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# *The* JOURNAL *of* ACCOUNTANCY

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## American Institute of Accountants

### REPORT OF THE PRESIDENT \*

BY JOHN R. RUCKSTELL

The clock is about to strike its annual marking of time for administrative change in the government of the American Institute, the time when I must give an account of a year's leadership.

Those who have been more or less closely associated with me, or otherwise in contact—members of the council and of committees—do not have to be told what has been done by the retiring administration. Most of you can make a better appraisal, reduced to net accomplishment values, than can your president. But the president's valedictory is prepared and printed to carry his message to those who through circumstances do not attend the convention and did not or could not do so much to assist, yet are commendably desirous of knowing how the Institute fared under the administrative guidance selected. These also should be told what unfinished work was taken over for completion or continuance, what policies were initiated, carried out, or are to be passed on to the succeeding administration. The annual message of the leader, when coupled with committee reports, should include a review of things accomplished, of important work progressing, and an outline of desirable and timely things to be considered.

Sometimes the greatest wisdom displayed by a general is in the care with which he selects those who are to assist him and to be at or near the firing-line, to carry out the plan of campaign. Perhaps, then, the best I did for the Institute, and also of credit for myself, was to begin my administration by a careful selection of

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\* Presented at the annual meeting of the American Institute of Accountants, September 18, 1928.

men for and organization of the various committees. After all, the history of accomplishment in the Institute is in large part the record of efficient work done by committees. The unselfish active interest taken by so many individual members of the Institute is evidenced by a glance through the line of its successive *Year-Books*, to note the recurrence of the same names on the council and on the various committees. Such recurrence or continuance, such year after year appointment, carrying with it personal expense and inconvenience, is wholly because of the active, generous, efficient and unselfish service rendered.

The greatest general of an army is not always, and but rarely, the one who leads his troops on the battle front; but more often it is he whose name is made more permanent to fame by what he accomplishes at headquarters, behind the lines, in selecting leaders for the different divisions—each leader for his peculiar fitness. This also holds true in business, industry and civic affairs. And applying this comparative to my incumbency of office, when I was elected I felt that my efficiency for administration could best be demonstrated, my year of incumbency be made possibly to show some fair comparative results, if I should give my thought at the beginning to a careful selection of those who were to serve on the various committees.

Where, then, you find or consider that little progress has been made, blame the president, and where you find worth-while progress made or much accomplished, give the credit to your committees, and I shall indirectly draw some of the credit for having wisely selected appointees.

Under the disadvantage of residence at a distance from the home of the Institute, I was compelled to do much executive work by correspondence that would better have been performed no doubt by personal contact, but I was fortunate and favored at the outset by the election of an unusually strong executive committee. The records show how attentive that committee has been to its duties in the management of your organization, overcoming presidential absence. I further tried to offset the disadvantage to the Institute through distant residence from New York, by making liberal use of the mails and writing individually to many members and committee-men.

In presenting this annual address of the president, informing the convention as to what the Institute has accomplished during

the year just closed, I have not great accomplishments of which to boast and I trust no serious failures of accomplishment to explain or for which to apologize.

PROGRESSIVE ATTAINMENTS

The Institute has pursued a dignified, conservative course in its various contacts. Shakespeare's advice, "Beware of entrance to a quarrel, but being in bear't that the opposed may beware of thee," applies to institutions as well as to men. "Make haste slowly," is another old maxim and likewise applies to institutions. The American Institute of Accountants has moved forward with that caution which first determines the general need of a measure, a change, or a policy—the wisdom of its introduction, the timeliness of its inauguration, the probability of its success, the permanency of its duration—then takes the step. The progress so far made has not been sensational nor spasmodic, but dignified, deliberate and constant; and a step once taken has been one of permanent advance in professional improvement, earning the respect of a discriminating business public and the approbation of the Institute's general membership. The successive steps taken seem to have been expedient and timely and therefore now rest on permanent footing. The successive administrations of the Institute have never attempted to satisfy *all* its members but they have inaugurated, developed and supported policies believed to be for the common advantage of all reputable practitioners, regardless of their real or assumed individual importance in the professional field. Where the goal set has not yet been fully reached, where but partial success has been attained, the progress made or part accomplished was at least something gained, while the uncompleted task is generally in the condition where it may be taken up and extended from the present structure without initiative repetition or radical alteration, the foundation having been ample and suitable for additions. The American Association of Public Accountants, predecessor of the Institute, served fairly well the professional requirements of an earlier day and later was easily extended or modified to become the American Institute. The rules of conduct and regulations of practice in the Institute have grown with the growth and evolving needs of the profession. The work of the important continuing committees has been that of accretion—successors extending the work of predecessors. For example, consider the system of

