Confidential Communication, December 5, 1921

American Institute of Accountants

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AMERICAN INSTITUTE OF ACCOUNTANTS
Confidential communication, Dec. 5, 1921.
Confidential

AMERICAN INSTITUTE OF ACCOUNTANTS

Executive Committee

TO MEMBERS AND ASSOCIATES OF THE AMERICAN INSTITUTE OF ACCOUNTANTS:

FOLLOWING receipt of a great number of inquiries from members and associates of the Institute as to the status, purposes and accomplishments of several new organizations purporting to be concerned with the welfare of accountancy, the Executive Committee has prepared and ordered to be distributed to the entire membership the following summary of such information as is at hand.

In addition, the committee feels it wise to explain to the membership, so far as may be without prejudice to matters now pending, what has been done and is being done by the Institute to safeguard the interests of the profession as a whole and, more especially, to protect the prestige of the certified public accountant.

History

In the winter of 1920-1921 several suggestions for C. P. A. legislation in the District of Columbia were brought to the attention of the Institute. Most of the bills proposed were objectionable. For example, one of them contained such provisions that had the bill become law many persons who had never done any public accounting whatever would have been eligible for certification without examination. Other bills were suggested which were objectionable in themselves.

National Association of Certified Public Accountants

During the latter part of 1920 there came into existence an organization known as the District of Columbia Society of Public Accountants. In June, 1921, this society was incorporated under the name of "National Association of Certified Public Accountants." Its articles of incorporation provided that its members should be entitled to describe themselves as certified public accountants. This organization, its incorporation having been effected, began to circulate far and wide. It was set forth in the circular letters that anyone found eligible would be admitted without examination up to October 5, 1921.

The avowed purposes of the National Association of Certified Public Accountants appealed to many people with whom the organization communicated and it is believed that more than 2,000 certificates of membership carrying the words "certified public accountant" have been issued.

Other Organizations

Following the annual meeting in Washington the Institute received advice of the incorporation of another society known as the "Federation of Certified Public Accountants." A similar society entitled "The American Society of Certified Public Accountants" was also brought to the attention of the Institute. These two organizations have subsequently joined forces with the purpose, among others, of opposing the operations of the National Association of Certified Public Accountants.

The Position of the Institute

The issuance of thousands of so-called certified public accountant certificates by a corporation involved the possibility of injury to the standing of certified public accountants who had received their certificates under C. P. A. laws of any of the 48 states of the Union, and the Institute, through its proper committees, has carefully watched developments with the intention of taking whatever action might be found necessary in order to safeguard the interests of certified public accountants.

The lack of C. P. A. legislation in the District of Columbia seems to have made possible the establishment of organizations issuing certificates of membership which might readily be confused by the public
with C. P. A. certificates issued under state laws. The Executive Committee believes that it will be possible to bring about reform either by statute or court action, but it may be frankly admitted that so far as the District of Columbia is concerned a successful effort, except by congressional enactment, to check the operations of corporations formed under the District law might not be effective in preventing similar operations by other organizations subsequently formed. As to the standing of certificates issued by a District corporation and displayed in any of the states of the Union there is, of course, much less difficulty; and state boards of accountancy and state societies of accountants will probably take such action as may be necessary in individual cases.

In the meantime it appears to the Executive Committee that members of the Institute can accomplish a great deal of good by doing their utmost to stimulate interest on the part of senators and representatives in the enactment without amendment of Senate Bill No. 2531, which was introduced by Senator Capper of Kansas and is now in committee. This bill has received the approval of the Council of the Institute. It conforms to the general principles of C. P. A. legislation approved by the Institute and, if enacted, will be effective in preventing the issuance of C. P. A. certificates by corporations in the District of Columbia.

It must not be inferred from the foregoing statements that the Institute has any intention of abandoning its efforts to abolish evils which exist at the present moment. The matter has been placed in the hands of counsel and whatever can properly be done will be done irrespective of the amount of money and effort involved.

The Executive Committee urges members of the Institute to rest assured that the interests of certified public accountants have been and will continue to be safeguarded to the utmost possible extent by the Institute and its agencies.

