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THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS (1908)*

By Thos. Cullen Roberts, C.P.A.,
Secretary of the Association

It may be said that the American Association of Public Accountants is of Anglo-American origin. Its birthplace was the office of a firm of English Chartered Accountants, 120 Broadway, New York City, the business place of Messrs. Barrow, Wade, Guthrie & Co., whose representative we should have been glad to welcome here to-day.

The names of those present deserve immortalizing — they are John Heins of Philadelphia, W. H. Veysey, Thomas Bagot, Louis M. Bergtheil, Mark C. Mirick, E. H. Sewell, Walter H. Veysey, James Yalden, and Col. Tyler, all of New York.

The first meeting recorded was on Friday, December 2, 1887. The certificate of incorporation is dated August 20, 1887, so the Association comes of age this year.

Its aims were high. The objects as set forth in the certificate of incorporation were "to associate into a society or guild for their mutual benefit and advantage, the best and most capable public accountants practising in the United States, and through such Association to elevate the profession of public accountancy as a whole, and to promote the efficiency and usefulness of such society by compelling the observance of strict rules of conduct as a condition of membership, and by establishing a high standard of professional attainments through general education and knowledge."

The living and the dead are brought very close together — with the birth of the Association is recorded at the first meeting of its members, the death of Mr. Robert L. Fabian, who was president of the Council of Incorporators, and, glancing at the

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names of the incorporators, those pioneers of the accountancy profession in the United States, viz.: Messrs. James Yalden, John Heins, Mark C. Mirick, C. H. W. Sibley, Robert Fabian, William Calhoun, and Rodney McLaughlin, it is somewhat saddening to reflect that not one of them is among us to-day.

The entrance fee in those days was \$100 and the annual certificate fee \$25. It is now \$25 for entrance fee as a fellow at large, and \$10 for annual certificate fee. For state societies no entrance fee is charged and only \$5 for annual fees.

The Association began well. There were an abundance of promises for membership. Twenty-six had promised then and six were "thinking" of it. At the next meeting, the enthusiasm of two had abated, and their resignations were accepted. The first regularly appointed secretary of the Association was Mr. James T. Anyon. This appointment dated from March 6, 1888, and was an honorary one, but he was empowered to appoint an assistant secretary at such remuneration as might be fixed by the Finance Committee.

On April 3, 1888, our highly esteemed friend, and past president of the Association, Richard F. Stevens, was admitted to membership, and, on the same occasion, a standing committee on membership was appointed consisting of the president, vice-president, and three members of the council (who were then what the Board of Trustees is to-day), and who were to report upon the applications before submitting them to the council. Accountants did not fall over each other in those days in their hurry to join the Association. So in December, 1888, a committee was appointed to consider the best means and methods to enlarge the scope and objects of the Association, and increase the membership, and to consider the question of initiation fee and annual subscription. Later on, the committee which was appointed, were instructed to continue their labors; and the first annual meeting of the members was appointed to be held on May 15, 1889. At this first annual meeting, the president reported that there were but 25 fellows and 7 associates, and from the balance sheet which was submitted, and signed "E. and O. E." (Scientific accuracy in accounting was evidently not at its zenith in those days), it appeared that eighteen members were in arrears with the payment of their dues, amounting to \$820. The president in his remarks said, "The final success and universal recognition by the commercial and investing citizens of the advantages of our services, can only be developed slowly by care and prudence in the management of its affairs, and by unanimity of feeling towards those engaged in the profession."

One more quotation from this report, and I am through with the first year: "On all sides and in all directions we hear of the advantages of accountancy, and it is universally admitted that our services are needed, and are necessary and requisite, but how much more so will they be if it can be demonstrated that we are in existence, and associated together with unanimity and harmony working to effect the highest proficiency in our business for the benefit of those employing us, and bound down by our Association in strict rules of conduct, insuring faithful and efficient work to our respective clients and the public generally."

At the end of the second year, the "Council" became a "Board of Trustees." Later on, efforts were made to obtain a charter, and Mr. Henry R. M. Cook was empowered to call upon the Regents at Albany to confer with them on that question. A little later there was a proposal to establish a "College of Accounts" with degree-conferring powers.

The result of an interview with the Regents at Albany was that the Regents were not prepared to endorse the whole proposal of the Association — they were ready to open examinations for such persons as desired to become public accountants. This was regarded as encouraging, and the belief was expressed that the Board of Regents was alive to the fact that the profession was one of great importance to the business community, and the study of it should be incorporated as a portion of the educational systems of the state the same as law and medicine.

