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American Institute of Accountants

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AMERICAN INSTITUTE
OF ACCOUNTANTS

FACTS AND PURPOSES

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AMERICAN INSTITUTE OF ACCOUNTANTS

FACTS AND PURPOSES

HISTORY

IN THE YEAR 1887 A SMALL GROUP OF MEN WHO HAD been engaged in what was then known as expert accounting in the cities of New York, Philadelphia and Boston formed an organization under the name American Association of Public Accountants. There were only 31 charter members of the Association, but they represented practically the entire membership of their vocation at that time. In spite of the national significance of the name, the society was almost exclusively interested in local affairs in the cities in which the members resided and practised.

In 1896, numbers of men, who had been recruited from other callings and had found a livelihood in the practice of what began to be known as professional accountancy, resolved to obtain some sort of official recognition. Many of the practitioners were chartered accountants holding their certificates from the English and Scottish societies. It seemed to the New York ac-

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countants, both naturalized and native, that it would be desirable to have a purely American designation. They realized that there was no possibility of obtaining in this country anything resembling the royal charters under which the British societies operated, and they resolved to call upon the law-making power of the state of New York to grant them the right to examine and license qualified persons to conduct the practice of the profession under a protected title. The title chosen was "Certified Public Accountant," and an act authorizing the creation of a board of examiners controlled by the regents of the University of the State of New York was passed by the legislature and signed by the governor on April 17, 1896.

The action by the New York legislature encouraged accountants in other states to seek similar recognition, and within a few years all the thickly populated states had certified-public-accountant laws on their statute books. The movement spread with continuing rapidity and today every state, every territory and the District of Columbia have such laws in force.

The possibility of protective legislation induced the formation of state societies of accountants, in the first place to promote the enactment of laws and in the second place to maintain the standards set up under those laws. In October, 1903, another organization, known as the Federation of Societies of Public Accountants in the United States of America, was formed. This organization was more national in char-

HISTORY

acter than the American Association of Public Accountants. Membership in it, however, was not obtained direct, but rather through membership in state societies affiliated with the Federation.

The first international congress of accountants was held at St. Louis, Missouri, in 1904, and at that time a movement to bring about amalgamation of the two existing organizations was started, which resulted in the absorption of the Federation in the American Association. This occurred in 1905.

The American Association of Public Accountants in its enlarged form included not only certified public accountants but a considerable number of men who were engaged in reputable practice, some of them very prominent in the profession, who had not, for one reason or another, sought or obtained certificates as certified public accountants. These men were known as members or associates at large and had no direct membership in any state society, except in a few instances where states had not yet enacted acceptable C. P. A. legislation.

The American Association of Public Accountants set up certain rules of conduct which its members were expected to follow, but its disciplinary powers were limited by the fact that most of the members held their membership by virtue of affiliation with state societies. In many ways the American Association of Public Accountants was hampered by the lack of direct control; and after the experiment had been tried for about ten

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years it was resolved to form an entirely different sort of national organization, wherein membership would be direct, responsibility personal and control entirely non-political and professional. Accordingly the Institute of Accountants in the United States of America was created and incorporated under the District of Columbia laws in May, 1916.

At the annual meeting of the American Association of Public Accountants held in New York in September of the same year the entire membership of the Association was given the opportunity to become charter members of the new Institute, and practically every member availed himself of this privilege. Within a few months the name was officially changed to American Institute of Accountants, the organization which is today the great professional body of accountancy in the United States and its dependencies.

GROWTH AND FINANCES

IN 1911 THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS had so expanded that it seemed desirable to establish a permanent office with a secretary in charge. There was not sufficient income to meet the expenses of this innovation, and certain members of the profession pledged themselves to maintain what was called a guaranty fund to meet the expenses of the proposed development. Desk room was engaged in the office of one of the accounting firms. A secretary and one stenographer were chosen; and the organization embarked upon its first strictly individual activity. The society had no permanent assets and the guarantors were called upon to make good the excess of expenditure over current revenue.

At the close of business of the fiscal year ended August 31, 1932, the consolidated balance-sheet of the American Institute of Accountants and its affiliated organizations showed total assets of \$432,771.54.

The Institute owns and occupies the entire building at 135-137 Cedar Street, New York.

The particulars of its subsidiary activities are discussed elsewhere in this statement of facts and purposes.

The membership of the American Association of Public Accountants after fusion with the Federation consisted of 494 fellows and 93 associates. In 1916, 1093 members and 57 associates were admitted to the American Institute of Accountants by virtue of

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their membership in the preceding body. At the close of business August 31, 1932, the American Institute of Accountants consisted of 1755 members and 428 associates. Growth of membership has been steady and uninterrupted, with the exception of one year during the war and the fiscal year 1931-1932, when the financial depression was at its deepest point. In these two years the membership remained unchanged in numbers. The growth of membership has been accomplished in spite of a steady raising of the requirements for admission and a policy making more and more rigid the rules of conduct and the infliction of discipline for breach of the rules.