furnishing examination questions to state boards: starting this coöperation a few years ago, it now extends to nearly two-thirds of the states and territories in the union. So we might illustrate all the other functional activities or features of the Institute,—the library, the *Accountants Index*, the endowment fund, the Foundation, THE JOURNAL OF ACCOUNTANCY and the latter's vigorous offspring, the monthly *Bulletin*.

In thus reviewing the work of the Institute, I am but repeating what others have said. But it is well occasionally to take an inventory, to make an appraisal, to remind those of indifferent disposition as to current progress and what are the present purposes, the future objectives, of the Institute. In thus reviewing, I am thinking to anticipate and endeavoring to answer such occasional questions as: What are we doing? What are our leading aims or main objectives? Of what positive or direct value is the Institute to individual members?

For what we have done, whether initiative, constructive, administrative, executive, or literary, its members can be proud of the Institute. Let me briefly allude to the last feature mentioned—our literature. The official organ, THE JOURNAL OF ACCOUNTANCY, is a standard magazine of high class—in size, in fixed standard of arrangement and make-up; in choice of matter accepted for advertising publicity and in the literary excellence and technical value of contributed professional matter appearing in its columns—that make its now forty-five completed volumes a very desirable and valuable collection of information. The *Index*, in comprehensive completeness as a reference to the literature of accountancy and related subject matter, has no equal, we may safely say, in the world.

In a material or substantial sense, the average member does not realize the position of strength the Institute has reached in its comparatively few years of existence. For instance: its home property at 135 Cedar street, New York; its library, one of the most nearly complete of its kind in the world; its endowment fund of more than a quarter of a million dollars to insure the carrying out of what it undertakes—these material possessions, these accomplishments, these literary monuments, these sinews of strength for continuing steady growth, should well indicate the kind and quality of the organization that is behind us and further indicate one of the active means by which our profession is to advance in the United States.

A living organization never stands at rest nor ever completes its work. A dead language, for example, ceases to extend definitions and adds no new words; while a living one never ceases to broaden and refine and is ever adding new words to meet the demands of thought. So the American Institute of Accountants, with the needs of the rapidly growing profession, the ever-increasing problems confronting the business world, the perplexing demands of government under war and post-war conditions, and the consequent need of more scientific technical training, has had to keep pace with the impulse of progress, and has advanced, not always to set the pace, not always to blaze trails for the adventurous ones, but sometimes to follow in their path and develop and refine what had been fairly well founded but crudely pioneered.

#### COMMITTEE PERSONNEL AND THE SECRETARY

The progressive departmental work of the Institute is assigned to and carried out by various standing and special committees. The work of these committees is summarized and usually transmitted to the convention and membership by the reports of the council and of committees. Thus, what the Institute has done during the year, whether finishing or actively continuing what was previously begun, or initiating new activities which either have been completed or upon which progress will be reported, and advising as to work for the future—all this I trust will be presented by the committees. As such reports, with those of the secretary, the treasurer and the auditors will supplement the president's message, I shall by omitting particulars avoid needless duplication. However, as the president is chairman of the executive committee, I should refer to the fact that in my official and presiding capacity I was for obvious reasons more frequently conspicuous by absence from than presence at its meetings. I am loath to believe that the Institute was much if any the sufferer, though possibly instances can be shown where my absence counted as a gain. At any rate, the executive committee frequently met, devoted its best thought to the Institute and has my sincere thanks and gratitude both for its indulgence to me and for its valuable service.

