or is it primarily the organization of practicing CPAs?
2. Should all certified public accountants be eligible for admission to the Institute, or should the Institute maintain additional standards of admission?
3. What should be the future relationship of the Institute to the state societies?
4. What should be the relationship of the Institute and state societies to non-certified accountants?
5. What should be the Institute's relations with other national accounting organizations?

Answers to these questions that command the support of a substantial majority of the Institute's membership should greatly facilitate planning, increase efficiency, and encourage growth in both numbers and professional stature.

*From Committee Reports to April Council Meeting**

If the committee on professional ethics is to do more than scratch the surface in seeking compliance with auditing standards, it must have the cooperation of Council members and state societies. Investigation of these cases involves vast research, conferences with members concerned, review of working papers, and evaluation of the professional services rendered.

Committee on Professional Ethics

. . . our committee dispatched a letter to the Secretary of Defense urging . . . that the Department develop and issue a single set of cost principles and standards for reference wherever costs are required to be determined in connection with military contracts. The letter further offered the assistance of the committee to the Department in formulating, particularly in the initial drafting stage, the single set of cost principles and standards . . . We were recently informed . . . that . . . the project of a single set of cost principles is gaining momentum. . . .

Committee on National Defense

One salient feature of the progress made in the changeover to fiscal-year reporting is that whereas total corporate returns from 1952 to 1953 increased by approximately 21,000, such increase was accounted for largely by the increase in fiscal-year returns, which was approximately

* Full texts of the committee reports to be submitted to Council in October will be available to members on request.

15,000. It is indeed a truism that the new corporation is being won over to the natural business year. . . . Regulated industries are, generally speaking, tied to a calendar year by rules of the respective regulatory bodies.

Committee on Natural Business Year

Your committee observes that public understanding of accountancy is closely related to general economic literacy. Both are distressingly low at present. The Institute, its leaders and its members should be more closely associated with responsible efforts to educate the public in how our economy works. Until the need and uses of financial reporting are better understood, the essential role of the CPA is almost impossible to explain.

Committee on Public Relations

The auditor has the responsibility to advise the client as to the adequacy of the internal controls and should review the work of the internal auditors and the programmers. . . . It is generally essential that he be present and take an active part in the planning and installation of the equipment, so as to review the procedure, and make sure that adequate controls are set up. It may be necessary to assign an auditor to an engagement on a full-time basis for a time. The subsequent auditing procedures will be greatly simplified and facilitated if proper controls have been established at the beginning.

Committee on Electronic Accounting

While in the years since 1930 schools have expanded the scope and quality of their offerings in accounting, up to the present time they still have not generally made serious attempts to train men whom they consider to be well qualified to begin practice as certified public accountants.

Board of Examiners

There are sixteen states and Puerto Rico benefiting from the employment of full-time executive secretaries. An additional sixteen states and Hawaii use part-time secretaries. The committee recognizes the fact that societies using professional help enjoy the most fruitful activity.

*Committee on Coordination of Activities of State
and National Organizations*

. . . the objective of this committee during the last three years has been the obtaining of an amendment of the General Orders in Bankruptcy which would improve the status of accountants in bankruptcy engagements. A petition to the Chief Justice of the Supreme Court requesting such an amendment was submitted in 1954. . . . For some time it has been the opinion of this committee that, in the event favorable action could not be obtained upon our petition to the Chief Justice, an improvement of the position of accountants should be sought through amendment of the National Bankruptcy Act.

Committee on Bankruptcy and Reorganization

For more than ten years, some 40 surety companies have had an agreement with the Institute that when the company has paid a claim on a fidelity bond, it will not begin legal proceedings against an Institute member for failure to discover the loss in cases not involving affirmatively dishonest or criminal acts or gross negligence on the part of the accountant. The agreement provides for a committee of three, to be appointed by the Institute and the Surety Association of America, which would decide whether such acts or gross negligence had been committed. But over the years none of the signatory surety companies has brought such a claim, and this machinery has never been invoked.

Committee on Cooperation with Surety Companies

FRANKE, HANNON & WITHEY

CERTIFIED PUBLIC ACCOUNTANTS

444 MADISON AVENUE

NEW YORK 22, N.Y.