AMERICAN INSTITUTE OF ACCOUNTANTS FOUNDATION

and

ENDOWMENT FUND OF THE AMERICAN INSTITUTE OF ACCOUNTANTS

IN 1917, A FEW MEMBERS OF THE INSTITUTE CREATED what was called "the endowment fund." Several persons made substantial contributions to the fund and a hundred or more other contributions of smaller amount brought the total up to approximately \$80,000.

This fund was created for the purpose of establishing a library which should be second to none and, more important yet, a bureau of information to which members of the Institute could turn for help. It was felt that the wide distances separating accountants in many parts of the country, the newness of the profession, the cost of equipping libraries in every office and other reasons as well were sufficient justification for this original method of raising the standards of accountancy.

The operations of the bureau of information are unique.

Briefly, a member may address any question of accountancy to the librarian of the Institute, who will review existing literature for an answer and, if found, return that answer immediately to the inquirer. If, as often happens, there is nothing in print which

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meets the case, the question is referred to three or more members of the Institute who are supposed to be familiar with that particular subject. The name of the inquirer is not sent with the inquiry. When the answers are received they are sent to the inquirer, but the names of the men who have answered are not transmitted. Through this anonymous service every member of the Institute is enabled to seek advice without revealing the fact that he needs advice, and he may rest assured that the answers which are sent him are from men who know, if anyone knows, what the correct solutions are.

No other profession, so far as search reveals, has established a service of this all-embracing character. There is no cost whatever to anyone concerned. The men who render the advisory service do so for the good of the profession. Sometimes the answers are extremely complicated and involve a great deal of time and research—but still there is no charge.

As an illustration of the extent to which this exchange of information has been carried it is interesting to note that the following numbers of questions have been answered by the librarians, or after reference to members, during the five-year periods and the year next past of the Institute's life: 1917-1921 inclusive 2,847; 1922-1926 inclusive 18,052; 1927-1931 inclusive 29,201; the year ended August 31, 1932—7,554.

The library has been built gradually with due care and selection, until it now consists of 13,000 titles in

INSTITUTE FOUNDATION AND ENDOWMENT FUND

books, pamphlets, etc. The library is open during the business hours of every day, and competent librarians are in attendance to supply information to those who call. Accountants throughout the country have access to the library by telegraph or mail and every effort is made to supply without delay the information desired. The library as a whole is quite the most comprehensive of its field in this country.

One important accomplishment of the librarians is the *Accountants' Index* with its three supplements. These volumes constitute a key to the literature of accountancy in the English language. They enable an accountant to find out what has been written upon every branch of the subject in which he may be interested and will assist him in tracing the information which he may vitally need. This production of the library has involved a considerable loss financially, but the council of the Institute feels that, whatever the cost, the service is necessary for every practising accountant.

In addition to the *Accountants' Index* the librarian supplies to *The Journal of Accountancy* each month a bibliography of the most important publications in the English language which have appeared during the month preceding.

After the beginning of the endowment fund there were many additional contributions, and in the year 1922 it was decided to establish a new corporation to be known as the American Institute of Accountants

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Foundation, to which subsequent contributions might be made. The foundation was somewhat more limited in its scope than the endowment fund indenture, but the income of both funds is used almost interchangeably, so long as the expenditures are exclusively for educational and scientific purposes. Today the securities held by the foundation have a market value of \$46,761.25. The securities owned by the endowment fund have a market value of \$167,098.75.

AMERICAN INSTITUTE PUBLISHING CO., INC.

THE HISTORY OF THE PUBLISHING ACTIVITIES OF THE Institute and its predecessor constitutes an almost unbroken record of progress.

In 1905 a company was organized by members of the American Association of Public Accountants and given the title of Accountancy Publishing Company. A charter was obtained from the state of New York. A magazine, *The Journal of Accountancy*, made its first appearance in that year. In 1911 the company engaged the services of a private publishing house to publish the magazine. This arrangement continued until 1920, when the Institute created a company known as The Journal of Accountancy, Inc., also under charter from the state of New York. This company took over, from the concern which had been publishing it, *The Journal of Accountancy* and carried on the publication without interruption. The editorial charge of the magazine had always been retained by the American Association of Public Accountants and by the Institute.