The membership of the Institute is spread over a wide area. Our regional or chapter subdivisions or other Institute groups are found in widely separated cities. For the officers annually to visit each of these groups is impracticable. So we make an effort

toward impartial attention by alternations of visits—the officers favoring one or more sections of the country in one year, their successors visiting other localities in a following year. Thus I tried to do a fair share of visiting during the past year—particulars of which have amply been given to the membership by our friendly and welcome messenger, the monthly *Bulletin*.

I have used a military simile when referring to the generalship of the president in selecting his committee-men. Let me again use this form to describe another important personal factor making for the success of the Institute. In military administrations they sometimes have an official known as a liaison officer. His is the duty of contact, conference, and effecting coördination between two or more armies of the same supreme command. In the Institute the comparison well applies to the secretary. As the permanent administrative officer, it is he who has the most comprehensive knowledge of the individual members. More than is possible for any other man in the Institute, he knows the peculiar fitness of certain members for certain work, he has the measure of their willingness and promptness to serve, their qualifications for special committee work, their probable persistency toward task accomplishment.

Therefore, much of the progress we have made, the credit we have earned before the nation and the world, the high literary quality of our passing and permanent publications, the well organized departments and their smooth coördination, the conservation of our financial resources, are due in generous measure to the efficient and scholarly secretary of the Institute, who has continuously served us from the year 1911 to date.

#### RETROSPECT AND PROSPECT

We are still a very young profession. Countless generations reach back in law and in medicine to Justinian and Hippocrates; but in accountancy, as a learned profession, the practising grandsons of professional accountants are extremely scarce. A young profession has the advantage of freedom from time-worn prejudices that usually attach to or cluster around the older institutions with their precedents or traditions, prerogatives and special privileges. The representative organization of a young profession wisely surveys its surroundings, and sets, shapes or determines its course with equal regard for the welfare of its members and the

public they seek to serve; and in either case looking to increasing demand for and return value of service.

Healthy growth in a young institution such as ours is of course one of the evidences of its worth and reasons for existence. But the success of the Institute is by no means fully measured by acquisition of members or added funds to its treasury. These increments are of course desirable, necessary and not to be undervalued; but it is of greater importance to be able to show substantial progress in advancing the interests of the profession. So, then, fairly to measure the progress of the Institute, we must to numerical and financial strength add its growing prestige and influence in the commercial and industrial world.

In those qualities that can not be represented by figures or symbols nor easily described in words—in the immaterial qualities such as professional morale and better individual understandings—in these also we have made very apparent progress. The Institute has pursued a course of dignity which by some has been mistaken for aloofness, though from the better representatives of our profession and the substantial interests of the country its course and attitude have earned and command wholesome and wide-extended respect.

Where would our profession of accountancy be today, or what influence would it command were it not for the Institute, that stands by to support us? It takes the force of representative men in well organized numbers to bring about legislative enactment, initiate national improvements, start public interest, inaugurate salutary business customs, establish and enforce proper professional standards and regulations. Individual effort, even when it is that of one most prominent and representative in his class or following, makes little headway. But when an organization that includes the representative men in any legitimate calling undertakes to carry out a well defined, laudable purpose, progress may be slow but it is generally sure.

None of us, I feel certain, believes that the field of the public accountant, in any given direction, is developed to its reasonable ultimate limitations. There are, moreover, some kinds of service that come within the proper domain or scope of accounting, or for which the educated accountant should stand qualified, where we have made scarcely more than a start. I refer to such common matters as receiverships, refereeships and corporation-directorships. We look forward to having these



opportunities opened for us, or greatly extended where already open.