At the meeting on November 10, 1892, Mr. Cook remarked, that the Association was, he thought, endeavoring to oblige the public to recognize and uphold an institution somewhat un-American in its nature, and unadapted to meet the requirements of this state and country for the reason, that its lines were similar to those adopted by our brethren across the water (The Institute of Chartered Accountants in England and Wales), which although we might recognize their usefulness, could not be carried out in the same manner here, for the reason of the dissimilarity between the laws of the two countries, and therefore, he thought it would be better to abandon them and for us to become originators, rather than remain unsuccessful copyists.

It was found impracticable to form a "College of Accounts" unless there should be provided an endowment of \$500,000, but the Association was congratulated upon having the honor of inaugurating and placing upon a proper basis, the profession of **Public Accountant.**

At the annual meeting, January 17, 1893, the then president, the late James Yalden, said: "Since we last met, the Board of Regents at Albany have forwarded to us a charter for the incorporation of the New York School of Accounts. The objects of the school were to educate young men for the profession of accountancy, and also in the principles of commercial life." This school of accounts started with a full line of professors, and an elaborate curriculum, but its success was ephemeral, for we find recorded on the minute book of July 11, 1894, "RESOLUTION: That in the opinion of the Faculty it is undesirable to continue the School of Accounts and they recommend that the Trustees take such action as they may decide upon to surrender the charter to the Board of Regents or otherwise. At a meeting on September 5, 1894, Mr. Richard Stevens, the then president of the Association, is recorded as saying: "A year has passed since the inception of the School of Accounts, and what has been accomplished? A class of seven pupils have gone through the year's course — that is all. Not a business man has come forward to aid us in any way, the whole burden has fallen on the shoulders of a few of our members, now disheartened and disillusioned. The Board of Regents of the university have stood silent and aloof, not a word has been said about commissioning or licensing our members, and communications addressed to them on the subject of legalizing the profession by legislative enactment have remained unanswered. The members under this state of affairs naturally, have ceased to take an interest in the school, the professors have resigned or been slack in their attendance, the scholars supine and the further continuance of the school in its present status seems idle." Mr. Stevens concluded by saying: "If we can induce the gentlemen having control of either of our great universities, Columbia, or the College of New York to receive our little school under its fostering wing, we will, I think, be on the right road to success, and bring up our profession to the true plane where it should belong, and that would 'ere long give to the world a class of educated, scholarly men, who would reflect honor upon any profession."

How right Mr. Stevens was in saying this, the report of the Committee on Education bears witness.

In the month of February, 1895, Mr. Francis Gottsberger, a member of the Board of Trustees, laid upon the table a draft of a bill to license public accountants, and, at that meeting, a resolution was adopted that a special committee of three be appointed by the Chair to confer with the Bankers' Association with a view to promote the mutual interest of the respective

associations. This bill failed to pass. Although we were disappointed, we were not discouraged, and another bill was introduced "To regulate the profession of public accountants," which bill is now known familiarly as the "C.P.A. Act." This bill passed the third reading in the Assembly, 120 votes to one, and in the Senate, unanimously, and was signed by the governor on April 18, 1896.

On April 22, 1896, a resolution is recorded "That a vote of thanks be tendered to Vice-President Broaker on his untiring and successful efforts by which the accountants' bill of recognition was in a good measure due, which passed the New York Legislature, and having been approved by the Governor has now become one of the Statute Laws of the State of New York."

All honor to our old friend, Francis Gottsberger for his inception of the act — all honor to our old friend, Frank Broaker, for the glory of the achievement in fighting and winning in obtaining for the United States the first Certified Public Accountant Law and of whose certificates he may well glory in possessing No. 1.

With legal recognition, the profession recognized the necessity of belonging to an association which was largely composed of professional or certified public accountants. Other states, seeing its importance fell into line and agitated and fought until they also obtained legal recognition. These State Societies at one time formed themselves into a federated body, but, in the year 1905, the whole of this federated body joined the American Association of Public Accountants, which now numbers in all, some 800 members, with twenty State Societies in full accord. (Please remember that at the close of the first year there were but thirty-two members).

I am afraid I have been somewhat tedious in telling you these things, but it has been to me, and many of the older members, a great joy to see the Association grow, and to know its usefulness is extending. It is a happiness also to state that all members work together in perfect harmony.

During the thirteen years it has been my pleasure to be your secretary, never on any occasion have I heard of trouble or want of harmony in committee. I can not speak too highly of that great and good man, our esteemed, immediate past president, Mr. E. W. Sells, who has ever been mindful of the interests of the Association, and under whose two-years' presidency the Association has advanced by leaps and bounds to its present high position.