The Journal of Accountancy is a magazine consisting of 80 pages of informative articles, comments, special departments and the like and is published on the first day of each calendar month. Its circulation includes, not only all the members of the Institute, but an even larger number of subscribers outside the membership. At one time the circulation had reached

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the point of approximately 14,000 copies a month. Today the circulation is considerably less, in common with all magazine experience during the hard times, but the quality of the magazine's contents has never suffered and has in fact improved.

Immensely valuable original articles appear in this magazine. There is nothing related to accountancy which does not find its place in the magazine at one time or another. In particular the magazine devotes special attention to the problems which interest students. There are articles dealing comprehensively with the nature of specific industries and the problems which arise in the audit of companies in those industries. There are book reviews, questions and answers, supplied by the librarian of the Institute and taken from the files of the bureau of information, and editorial comment upon the events and developments of the day.

The Journal of Accountancy is the most substantial magazine in its field. The subscription rate is \$4.00 per annum delivered in the United States of America.

Supplementing *The Journal of Accountancy* there is a *Bulletin* published about the 15th day of every month which gives information of state societies, legislation, personal notes and a mass of news which would be out of place in a technical magazine such as *The Journal of Accountancy*. The two magazines supplement each other and constitute a comprehensive whole. The subscription price of the *Bulletin* is \$1.00 per annum.

AMERICAN INSTITUTE PUBLISHING Co., INC.

From time to time The Journal of Accountancy, Inc., the board of examiners, the library and other departments of the Institute published books and pamphlets which seemed to be of special importance. This publishing adventure began to assume large proportions and finally it seemed expedient to enter into an agreement with a publishing house of long established standing to undertake the issuance of books selected by the Institute. An arrangement of that kind was made and carried on for two years. At the end of that time it became apparent that the Institute itself could better conduct its own publication campaign, and accordingly the arrangement was abrogated.

The name of the Institute's publishing company was changed to American Institute Publishing Co., Inc., and, beginning with January, 1932, all publishing efforts were concentrated within the Institute's own realm.

Several important texts were published during 1932 and it is a remarkable fact that in spite of the depression this branch of the Institute's activities has met with great success and is being operated at a profit.

In conjunction with the publishing company a book shop has been opened on the ground floor of the Institute's building, and this is meeting an evident need.

The policy of the publishing company is not to duplicate anything which has been published and not

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merely to compile an impressive list of titles. The company believes, and in this the Institute's committee on publication concurs, that there are many subjects upon which authoritative texts are needed, and it is the purpose to encourage the writing of such texts. The policy also includes the avoidance of high prices. It has always been one of the obstacles to progress that technical books have been sold at almost prohibitive figures. The Institute's publishing company is selling its books at prices which are sufficient to meet the cost and a moderate profit. The advantage of this policy is manifest in the success of the plan.

The following is a list of the publications of the American Institute Publishing Co., Inc., in print at December 31, 1932:

Accounting Terminology

Fraud: Its Control Through Accounts, G. E. BENNETT
C. P. A. Laws of the United States

Accountants' Index and Supplements

Audit Working Papers..... J. H. JACKSON

Examination Questions (1917-1927)

Examination Questions (1927-1931)

The Balance-sheet..... C. B. COUCHMAN

Duties of the Junior Accountant,

REYNOLDS and THORNTON

Duties of the Junior Accountant, revised and enlarged,

A. B. CIPRIANI

Duties of the Senior Accountant..... F. W. THORNTON

Introduction to Actuarial Science..... H. A. FINNEY

AMERICAN INSTITUTE PUBLISHING Co., INC.

<i>The Ethics of a Profession</i>	A. P. RICHARDSON
<i>Basic Standard Costs</i>	ERIC A. CAMMAN
<i>Law for Laymen</i>	HAROLD DUDLEY GREELEY
<i>Unofficial Answers to the Examination Questions,</i> FINNEY, BAUMANN and GORDON	
<i>The Journal of Accountancy</i> <i>Bulletin</i>	

Many of these texts have been adopted by schools of accountancy, and the cause of better education has been stimulated thereby.

135 CEDAR STREET CORPORATION

THE 135 CEDAR STREET CORPORATION, WHOSE NAME appears in the accounts of the American Institute of Accountants, is a close corporation, all the stock of which is held in trust for the Institute. The company owns and operates the building at 135-137 Cedar Street, New York. This is a five-story building entirely occupied by the Institute and its subsidiary organizations. The property stands on the books, after depreciation of buildings, at \$101,333.03. The only incumbrance upon the property is a mortgage of \$90,000.00 which has gradually been reduced by the redemption of mortgage bonds until the amount outstanding in December, 1932, was only \$40,000. The mortgage bonds are largely held by the Institute itself. There are no bonds in the hands of the general public.