I repeat, we can often accomplish through an organization what can not be accomplished by individual action. Your local chapter or your state society gets a hearing before your city council or your state legislature, where an individual accountant would make slight or no impression. The American Institute, through committees, presents measures or matters before bankers, business organizations, courts, legislative bodies or congressional committees, and gets not only hearings but often valuable concessions; as witness the action of the courts of Massachusetts on the privacy of accountants' working papers, the welcome given the Institute's appointed representatives in house and senate committee tax conferences, or in effecting the suppression a few years ago of an organization whose activities threatened the C. P. A. certificate.

#### RESTRICTIVE LEGISLATION

One of the questions frequently put to the older accountant by his junior, one of the subjects frequently discussed at gatherings of public accountants, is the irritating one of legal exclusion of non-certified, non-licensed or non-qualified practitioners. Why, it is asked, do we not protect the public as well as the properly qualified and licensed accountant? Why is the individual who has been required to train, to serve an apprenticeship, to secure a certificate under state law and continued supervision after severe examination or tests of qualifications—why, it is asked, is he not protected from the unlicensed, legally irresponsible quack, or from what is not infrequently incompetent, unaccountable and irresponsible malpractice?

These questions are at least partly answered by stating the fact that asserted constitutional right, even where it injures, is often hard to overcome, bridle or restrain. In this country, because of our boasted liberty, our patience is often sorely tried by so-called "constitutional rights."

It is more difficult to secure legal enactments of national scope in America than it is, for instance, in Great Britain. The accountancy act in England and the British companies act, were much easier to secure than would be similar nation-wide legislation here. Over there, the enacted laws are at once national, passed by one central government. Here, most of our laws are

the enactments of separate disconnected state legislatures. We have forty-eight political units. A law that one state will pass, another will not; or there will be modified provisions making common interstate enforcement difficult or impossible, having a tendency to diminish respect and encourage evasion. This, then, encourages legislators to play politics, make political trades, hamper the passing of new laws or threaten repeal of those existing. And often when a measure has passed and, with emendations and additions, has become a law, its own sponsors, those who introduced the original bill, would like to disown it.

We have then no national accountancy law, but some fifty-three separate and somewhat dissimilar state or territorial laws. So it has been one of the constant and difficult activities of the Institute to try to bring them into uniformity. Our task has been no easy one, as may well be understood. New York has one accountancy law, Illinois and Michigan have laws differing from New York's and likewise from each other's. Going south, we do not find Florida following any of the earlier laws of Louisiana, Georgia or Texas.

If, then, the accounting profession is to advance with any kind of national uniformity, this must be accomplished by or with the help of national organization. And progress in that direction will be proportional to the respect and public influence that can be secured or commanded by such organization.

What are the logical means and sequence of active procedure to accomplish national uniformity of accountancy laws, extension of professional service and restriction of that service to the legally and otherwise properly qualified? Are they not to bring the various and varying state laws into closer harmony, to equalize the educational qualifications for the C. P. A. degree and reduce the requirements of practice to a uniform standard? These are objectives of the Institute and its attention to them within bounds of reasonable possibility has been and continues to be active. It provides a model C. P. A. law. It supplies most of the state boards of accountancy with examination questions. It works for the benefit of the profession through large and powerful national bodies like the Chamber of Commerce of the United States and the Robert Morris Associates, the latter being the credit clearing-house of bankers. Its influence and its funds are used where legalized professional accountancy is attacked.

Its progress toward major objectives may not be as rapid as could be desired, but when the progress that is made, though it be slow, is consistently toward the wished for, we must be patient and give individual encouragement and substantial support when and where we can.

#### PUBLICITY

Advertising and publicity has been another irritating subject, familiar to every accountant, one that has been considered by the Institute and sometimes has caused differences of opinion.

The question of professional advertising is made more annoying by reason of restraining rules to govern the member of the Institute, while the unlicensed, irresponsible practitioner may advertise his services *ad libitum* and, at times, *ad nauseam*.

But the law of compensation is at work here, though we do not all nor always realize it. There is a peculiar public or community psychology that follows advertising. The style of advertising that will draw the public to a circus will keep practice away from the doctor, accountant or lawyer. We may successfully advertise material things or manual skill; but the training of the mind, the immaterial product or experience of the intellect, requires publicity, not advertising, to promote its success.