Mr. James G. Cannon:

I feel very much at home in this presence this evening, as I have framed in my library a certificate, dated in the year 1890, showing my membership in the old Institute of Accounts of New York City, and the certificate further states that I am a certified accountant of the Institute of Accounts of New York. Consequently, I feel that I am not among strangers or in a strange land when I appear before you to say something on the subject of "The Relation of the Banker to the Public Accountant."

I have always been deeply interested in the subject of accountancy, and I assisted, as far as possible, the gentlemen who, in 1896, procured the passage of the law in the State of New York, "To Regulate the Profession of Public Accountants." In March, 1905, in an address at Atlantic City, before the New Jersey State Bankers' Association, I urged the bankers of this country to establish the custom of requiring statements of the financial condition of borrowers to bear the certificate of a certified Public Accountant, and in the same year I secured the adoption by the New York State Bankers' Association of a new form of property statement blank, in which the borrower is asked the question, "Have the books been audited by a Certified Public Accountant? . . . If so, name and date of audit."

I have watched with a great deal of interest the passage of the certified public accountant laws in the various states of the Union, and assisted their passage where it has been in my power to do so. Therefore, I hope that you will bear with me, and remember that I am speaking as a friend of the Certified Public Accountant, when I present some thoughts in connection with this matter, which may seem in a spirit of criticism.

During the ten years that the certified public accountant law has been in existence in New York State, 617 candidates have presented themselves for the examination under the law, and 409 of them have been rejected. In other words, about 66²/₃ percent of the men who desired to enter this profession during the first ten years of the law, failed to pass the examination. The total number of certificates issued up to and including June, 1907, by examination was 208, by waiver, 177, making a total of 385. Of this number, 54 were junior certificates, so-called, leaving the total number of full Certified Public Accountant certificates issued in the State of New York for the first ten years 331, of which 177 were given by waiver, leaving 154 certificates as the result of the new law.

This, I believe to be a very unsatisfactory condition of affairs, especially so if the bankers and business men of the

great State of New York are to depend more and more upon the work of Certified Public Accountants, as the addition to this profession of only fifteen a year enables a few men to retain almost a monopoly of this business, which, to my mind is not proper. There is certainly some reason for this situation, and I have made a careful examination into several points, I find that for the first ten years the members composing the Boards of Examination for Certified Public Accountants of the State of New York, with two exceptions have all received the degree of Certified Public Accountant under the waiver, and of the fourteen men who have composed this Board, one man has served for seven years, one man for five years, two men for four years, four men for two years, and six men for one year each.

A further study of those who were rejected shows that a large proportion of the rejections came through the topic of "Practical Accounting," 91 percent of the men presenting themselves in 1907 having failed on this topic, and an examination of some of the questions asked under this heading would make it appear as if they were purposely made so difficult that candidates would not pass. I noticed one question in particular where the candidates were asked to prepare an "Articulation" statement. This designation of a statement is not one of general use, and is probably a term applied by a particular accountant who had a share in the preparation of this problem. I made a careful examination of many of the other problems which the students have been called upon to answer, and they certainly are not clear and concise, and I believe that it would be practically impossible for one-half of the men holding certificates under the waiver to answer them satisfactorily. The examiners seem to have confined themselves to special problems which have arisen in their own line of business, which it is unreasonable to expect students to answer in a given length of time, and are, consequently, of little or no value in a general examination. What is wanted in New York State, I believe, is a far more comprehensive system of examinations for the degree of Certified Public Accountant. There seem to have been altogether too many technical questions asked of the applicants for the degree, and many of these questions do not involve a real knowledge of accounting. It is this class of examinations which will produce Certified Public Accountants who will only scratch the surface of things.

Examinations are required, and properly so, in all of the twelve states having State laws on this subject, and Accountancy Boards, but the time has arrived when this whole ques-

tion should receive the attention which it deserves, and the accounting profession, instead of spending further time on the securing of Certified Public Accountant laws throughout the country, should give their best efforts to the training of candidates for the degree.

As far as practical experience is concerned, three states, Colorado, New York, and Pennsylvania, are the only ones that require a period of time of practical experience, and I believe that the regulation in New York with regard to practical experience should be changed. Pennsylvania rules provide for two examinations, a preliminary and a final, and the registration in the office of a certified public accountant, *or any recognized school of accounting*, where the applicant can make preparation for his final examination. This is much better than the present rule of New York, where the applicant must spend one year in the office of a certified Public Accountant before receiving his degree. I think this is a hardship to many men, and keeps good men from securing their degree.