MEMBERSHIP

THE BY-LAWS OF THE AMERICAN INSTITUTE OF ACCOUNTANTS provide in substance that any man or woman who shall have passed the Institute's examinations, or some other examination regarded as sufficient, who shall have been engaged in reputable professional practice for five successive years next preceding the date of application, or for a total of ten years, not necessarily continuous, but one year of which shall have next preceded date of application, may be admitted as a member of the Institute, upon recommendation by the board of examiners, favorable vote by the council of the Institute and the absence of protest by any member after the name of the applicant shall have been published to the membership. There is also a provision that instructors in schools of collegiate standing, who shall have been engaged in teaching accountancy for a period of five years, who shall be certified public accountants of any state of the United States, may be admitted as members after the recommendation, vote and lack of protest already described.

Under the by-laws as they are now amended a man or woman whose qualifications conform in every way except in length or continuity of practice may be admitted as an associate on producing evidence of five years' professional practice as an accountant.

AMERICAN INSTITUTE OF ACCOUNTANTS

Membership is granted only to persons whose professional experience shall include at least one year of practice in the United States or its dependencies.

All members and associates are required to subscribe to the provisions of the by-laws, and special attention of applicants is drawn to the fact that a breach of any of the rules of conduct or any action regarded as discreditable to the profession, whether crime, misdemeanor or merely unprofessional conduct, will be the cause of action against the member or associate concerned, which will be heard and adjudicated by the council of the Institute sitting as a trial board with full power to admonish, suspend or expel the person against whom charges are made.

OFFICERS AND COUNCIL

THE COUNCIL OF THE INSTITUTE CONSISTS OF A PRESIDENT, two vice-presidents (who must not reside in the same state), a treasurer, all past presidents of the Institute and thirty-five members of council, elected for periods of five years each. Not more than six members of council can be elected from any one state. Twenty members of the council constitute a quorum for the transaction of business.

The council meets before and after the annual meeting of the Institute in October and also in April in each year. Special meetings may be called for specific purposes, such as the trial of members.

BOARD OF EXAMINERS

IF ONE BRANCH OF THE INSTITUTE'S ACTIVITIES WERE TO be singled out as the most onerous and effective in the view of the general public it would probably be the board of examiners. This group of nine men, elected for terms of three years, three men being elected each year, has devoted from the beginning of the Institute an incalculable amount of time and effort to the promotion of the profession. As in the case of all the Institute's committees, no member receives any monetary compensation whatever.

In the year 1917 the board held its first examinations for admission to the Institute. It then became apparent that some of the state boards of accountancy would welcome such assistance as could be rendered by the Institute's board in the preparation of examination questions and the grading of answers. Accordingly the board devised a plan of coöperation in these examinations and submitted it to all the boards of examiners throughout the country. Criticisms and suggestions were invited. After slight revisions the plan which is now in effect was adopted with the approval of all the coöperating boards.

In brief, the plan provides that the Institute will supply state boards of accountancy with the questions and standard stationery. After examinations the boards may submit the answers of candidates to the Institute's board, which grades them and reports within thirty

BOARD OF EXAMINERS

days of the examination. The state boards then review the answers and grade the papers. Sometimes there are differences of opinion as to the value of answers, but in the great majority of cases the opinions of state examiners and of the Institute's board coincide.

The Institute charges the state boards a fee not exceeding \$10.00 a candidate and never exceeding 50% of the fee received by the state board from the candidate. This fee, if the candidate subsequently is admitted to the Institute, is repaid to the state board. It is important to remember that this function of the Institute is not self-supporting. Every year there is a deficit.

The examination covers accounting (theory and practice), auditing and commercial law.

In special cases persons, who have been many years in practice and have passed what is generally known as the examination age, may be subjected to oral, instead of written, examination for admission to the Institute. All others must pass the written examinations to the satisfaction of the Institute's board or must have passed some other examination in accountancy which the board will recognize.

So much for the mechanics of the board. The most significant fact about the board is not to be described by statistics.

The rapid spread of accountancy legislation in the various states naturally led to the introduction of political influence and in many cases to an almost total

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disregard of professional standards. By reason of the extreme weakness in the administration of some laws the whole status of certified public accountants throughout the country was in grave jeopardy. The public quite reasonably began to think that certificates which could be bought by unqualified persons or even those which could be obtained after purely perfunctory examination were not of much value, and every C. P. A. certificate was depreciated in public estimation.

Then came the Institute with its plan of coöperation, and within an incredibly short time the whole aspect of the case was changed. Thirty-seven jurisdictions under the American flag now coöperate with the Institute in its plan of examination. As a result, most of the states which were lamentably weak are now presenting examinations which are of high standard, and in nearly every case the granting of certificates to unqualified men is impossible. Here and there it may happen that a state board will be unduly lenient to some favored candidate, but the days of political interference are nearly gone, and that is due entirely to the setting up and the maintaining of a high standard of fair examination fairly administered by the American Institute of Accountants.