While the Institute is in harmony with some of the objects of the Federation of Certified Public Accountants and the American Society of Certified Public Accountants, the Executive Committee feels that there is danger in the multiplicity of societies, and the committee is forced to point out that some of the statements in circulars issued by the new societies are misleading. For example, the statement has been made that the American Institute of Accountants is not concerned with the protection of the C. P. A. certificate or degree. The Executive Committee feels that while there is no obligation whatever to deny a self-evident misstatement there may be value in a brief explanation of the things for which the Institute stands.

As a matter of fact every member of the Institute should know that it has continuously and diligently sought to protect the C. P. A. degree wherever it seemed necessary to do so, and it has felt that one of the most important of its objects is to support state societies in all their attempts to establish the standing of the certified public accountant.

From the beginning the Institute has upheld high standards and today 38 of the 48 states of the Union are using the Institute's examinations. Many of the states cooperating were formerly among those issuing certificates without proper regard for professional requirements. Furthermore the Institute has always paid close attention to the enactment of C. P. A. legislation and has prepared a model law which has been followed in almost every instance. The Institute has steadfastly labored for the strengthening of the administration of every certified public accountant law in the land. In spite of this fact circulars emanating from one of the new organizations assert that the Institute has not only failed to work for the support of the C. P. A. certificate, but has even opposed it, in proof of which reference is made to a ruling of the Executive Committee that the initials "C. P. A." should be omitted from the list of names in the year-book and from certificates of the Institute.

The chief reason for such a rule was the confusion which arose when a man was a certified public accountant of one state and a resident of another. Also it was felt that if the Institute printed the letters "C. P. A." in its list of names it might be expected to print other designations such as "C. A.," "Incorporated Accountant" or any of the collegiate degrees possessed by members. The simplest way out of the difficulty was to avoid all initials after names and to let membership in the Institute stand as the hall-mark of ability.

When the Institute was founded in 1916 it was generally admitted that owing to the great number of C. P. A. laws intrinsically weak or badly administered the whole value of the certified public accountant certificate was in serious jeopardy. One of the chief reasons for the formation of the Institute was the
hope that by establishing an entirely professionally governed organization something could be done to offset the danger existing in a variety of standards or lack of standards. During the five years since the Institute's creation the achievements have exceeded all expectation, and today there seems no reason to fear for the prestige of the certified public accountant certificate as issued by the states of the Union. The labors of the Board of Examiners, the establishment of what is generally recognized as a standard examination, the close cooperation between at least three-fourths of the states and the Institute—all these have brought about a condition of affairs which reflects the utmost credit upon the record of the Institute.

Therefore, the statement that the Institute "has seen fit to abandon" the C. P. A. designation and is not making every effort to preserve the prestige of the degree is, to say the least, far from accurate. Had it not been for the work of the Institute in maintaining the dignity of the C. P. A. degree since the Institute was formed there might not be the nation-wide recognition of the value of the degree which now calls for defense.

It may not be out of place to refer also to the wonderful accomplishments of the Institute in providing for the accounting profession a service, unequaled by any other profession, in the bureau of information which gives to every member of the Institute the opportunity to act with the advice of leaders in accountancy. It does far more than had ever been done before to ensure an authority and standard of professional ability for all its members.

This matter is directly concerned with the protection of the C. P. A. certificate. The bureau disseminates information and the results of experience among practitioners throughout the country. Everything that makes for the raising of the standards of accountancy is directly reflected in the value of the legally recognized certificate of proficiency.

Many inquiries have been received from members of the Institute as to what attitude is recommended in regard to membership in any of the organizations established to oppose the issuance of certificates in the District of Columbia by corporations or other agencies not specifically created for that purpose by the government. To this the Executive Committee replies that, while it has no quarrel with any organization which is designed to further the interests of accountants and the profession of accountancy, no benefit seems likely to result from a division of effort and a multiplicity of organization. The Institute naturally will welcome the assistance of everyone who has at heart the welfare of the profession and cordially invites the cooperation not only of its members but also of any other persons who may be interested in promoting high standards.

The Executive Committee, however, does not feel that members of the Institute should ally themselves with organizations which admittedly are attempting to do the things which the Institute is doing. It is far better that all effort should be concentrated in one organization.

It is hoped that whatever action may be taken in regard to the National Association of Certified Public Accountants and other organizations of a similar nature which have been or may be created can be reported to the membership in the near future. For the present it would not be expedient to go into the details of the legal situation.

For the Executive Committee
CARL H. NAU, Chairman.

A. P. RICHARDSON, Secretary.

December 5, 1921.