When an individual sends out his message in print to the public, that is advertising. When an institution or membership organization sends out its message on the kind, quality and value of service to be rendered by itself or by its members, that is publicity. The dentist or doctor who directly advertises his professional services is rated as a quack or unethical, whereas the periodical that carries an impersonal message on the value of dentistry or medical service is widely read, the advice seriously considered, and ethical practitioners are benefited.

Certain professions, like certain kinds of business, do not openly or directly advertise, but publicity helps them. The attorney, the physician or the surgeon, who would directly proclaim his skill, from shingle, advertising leaflet or newspaper page, would secure practice from the class seeking cheap divorce and medical treatment on the instalment basis; while those who did no advertising, but got public mention when the quality of their work was favorably commented upon by printed page or oral dissemination, would be sought out and patronized by the class of clients or patients that could afford to pay.

Merchandise or materials or the skill of service that goes with or for the installation or placement of materials—these may properly and profitably be laid directly before the public. Such skill is handicraft rather than mind-craft. But there seems to be a subtle, almost indefinable, disfavor toward those who proclaim for themselves the talents of the mind, soul or intellect.

Advertising, then, is what we say of ourselves, or, knowingly permit or direct to be said of us or for us. Publicity is what may be told or published about us which we neither initiate nor authorize, try to influence nor to control. The collective, impersonal message that an organization may give or send through speakers from public platform or forum, or in print from private organ or public press, changes the character of the message from advertising to publicity. When we say something laudatory or descriptive of ourselves or of our talents, that is advertising; when others say the same thing about us and it is said in such a way that it does not indicate having been inspired by ourselves, that is publicity. When a doctor's patients talk about his cures, it brings him new patients; when the doctor himself talks about his own cures, it does not generally bring patients of the right kind.

The thought-impression or association I desire to make is, that, while the Institute discourages advertising, it might find means to encourage publicity. In addition to our accountancy publications, which are read by our profession rather than by our clientele, we might get more accountancy news or promotive matter into the public prints if the Institute would extend its activities toward this objective.

It may be desirable to establish a permanent publicity department of the Institute to secure publication of information concerning the Institute, the certified public accountant, or some outstanding piece of accounting work, such as clever discovery of fraud or relating to special public service accounting activity worth reading. It is noteworthy how frequently the important acts of representatives in law, theology and medicine are recounted and how seldom there is reference to the important profession that helps to direct commerce, manufacturing industry and the proper administration of public affairs.

#### MEMBERSHIP AND ADMISSIONS

Growth of the Institute has been consistent and uninterrupted ever since its beginning, and this in spite of rigid requirements for

admission. The administrative committees of the Institute which regulate the admission of members continue to be governed by the opinion that quality counts for more than do numerical units. While we are desirous of adding new members, we do not intend that increase in number shall effect decrease or decline in quality and weaken present standards of the Institute. That would not be the kind of progress which we seek.

THE INSTITUTE'S SECURE AND PERMANENT POSITION

In retrospect, we look to nothing that we should wish to recall. We have maintained and shall continue to maintain the dignity of the accounting profession; we have justified increasing pride in the possession of Institute membership and earned a position of high esteem before the American public and of commanding importance in the financial, commercial and industrial activities of the nation.

For the future, the Institute has its policies well defined. It has deliberately set its general plans to be consistently worked out, with jealous and justified pride in its permanence and capability properly to protect the accounting profession, and further build up, educate and develop that profession to earn and hold the respect of all men through the personal conduct and fair practice of its members, having regard for truth and the welfare of the public—members in short who are professional men in whom full confidence may be placed. The American Institute of Accountants, we may say without undue arrogance, represents that collective body of professional men who have the training, the experience, the integrity, and the pride in their personal conduct that entitle them to the highest respect and their services to the full measure of confidence in the commercial, financial and industrial world.