In the preparation of examinations the board exercises a peculiar thoroughness. The examinations are set, and four men are called in to answer them as they would in the actual test. Each experimental examinee keeps a record of the time spent on every question and

BOARD OF EXAMINERS

makes note of any possibility of misunderstanding or of ambiguity. When all have finished, their notes are compared, changes which seem to be required are made, and if the length of time needed for a competent answer seems excessive the questions are shortened or otherwise modified. When these preliminaries are done the questions are again reviewed by the board. They are then secretly printed and distributed with absolute precaution to prevent unauthorized inspection. They are sent to the officers of the examining boards a few days before the dates of examination. There has never been a case of breach of confidence.

The board of examiners has prepared a circular of information which describes in detail the qualifications demanded of applicants, the nature of examinations, suggests a course of reading and endeavors to explain in every way what is necessary in order to become a member or an associate of the Institute. This circular may be obtained upon application to the secretary of the Institute.

THE PRINCIPAL COMMITTEES

EXECUTIVE COMMITTEE

THE EXECUTIVE COMMITTEE OF THE INSTITUTE CONSISTS of the president, the treasurer and five members of the council elected by the council. This committee is charged with the conduct and control of practically all the affairs of the Institute between meetings of the council. It may not elect members, amend the rules of the board of examiners or make any expenditures beyond the budget adopted by the council. The committee meets once a month or oftener, with the exception of July and August, when there are no regular meetings. The committee makes suggestions to other committees and calls for special investigations by them. It watches closely any legislative or political conditions which may have a bearing upon the welfare of the profession. It must be constantly alert.

The accomplishments of this committee during the life of the Institute indicate a spirit of self-sacrifice, energy and unlimited attention to duty. The men who have served on the committee have given freely of their time and talents to the building up, not only of the Institute itself, but of the entire profession whose interests are those of the Institute.

It is necessary that the members of the committee should be able to meet, but with this necessity in mind, attempt is made to spread the membership of the committee as widely as possible. The present committee consists of representatives from California, Illinois, Massachusetts and New York.

COMMITTEE ON PROFESSIONAL ETHICS

THE INSTITUTE'S COMMITTEE ON PROFESSIONAL ETHICS consists of five members of the council, elected by the council. No member of the executive committee may serve on the committee on professional ethics.

It is the duty of the committee on professional ethics to consider complaints which may be brought against any member or associate of the Institute and, after investigating both sides of the question, if it seems to the committee that there is prima-facie evidence of an offense against the by-laws or rules of conduct, the matter is reported to the executive committee, which must prepare charges and summon the member or associate concerned to appear before the council sitting as a trial board.

The work of the committee, however, is far more extensive than would be indicated by the number of cases brought to trial. As a matter of fact not one case in twenty requires formal complaint against the member accused. In the great majority of cases complaints are found to be unjustified or are settled by an undertaking on the part of the accused to refrain from further cause of adverse criticism. Most of the cases are concerned with alleged infractions of minor rules, and many of them are the result of misunderstanding.

The committee has a monitory function. It may warn members against contemplated action which would constitute a breach of the rules. It may advise

COMMITTEE ON PROFESSIONAL ETHICS

and consult with complainants and accused, without any attempt to adjudicate but only to effect understanding.

The task of the committee is not one that can be regarded as pleasant. The members must be perfectly impartial and are often called upon to criticize the position taken by personal friends. The work is constructive and indispensable and during the life of the Institute the services which have been rendered by succeeding committees, especially the succeeding chairmen of committees, has been of far-reaching importance and of the utmost value.

The committee is not charged with the duty of making trouble but instead with the duty of preventing it where possible. It makes complaint only where that seems unavoidable.

During the years the work of the committee has grown in importance and scope. The standards are raised higher and higher, until today it is generally admitted among the people who know that the code of ethics maintained by the Institute is at least as high as that of any professional group in this country. The committee recognizes that without a high standard of moral conduct the profession would cease to exist, and at great cost and often at great personal inconvenience the committee carries on.

COMMITTEE ON ARBITRATION

THERE HAS ALWAYS BEEN IN THE LIST OF THE INSTITUTE'S committees a provision for a committee on arbitration. The committee consists of three members of the Institute to whom any person who feels that he has a grievance, which is not properly a cause of complaint, can bring his case for consideration. It is remarkable that in the history of the Institute there have been only a very few arbitrated differences. Accountants prefer to settle their disputes without recourse to a third party, but the committee stands ready at all times to consider and arbitrate any matter which may properly be brought before it.