TROY, N.Y.
KINGSTON, N.Y.
HUDSON, N.Y.

MEMBERS
AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

To the Members of the American Institute
of Certified Public Accountants:

We have examined the balance sheets at August 31, 1957 of the American Institute of Certified Public Accountants, the American Institute of Accountants Foundation and the American Institute Benevolent Fund, Inc., and their related statements of income and expense and fund transactions for the year then ended. Our examination was 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.

In our opinion, the accompanying balance sheets and statements of income and expense and fund transactions of the afore-mentioned organizations present fairly their financial positions at August 31, 1957, 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, Hannon & Withey

New York, N.Y.
September 25, 1957

American Institute of Certified Public Accountants

COMPARATIVE BALANCE SHEET

August 31, 1957 and 1956

GENERAL FUND

ASSETS			LIABILITIES AND FUNDS		
	1957	1956		1957	1956
Cash	\$ 277,882	\$ 248,748	Liabilities:		
Marketable securities, at cost (quoted market 1957 \$1,007,919; 1956 \$959,424)	1,013,483	943,516	Accounts payable and ac- crued expense	\$ 89,640	\$ 41,209
Accounts receivable, trade and other	95,562	70,174	Due Elijah Watt Sells Scholarship Fund	—	39
Inventories, at cost.....	61,233	36,577	Dues collected in advance...	468,093	426,518
Prepaid expenses	14,068	15,286	Subscriptions and advertising unearned	236,846	233,267
Due from Elijah Watt Sells Scholarship Fund	137	—	Reserve for contingencies...	400,000	400,000
Furniture and equipment, at nominal value	1	1	Income retained for working capital	267,787	213,269
	<u>\$1,462,366</u>	<u>\$1,314,302</u>		<u>\$1,462,366</u>	<u>\$1,314,302</u>

ENDOWMENT FUND

Cash	\$ 299	\$ 590	Principal of fund	\$ 247,860	\$ 237,000
Marketable securities, at cost (quoted market 1957 \$474,416; 1956 \$480,168)	247,560	236,409			
Library books, furniture and equipment, at nominal value	1	1			
	<u>\$ 247,860</u>	<u>\$ 237,000</u>		<u>\$ 247,860</u>	<u>\$ 237,000</u>

ELIJAH WATT SELLS SCHOLARSHIP FUND

Marketable securities, at cost (quoted market 1957 \$4,500; 1956 \$1,485)....	\$ 4,771	\$ 1,532	Principal of fund	\$ 4,634	\$ 1,571
Due from general fund	—	39	Due to general fund	137	—
	<u>\$ 4,771</u>	<u>\$ 1,571</u>		<u>\$ 4,771</u>	<u>\$ 1,571</u>

STATEMENT OF CHANGES IN FUND BALANCES

Year Ended August 31, 1957

	Income Retained for Working Capital	Endowment	Elijah Watt Sells Scholarship
Balance, beginning of year	\$213,269	\$237,000	\$ 1,571
Add:			
Excess of income over expense	54,518	—	63
Gain on sale of securities	—	10,860	—
Contribution received	—	—	3,000
Balance, end of year	<u>\$267,787</u>	<u>\$247,860</u>	<u>\$ 4,634</u>

American Institute of Certified Public Accountants

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Years Ended August 31, 1957 and 1956

INCOME

	1957	1956
Dues, application and reinstatement fees.....	\$ 837,766	\$ 775,769
Fees from state boards of accountancy.....	202,668	181,451
Sales of publications other than The Journal of Accountancy, less production costs	195,927	153,498
The Journal of Accountancy:		
Subscriptions earned from non-members and similar income, less production costs	231,457	237,783
Advertising	223,818	196,590
Income from investments, including similar income from American Institute of Accountants Foundation for library expense.....	48,437	42,890
Sundry income	9,274	12,891
TOTAL INCOME.....	\$1,749,347	\$1,600,872

