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AICPA Annual Meeting September 21, 1970

Louis M. Kessler

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At this point in our program it is customary for the outgoing President to sing his swan song. I am not sure that swans sing, and I won't either, but I want to make my theme one of "harmony." I use that term not so much in its musical sense as in accordance with the definition which says "agreement in feeling, approach, action, disposition or the like; sympathy, accord. A consistent, orderly or pleasing arrangement of parts."

Synonyms are concord, unity, peace, amity, friendship, consonance, consistency. We need all of these in our profession as we face the tasks that lie ahead.

Perhaps our most serious need for harmonious relationships is in the establishing of accounting principles -- both within the Accounting Principles Board and in our associations with the financial community. We all know that there are no divinely revealed truths in accounting -- no single right way to deal with a subject to the exclusion of all others -- yet consistency must be achieved.

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The men on the APB are conscientious and dedicated. Being also strong-minded men, they are sometimes reluctant to accommodate themselves to the reasoning of the majority. If we are to continue to deserve the right to establish our own principles (a right which could easily be in jeopardy) we must accede to eventual harmony. If, after ample opportunity for debate with our peers, we stubbornly persist in airing our differences in the public press, we may well lead others to conclude that we are full of discord rather than harmony, and incapable of regulating ourselves.

This task of promoting harmonious relationships is not an easy one. Self interests of businessmen, and dogmatic convictions on the part of theoreticians and others, can pull us apart. Let us rededicate our efforts to pursue, in statesman-like fashion, the serious responsibility, earned through years of strenuous effort, of making, supporting and enforcing our pronouncements in the area of financial reporting.

Organizationally, our relationships have been, for the most part, harmonious over the years. The Institute and the state societies have worked in close cooperation. But now that we have achieved maturity (and both the Institute and the state societies attained this status many years ago), perhaps our efforts could be directed even more effectively, in the areas where each is best suited to operate, if we had membership in common. This will require concord, unity, peace, amity and friendship, to say nothing of a feeling of mutual trust. A task force is now studying the feasibility of this proposition, and we should hear from them during the year.

in the requirements for the CPA certificate. We have had numerous arguments, some emotional, over the question of education versus experience. We have a multiplicity of state laws with anything but a consistent pattern. Eight years ago, after 45 years of effort, we achieved uniformity in the CPA examination and in the advisory grading service. Why not go the next step and have one national CPA certificate issued by the Institute with licenses to practice issued by the state boards of accountancy?

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Requirements to sit for a CPA examination should be based on education only, and could be established and maintained by the Institute as conditions change, without the necessity of amending fifty-four laws. An experience requirement, if one is needed, should be related to the attest function and set by the state boards in connection with the issuance of a license to practice. CPAs in industry, teaching and government would not need a license, but they should be permitted to call themselves CPAs. We could then have real harmony in our CPA requirements.

We can achieve harmony in our educational requirements by implementing the report of the Beamer Committee which was adopted in May of 1969 as the Institute's educational policy. We need to recruit more and better qualified students into the profession. A number of factors, including the arguments resulting from the Ford and Carnegie reports in 1959, and the glamorizing of the MBA degree, have caused many students to look upon an "accounting major" as something less than the most desirable label with which to begin a career. Absence of autonomy and even schisms within accounting faculties have resulted in educational programs which, although certainly on a par with those for the MBA degree, have lost the preeminence in the business schools that they enjoyed a generation ago.

Perhaps the time has come to establish professional schools in major universities, with autonomy in matters of admission requirements, curricula, degree granting and budgetary affairs. Professional schools of this kind would enable us to achieve the prestige enjoyed by other professions that have had such schools for years. These should not be geared to public accounting alone, but also to professional careers in industry and government. They should be advanced programs following perhaps three years of broad education. I hope that serious attention will be given to this matter in the immediate future.