COMMITTEE ON FEDERAL LEGISLATION

THE COMMITTEE ON FEDERAL LEGISLATION HAS A SPLENDID record. Whenever matters directly affecting members of the Institute have been before the federal congress the committee has closely watched developments and in nearly every instance has obtained a hearing or written a brief which contained the professional accountants' opinions. This has been particularly true in the case of tax laws. When the several income-tax laws were passed, members of the Institute, largely those who were members of the committee on federal legislation, were instrumental in averting many impracticable clauses and they have labored steadfastly to facilitate the administration of the laws when passed. The Institute's accomplishments in the drafting of laws, in the preparation of rulings and in the assistance of effective administration have been notable. Most of this assistance has been under the direction of the committee on federal legislation.

The committee does not concern itself with matters of a political character. It is with the technique of laws and the possibility of justly administering them that the committee deals.

COMMITTEE ON STATE LEGISLATION

IN THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS one of the most active committees was that appointed to promote state legislation for the recognition of the profession. A model C. P. A. law was drafted in the early days and formed the basis of most of the laws now on the statute books of the states. The committee of the Institute has followed in the footsteps of the Association's committee and the two present an unbroken record of effective and beneficent success.

It has not been the custom of the Institute's committee to interfere in state affairs unless requested so to do by residents of the states, but wherever there has been request for assistance it has been promptly and effectively rendered. The committee is always ready when called upon for help.

Until the enactment of a few state laws of the so-called "restrictive" sort it may be said that no state enacted a statute governing the practice of accountancy in which the Institute or its predecessor had not an influential part. If it had not been for the work of the committee on state legislation it seems probable that there would have been a far wider variety of legislation than now exists, and naturally many of the laws would have been absolutely undesirable. Political exigencies in many states have interfered with the adoption of the form of law which the Institute most approves, but in general there has been observance of the impor-

COMMITTEE ON STATE LEGISLATION

tant fundamentals and the statute books are not burdened with many evil laws affecting accountants.

The most recent amendment of what is called the standard form of C. P. A. law, prepared by the Institute's committee, is available in pamphlet form.

COMMITTEE ON EDUCATION

THE COMMITTEE ON EDUCATION CONSISTS OF FIVE members who are appointed for terms of three years each. As a rule the members of this committee are educators who have an interest not only in instruction but also in public practice. They are chosen by the president to represent different sections of the country and leading educational institutions.

It is the duty of this committee to encourage the establishment of sound curricula in the various schools of accountancy and to render advice and assistance whenever called upon to do so. The committee has tabulated and classified the collegiate schools of commerce, accounts and the like and has been an important factor in the present satisfactory condition of accountancy education.

Even in times of financial difficulty the registration of students in the accounting schools increases practically without interruption and the work of the committee is therefore expanding yearly.

In addition to the survey of resident schools the committee has devoted attention from time to time to the question of correspondence schools.

The function of the committee is of vital importance to the whole profession and its accomplishments have been worthy of high commendation.

COMMITTEE ON PUBLICATION

THE WORK OF THE COMMITTEE ON PUBLICATION IS SO closely allied with that of one of the subsidiary organizations, namely, the American Institute Publishing Co., Inc., that it is difficult to separate them. In brief, however, the duty of the committee is to supervise *The Journal of Accountancy*, the *Bulletin* of the Institute and the publication ventures of the publishing company.

This committee holds monthly meetings, at which questions of policy, the selection and approval of manuscripts, plans for circulation and sales promotion and a score of other related subjects are under discussion. The high standard of all the printed matter which emanates from the Institute directly or indirectly is a demonstration of the care and attention which the committee on publication devotes to its duties.

On another page of this pamphlet the work of the publishing company is more extensively described.

COMMITTEE ON MEETINGS

THE COMMITTEE ON MEETINGS IS CHARGED PRIMARILY with the task of preparing programs and making arrangements for the holding and conduct of the annual meetings of the Institute. This, however, is not a merely formal committee. The great success which has attended most of the meetings of the Institute has been due in large measure to the good work done by successive committees. The members are selected from the vicinity of the place of the next annual meeting and the burden of detail which devolves upon them is enormous.

The effect of annual meetings is demonstrated in the close fellowship which exists between the members of the profession in all parts of the country.

SPECIAL COMMITTEES

FROM TIME TO TIME THE PRESIDENT OR EXECUTIVE COMMITTEE appoints special committees to meet emergencies which arise or to consider questions which seem to demand attention. To enumerate all these committees would be unnecessary. The accomplishments of any one of them may be considerable or comparatively unimportant, but they indicate the catholicity of the Institute's interests and the inclusiveness of its performance.