Of the junior certificate issued in New York State in the last ten years, seven only were issued to men who were under the age limit, and from a careful examination of the time of these certificates, nearly all of these men would be entitled now to full certificates were it not for the fact that they are compelled to take a year in the office of some Certified Public Accountant, which in many instances it is impossible for them to do.

I am calling the attention of the gentlemen of this profession present this evening to these few facts because it appears to some of us who are anxious to use the Certified Public Accountant more and more, that the profession savors more of monopoly than it should, and the whole subject should be carefully brought before the Regents of the State of New York, and many changes made in the method of procedure and examinations, if the profession of accountancy is to take the place it deserves and secure the confidence of the business and of the banking community.

The bankers need your assistance in all directions, and the benefits to be derived from an examination of business concerns by a Certified Public Accountant is of inestimable value to both, and when a statement of a concern's assets and liabilities is presented to the banker, he gives it an added confidence from a knowledge that the statement has a true foundation. This confidence might exist even though such an examination was not made by a Certified Public Accountant, but granted that it is made by an accountant selected by the

banker, there is no question that his confidence in the statement is increased.

There is the further satisfaction to him of knowing that it is properly, made and compiled, and that it is produced from books of account, capable of bearing out the condition submitted. But in recommending the accountant we must know not that he is simply a man who is capable of transcribing the books of a concern, but that he can grasp all the surrounding situations as related to the profit and loss account and other essentials which come from his examination of the results of trading, and whether the items of plant, accounts receivable, and merchandise are taken at their true value. We must have *more* thoroughly qualified Certified Public Accountants, who can give this added knowledge of the situation of firms and corporations, and the business should not be held in the hands of a few.

If we are to recommend that statements of borrowers from banks should have a certificate of a Certified Public Accountant, we must have plenty of broad-minded, energetic men in the profession, and these men must make themselves attractive to those requiring banking accommodations, so that other benefits may accrue to the borrower entirely apart from the improvement in his financial standing.

A properly qualified public accountant should not only be familiar with the requirements as relating to the bookkeeping of a concern, but from coming in contact with all kinds and classes of men and businesses, he unquestionably acquires a most varied experience, and should be in a position to counsel not only as to how the books should be kept, but as to many other requirements in a properly equipped business. Contact, therefore, with a Certified Public Accountant of the kind I am trying to describe, is frequently of inestimable benefit to the business man. I have known of instances where suggestions have been made by Certified Public Accountants which have resulted in saving many firms from disaster. I have reached the conclusion that many failures have occurred because, through ignorance, the management was kept in the dark as to the true conditions, until too late to rectify them.

A large part of the value, however, to the banker, of an independent investigation by a certified public accountant must be a belief in the honesty and capacity of the accountant, and that is why I prefer an examination to be made by an individual accountant whom you can hold personally responsible, rather than by a corporation.

I am very anxious that the profession of the certified public accountant should be placed upon a broader and firmer basis, for it is my conviction that more and more statements submitted to bankers for the purpose of procuring credit, will be subject to confirmation by a Certified Public Accountant, and this will be of inestimable value, not only to the banker, but to the honest borrower, by the elimination of the dishonest and disreputable, by decreasing the margin of loss to the banker, also resulting in a decrease of interest charges to the borrower.

It is not many years since it would have been considered strange to ask for a signed statement of assets and liabilities from borrowers, but this condition has now practically passed away, and no one now feels hurt at being asked to make such a statement. With the immense increase of the business interests of this country, it becomes more and more difficult for bankers and other creditors to have the close and intimate knowledge of borrowers which formerly existed, and from this increased business there is naturally an increase in the amount of commercial paper outstanding, and I believe that the advantages of an examination by a Certified Public Accountant, and a certificate of the assets and liabilities properly authenticated, will be of great benefit to both the borrower and the lender due to the increased confidence which they will have in each other.

I am aware that the Certified Public Accountant law is only ten years old, but it has been in operation long enough for its friends to see its defects and point them out for remedy, and if the profession is going to enlarge its scope of usefulness and broaden its activities, it must eliminate some of the errors of the past, and bring to bear upon its problems more practical common sense.

There is plenty of business for good Certified Public Accountants who will not drag out a day's work to an unlimited time on the books of a concern, but will do their business with vigor and dispatch, and handle their affairs with a broad vision.

We want first class men, we want them well trained in the profession, but I do not believe the present methods are reaching that end. They are deterring many young men from entering the profession, and I come here tonight as a friend and well-wisher to sound a note of warning and ask that this American Association of Public Accountants give this matter their best consideration. If you will do this you will have performed a great act of service to the Certified Public Accountant.