We also need to instill more harmony into our relationships with fellow practitioners. Undue competition among firms prompted John Lawler to make an inspiring speech at the spring council meeting on the subject "The Divided House Revisited." Respect for fellow practitioners and adherence to the spirit as well as the letter of our code of ethics are sorely needed. You will have the opportunity in the coming year to study a completely restated code of ethics. I urge you to make comments and suggestions which will lead to an early adoption of this important document.

Regarding enforcement of our code of ethics, I should like to echo what Marshall Armstrong said in a speech to the National Association of State Boards of Accountancy Saturday evening when he made a plea for harmony in our disciplinary procedures. He called upon NASBA to collaborate with the Institute's Committee on Professional Ethics in the establishment of state board procedures for the enforcement of the code of professional conduct.

He said that ways must be found for sharing the disciplinary burden and avoiding duplication of efforts on the part of the state boards, state societies and the Institute.

He urged the establishment of more effective machinery to permit exchange of information about complaints, investigations and other disciplinary matters among all agencies having a disciplinary function.

Looking beyond our own profession and its problems, I hope that we can work harmoniously with others who are dedicated to improving the social structure. As interested citizens, and knowledgeable in measurement techniques, we must do our part in improving our environment and in the much-needed efforts to restore and maintain ecological balance.

We have made a start in recruiting members of disadvantaged groups into the profession and these efforts must be continued for years to come. Assistance in the establishment of minority business enterprise is something in which our skills are particularly useful, and many of our state societies have on-going programs in this important effort.

An area in which harmony is surely needed is in all of our dealings beyond our shores. We Americans tend to be isolationists in our day-to-day involvement in professional activities. We feel self sufficient. Engrossed in our own affairs, we seldom think of other countries except in occasional business transactions or in travel and vacation plans. We assume that everyone speaks our language and we think of other nationals as foreigners even when we are outside our own country.

With the ever-increasing growth of multi-national business, it behooves us, in self interest if nothing else, to broaden our horizons. Harmonization of accounting and auditing standards and principles has been the theme of many international accounting conferences. The work of the International Study Group, in setting forth similarities and differences in reporting practices and in many areas of accounting and auditing in the U.K., Canada and the U.S., is a move in the right direction. Much more of this is needed.

Furthermore, if we want freedom of international practice (and this is certainly a desirable objective) we must respect the rights of others who seek this same freedom. We can hardly throw stones if we live in a glass house; we must grant to others the freedom we seek for ourselves. It is natural that the flow of capital into international markets calls for a following on the part of the professional accountants who deal with the providers of that capital. Since we recognize the need for U.S. capital to be served by U.S. firms, or by professional accountants closely associated with them, we must ask ourselves whether or not we grant similar privileges with respect to capital coming into this country.

Practice rights of foreigners in the U.S. are severely limited, and are further complicated by the multiplicity of state laws. In only four states have we eliminated the citizenship requirement for the CPA examination, and although in a few states a foreigner can practice under special permits or under the title granted in his own country, in many states he cannot practice -- period.

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We have recently provided for foreign students to sit for the CPA examination, and if successful, to become international associates of the Institute. I am happy to say that our first international associate under this provision was admitted last month.

Our international relations committee is working on programs to aid in the professional development of accountants in foreign countries. This may take the form of assistance in continuing education courses, training for university teachers, and making local accountants feel at home in programs sponsored by international firms. We need consonance and consistency in accounting and auditing standards and procedures throughout the world. And in dealing with our colleagues from abroad, we need a spirit of concord, unity, peace, amity and friendship.

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If we can achieve harmony in our efforts to establish accounting principles, in our relationships between the Institute and the state societies, in our entrance requirements for the CPA certificate, in our relationships with fellow practitioners, and in all our relationships in society, both at home and abroad, we can continue to be, as John Carey described us in the concluding volume of his history -- "a body of men possessed of amazing vitality, an extraordinary capacity for self criticism, an ability to act effectively on many broad fronts, and a determination to render constructive service to the society of which they are a part."