**SOME OTHER OUTSTANDING
ACCOMPLISHMENTS**

STOCK EXCHANGES

FOR THE PAST THREE OR FOUR YEARS THERE HAS BEEN A series of conferences between representatives of the Institute and of the New York Stock Exchange.

At the annual meeting of 1930, in Colorado Springs, the executive assistant to the committee on stock list of the New York Stock Exchange delivered an important address. He recommended that the Institute appoint a permanent committee to cooperate with the stock exchange in the encouragement of better financial reports and the presentation of full information to stockholders in all corporations whose securities were listed on the exchange.

The committee on stock list and the American Institute's committee on stock exchanges have held many joint meetings. Scores of questions of a technical character have been asked and answered, and the exchange is now calling upon the Institute's committee for a great amount of help and suggestion.

The developments which will arise from the present close relationships between the two bodies can not be wholly foreseen, but their influence upon the practice of accountancy, in all the affairs of corporations of any magnitude, will be compelling. Other exchanges throughout the country will probably follow the precedent set by the New York Stock Exchange.

In this one activity alone the Institute has performed a service to all accountants which justifies its unchallenged position in the profession.

VERIFICATION OF FINANCIAL STATEMENTS

ONE OF THE MOST IMPORTANT ACCOMPLISHMENTS OF the Institute is the preparation of a program for the verification of statements of financial condition of corporations. The history of this accomplishment goes back to the days of the great war when the Federal Trade Commission called upon the Institute to prepare such an outline. The matter produced by a special committee of the Institute was strongly commended by the Federal Trade Commission and sent over to the Federal Reserve Board, which in turn published the matter and recommended its observance to all banking concerns throughout the country. In 1926 it was suggested that this pamphlet should be revised, in the light of changes which had taken place, notably in the federal income-tax laws.

A special committee labored diligently for many months and prepared a revision of the outline which was sent to the Federal Reserve Board and published under the title *Verification of Financial Statements*.

The pamphlet does not purport to be an absolutely complete book of instructions. It simply offers what is described as minimum procedure for the audit of corporations of ordinary size. This pamphlet has exercised a powerful effect upon the preparation and audit of corporation statements.

COÖPERATION WITH BANKERS

A COMMITTEE OF THE INSTITUTE HAS COÖPERATED ALMOST constantly with representative committees of bankers, especially of the Robert Morris Associates, an organization consisting of the credit officers of the nation's principal banks. There has been a spirit of harmony between the representatives of these closely allied callings. The bankers have brought to the attention of the accountants a great many instances of what they felt to be bad practice or misleading practice; and the accountants on the other hand have pointed out to bankers a score of improvements which they could make in their handling of financial affairs. There has been no attempt by the one party to dictate to the other.

As a result of the operations of this committee of the Institute there is today a fairly just appreciation of the difficulties and factors in accounting practice, and the banker is in a better position than ever before to comprehend the situations which arise from limited engagements and other obstacles placed in the way of complete audit. The committee feels that if banking and accountancy are to serve the community to the full extent there must be complete confidence between these two classes of men.

The committee has set forth its opinions of many moot questions propounded by the bankers, and there has grown up a body of decisions which constitutes a basis of better accountancy. With these things the

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bankers are now familiar, and the accountants are encouraged to even further efforts to settle points which have not been definitely decided.

There is a beginning of activity of a similar kind between the Institute's committee and the national organization of investment bankers. The latter now recognizes that complete frankness in the flotation of securities can best be accomplished with the aid and approval of the accounting profession.

LEADING CASES IN AMERICAN COURTS

ON MANY OCCASIONS IT HAS BEEN NECESSARY FOR THE Institute to come to the aid of the profession by participating in court actions which had a bearing upon the practice of accountancy. In such instances the Institute employs its own counsel and attempts to prevent decisions which would be inimical to the welfare of the profession. There have been three outstanding cases of the kind:

(1.) Some years ago an organization incorporated in the District of Columbia issued a great many so-called certified-public-accountant certificates to persons who applied for admission to its membership. The issuance of these certificates threatened to create a general misunderstanding of the value of all C. P. A. certificates granted under state laws. Accordingly the Institute instructed its counsel to seek an injunction in the courts of the District of Columbia inhibiting the issuance of any further certificates by the organization in question. The injunction was granted and, on appeal to the supreme court of the District of Columbia, was made permanent. This effectively prevented any further increase in the number of certificates issued by the organization and in process of time the certificates, issued prior to the injunction, have gradually passed into disrepute and have nearly vanished. The citation of the granting of the permanent injunction is *National Association of Certified Public Accountants vs. United States*, 53 App. D. C. 391, 292 F. 668.