EXPENSE

Salaries, technical fees and social security taxes.....	\$ 714,442	\$ 645,460
Fees for preparing uniform CPA examinations and grading papers.....	133,000	114,224
Professional fees of public relations counsel.....	36,636	37,909
Pensions, group life and medical catastrophe insurance.....	33,033	29,203
Legal and auditing.....	17,114	12,576
Stationery, printing, postage, telephone, supplies and sundry.....	120,965	98,875
Equipment and equipment maintenance.....	44,453	13,742
Rent, electricity, insurance and general maintenance.....	109,245	104,288
Publications sent to members, including The Journal of Accountancy and The CPA Annual, council, executive committee and "committee-day" meetings.....	167,483	138,039
Travel	33,458	32,160
Technical and other committees.....	24,720	21,583
Federal government information and public information.....	25,473	29,234
Program materials for state societies and expense of state society staff meetings...	58,926	21,258
Library books and magazines.....	5,261	4,405
Advertising and promotion (publications and The Journal of Accountancy).....	7,942	6,951
Special projects:	94,881	76,678
Development of accounting personnel.....	13,853	12,757
Commission on CPA standards.....	—	12,845
Expense in connection with protecting the practice of the profession.....	51,188	100,917
Information booklet for CPA candidates.....	2,756	1,714
TOTAL EXPENSE.....	\$1,694,829	\$1,514,818
EXCESS OF INCOME OVER EXPENSE.....	\$ 54,518	\$ 86,054

UNIFORM CPA EXAMINATIONS—INCOME AND EXPENSE

Years Ended August 31, 1957 and 1956

	1957	1956
Fees from state boards of accountancy.....	\$ 202,668	\$ 181,451
Expenses:		
Fees for preparing examinations and grading papers.....	\$ 133,000	\$ 114,224
Salaries and social security taxes.....	39,690	38,139
Supplies, mailing, shipping and printing.....	18,342	14,656
Telephone and telegraph.....	1,005	454
Insurance on examination papers.....	326	331
Equipment and equipment maintenance.....	238	318
Rent	12,000	10,800
Meetings and sundry.....	2,889	3,282
TOTAL EXPENSE.....	\$ 207,490	\$ 182,204
EXCESS OF EXPENSE OVER INCOME.....	\$ 4,822	\$ 753

American Institute of Accountants Foundation
COMPARATIVE BALANCE SHEET

August 31, 1957 and 1956

	1957	1956
Assets:		
Cash	\$ 1,723	\$ 10,662
Marketable securities at cost (quoted market 1957 \$97,152; 1956 \$93,832) ...	73,448	65,025
Accrued interest on bonds purchased	84	—
Principal of fund	<u>\$ 75,255</u>	<u>\$ 75,687</u>

**COMPARATIVE STATEMENT OF INCOME AND EXPENSE
AND CHANGES IN PRINCIPAL**

Years Ended August 31, 1957 and 1956

Income from securities less custodian fees — contributed to American Institute of Certified Public Accountants for library expense	\$ 3,963	\$ 3,838
Principal, beginning of year	\$ 75,687	\$ 77,323
Contributions received	35	44
Loss on sale of securities	(467)	(1,680)
Principal, end of year	<u>\$ 75,255</u>	<u>\$ 75,687</u>

American Institute Benevolent Fund, Inc.
COMPARATIVE BALANCE SHEET

August 31, 1957 and 1956

	1957	1956
Assets:		
Cash	\$ 22,745	\$ 12,280
Marketable securities at cost (quoted market 1957 \$186,901; 1956 \$200,676)	152,902	152,744
Accrued interest on bonds purchased	38	—
Balance of fund	<u>\$175,685</u>	<u>\$165,024</u>

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

Years Ended August 31, 1957 and 1956

Contributions	\$ 20,707	\$ 17,164
Legacy	—	6,950
Income from investments	6,758	6,542
TOTAL INCOME	<u>\$ 27,465</u>	<u>\$ 30,656</u>
Expense:		
Assistance to members	\$ 17,325	\$ 12,394
Stationery, printing and other expense	631	411
TOTAL EXPENSE	<u>\$ 17,956</u>	<u>\$ 12,805</u>
Excess of income over expense	\$ 9,509	\$ 17,851
Gain on sale of securities	1,152	81
Balance of fund, beginning of year	165,024	147,092
Balance of fund, end of year	<u>\$175,685</u>	<u>\$165,024</u>