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In a case before the Massachusetts courts, *Ipswich Mills vs. William Dillon & Son*, the question of the ownership of the accountant's working papers was involved. The Institute's counsel, assisted by counsel for the Massachusetts State Society of Certified Public Accountants, appeared in this case, and the contention put forward on behalf of the Institute, that the accountant is the sole owner of all his working papers, was unanimously sustained by the highest tribunal of Massachusetts. The citation is *Ipswich Mills vs. William Dillon & Son*, 260 Mass. 453, 157 N. E. 604.

Another case of great importance to the entire profession was *Ultramares Corporation vs. Touche, et al.* In this the Institute appeared through counsel as amicus curiae both before the appellate division of the supreme court and the court of appeals of New York. The Institute's argument was addressed to a refutation of the plaintiff's plea that an accountant is responsible for the results of his work to persons not having a direct interest at the time of the audit. This argument—that liability does not extend beyond those persons having privity of interest—was upheld in both courts. The citation is *Ultramares Corporation vs. Touche, Niven & Co.*, 255 N. Y. 170, 174 N. E. 441.

In these three cases and some less important matters as well, the entire expense of prosecution of the Institute's claim or contention was borne by the Institute and, although the sum involved was considerable, the benefit to the entire profession justified the outlay.

TERMINOLOGY

THE TERMINOLOGY OF ACCOUNTANCY HAS DEVELOPED simultaneously throughout the English-speaking world, and it is not astonishing that in the process of growth there has been a wide divergence of usage and significance of words. This matter has been the subject of consideration by a committee of the American Institute of Accountants for many years past, and several preliminary reports have been issued. In 1930 the complete report of the committee was printed in book form and widely distributed. The definitions which were contained in that report were put forward in a tentative way and criticisms were invited.

Now a new committee has been appointed to review the work of the earlier committee and expert assistance has been employed. The new committee will present shortly a complete revision of the earlier report. Many of the definitions will be substantially altered, but others will be retained in their existing form.

The work of this committee has entailed unremitting toil and attention and its contributions to the betterment of professional practice are invaluable.

BUREAU FOR PLACEMENTS

IN 1926 SEVERAL OF THE LARGER FIRMS IN THE CITY OF New York raised a special fund to make possible a bureau for placements to be conducted under the direction of the Institute. This bureau was to encourage college graduates to enter the accounting profession and to assure desirable men of employment upon a predetermined basis of wages for a period of three years.

It was later decided that a small charge should be made to the employers to whom these selected men were supplied. The bureau became self-supporting and its work was advancing rapidly until the financial depression.

At present the bureau is not active, but the machinery is in order and will resume operations as soon as the expected revival of business occurs.

The purpose of the bureau is two-fold. In the first place, it attempts to bring to students in the last years of their college courses a knowledge of what accountancy offers. In the second place, it endeavors to encourage the employment of men with collegiate training.

EMPLOYMENT EXCHANGE

THE INSTITUTE HAS ALWAYS ATTEMPTED TO FIND EMPLOYMENT for worthy accountants whose need of employment was brought to the attention of the executive officers. Lately, however, there has been so much more unemployment than usual that it has seemed well to organize in somewhat definite form the effort to bring together potential employer and employee.

Men who are out of work may make application to the Institute's exchange, giving information as to their record, salary required, etc.; and employers who are in need of additional men are invited to inspect the list of applicants whose records are at hand. There is no charge whatever to either employer or employee for this service.

At present, of course, it is impossible to find an opening for every good accountant, but a substantial amount of success has attended the efforts of the employment exchange and the accomplishments are well worth while.

INTERNATIONAL AFFAIRS

THE INSTITUTE, AS THE PURELY PROFESSIONAL AMERICAN organization of accountants of a national character, is in constant touch with the leading societies of accountants throughout the world. There is a continuing interchange of information between the societies, particularly of the English-speaking countries, and much assistance has been given and received in dealing with questions which have a common interest to all accountants. The relationships between the Institute and the societies of Canada, Great Britain and Australia are peculiarly cordial.

NATIONAL AFFAIRS

THE WORLD WAR BROUGHT ACCOUNTANCY INTO CLOSE contact with nearly every department of the federal government. Then followed the succession of income-tax laws which made accountancy imperatively wanted, and hundreds of members of the Institute rendered service of immense value to their country. It is quite beyond the scope of the present review to present any of the details, but in a word it may be said that accountancy touched every activity of the government and helped forward the winning of the war and the administration of the laws arising from the war.

Since that time the relationships have been maintained and accountants are called in on innumerable occasions to assist the government in its conduct of affairs.

In state and municipal governments also there is increasing tendency to call upon accountancy—and in all these developments the Institute takes the lead.