
American Institute of Certified Public Accountants (AICPA)
FOREWORD

It is the desire of the Officers and the Organizing Committee of the Congress that this book should serve more as a souvenir for those who attended it than as a verbatim recording of what transpired.

We hope that each time you pick this book up from your bookshelf it will recreate for you the atmosphere that pervaded the Congress—the atmosphere of technical and professional unity mixed with warm friendship and hospitality.

Arthur B. Foye
President
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## The Technical Program

*Eighth International Congress of Accountants*

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THE CONGRESS PROGRAM

In the event that you have forgotten the order of events or have misplaced your official program, we repeat it on the facing page in the hope that it will refresh your memories and bring back some of the enjoyment and excitement of the Congress.
PROGRAM
EIGHTH INTERNATIONAL CONGRESS OF ACCOUNTANTS
THE WALDORF-ASTORIA, NEW YORK
September 23-27, 1962

SUNDAY, SEPTEMBER 23, 1962
CHURCH SERVICES:
10:00 A.M. St. Patrick's
4:00 P.M. St. Bartholomew's
5:30 P.M. Temple Emanu-El
RECEPTION AND BUFFET:
6:00 P.M. - 10:00 P.M. Ballroom floor, Waldorf-Astoria

MONDAY, SEPTEMBER 24, 1962
Opening Plenary Session:
9:00 A.M. - 11:45 A.M. Ballroom, Waldorf-Astoria

Accountants' Luncheon:
12:45 P.M. - 2:00 P.M. Ballroom, Waldorf-Astoria

Celebrity Luncheon, Ladies':
1:00 P.M. - 3:00 P.M. Imperial Ballroom, Americana Hotel

Fifteen Simultaneous Technical Sessions:
2:30 P.M. - 4:30 P.M. Fifteen rooms in various hotels

ENTERTAINMENT:
8:30 P.M. - 11:00 P.M. Carnegie Hall
8:30 P.M. - 11:00 P.M. Town Hall
7:30 P.M. - 11:00 P.M. Radio City Music Hall

TUESDAY, SEPTEMBER 25, 1962
Discussion Groups:
9:00 A.M. - 12:30 P.M. One Hundred and Twenty-five Simultaneous Discussion Groups in various Board and Conference Rooms

Ladies' Luncheon and Fashion Show:
1:00 P.M. - 3:30 P.M. Ballroom, Waldorf-Astoria

Meeting - Chairmen of Delegations:
2:30 P.M. - 5:00 P.M. Sert Room, Waldorf-Astoria

Dinner - Official Delegates:
7:00 P.M. - 10:00 P.M. Ballroom, Hotel Pierre

ENTERTAINMENT:
5:00 P.M. or 7:00 P.M. - 12:00 Midnight
Roosevelt Raceway

WEDNESDAY, SEPTEMBER 26, 1962

Accountants' Luncheon:
12:30 P.M. - 2:00 P.M. Ballroom, Waldorf-Astoria

Bus Tours:
9:30 A.M. - 12:30 P.M. 
1:30 P.M. - 4:30 P.M. 

Continuous showing of U.S. industrial and other motion pictures, Jade Room, Waldorf-Astoria

THURSDAY, SEPTEMBER 27, 1962
Closing Plenary Session:
9:00 A.M. - 12:30 P.M. Ballroom, Waldorf-Astoria

CONGRESS GRAND BALL:
9:30 P.M. - 2:00 A.M. Ballroom floor, Waldorf-Astoria
YOUR HOSTS

Although the responsibility for organizing the Congress was in the hands of the American Institute of Certified Public Accountants, the following organizations participated as co-sponsors and hosts to our overseas visitors.

AMERICAN ACCOUNTING ASSOCIATION
Raymond C. Dein, President

AMERICAN SOCIETY OF WOMEN ACCOUNTANTS
Mrs. Erma Sembach, President

AMERICAN WOMAN'S SOCIETY OF CPAs
Miss Mary Hall, President

FEDERAL GOVERNMENT ACCOUNTANTS ASSOCIATION
Donald W. Bacon, President

FINANCIAL EXECUTIVES INSTITUTE
Steve H. Bomar, President

INSTITUTE OF INTERNAL AUDITORS
Robert D. Whisler, President

MUNICIPAL FINANCE OFFICERS ASSOCIATION
John L. Williams, Jr., President

NATIONAL ASSOCIATION OF ACCOUNTANTS
John B. Bachofer, President

CONGRESS OFFICERS AND COMMITTEES

These are the people whose dedication to an ideal made the Congress a vital event in the history of the profession.

OFFICERS:
Arthur B. Foye, President
J. Harold Stewart, Vice-President
Harold R. Caffyn, Treasurer
Thomas D. Flynn, Assistant Treasurer
John L. Carey, Secretary

ORGANIZING COMMITTEE:
Arthur B. Foye, Chairman
R. Kirk Batzer
John J. Deering
Alden G. Smith
William P. Stowe
David H. Lanman, Jr., Secretary

ENTERTAINMENT COMMITTEE:
Gordon M. Hill
Mrs. Alvin R. Jennings

TECHNICAL PROGRAM COMMITTEE:
Paul Grady, Chairman
Carman G. Blough
Philip L. Defliese
John K. McClure
Herbert E. Miller
John Peoples
Walter R. Staub
A. Carl Tietjen

William J. von Minden
William W. Wernitz

SUBCOMMITTEE CHAIRMEN:
R. Kirk Batzer, Reception and Buffet
John J. Deering, Radio City Music Hall
Mrs. Alvin R. Jennings, Ladies' Luncheons
Thomas H. Koerner, New York Activities
James J. Mahon, Metropolitan Museum
Warde B. Ogden, Town Hall Concert
R. Gerard Palmer, Welcoming
Leonard Price, Boat Tour
J. Harold Stewart, Carnegie Hall Concert
William P. Stowe, Grand Ball
Kenneth B. Wackman, Roosevelt Raceway

SECRETARIAT STAFF:
Mrs. Madeleine von Koch, Arrangements Consultant
Mrs. Sigrid Merrington, Administrative Assistant

Jaime Ardiles-Arce
Miss Beatrice Bruno
Miss Barbara Kettleman
Mrs. Sylvia Scobie
Miss Rona Simon
S. Neil Fujita, Consulting Graphic Designer
ORGANIZATIONS
SENDING OFFICIAL
DELEGATIONS AND
THEIR CHAIRMEN

Eighty-three accounting bodies from forty-eight countries sent delegations to the Eighth International Congress of Accountants in New York. Listed on the following pages are the organizations and the names of the chairmen of their delegations. A complete listing of all registrants by organization will be found on pages 85 to 96 at the back of the book.
OFFICIAL DELEGATIONS AND THEIR CHAIRMEN

Federacion Argentina de Colegios de Graduados en Ciencias Economicas
WILLIAM L. CHAPMAN
The Australasian Institute of Cost Accountants
ALEXANDER MOFFATT
Australian Society of Accountants
JOHN M. GROOM
The Institute of Chartered Accountants in Australia
G. C. TOOTELL
Kammer der Wirtschaftsstreuhandler (Austria)
FRIEDRICH FRANZ EDER
Collège National des Experts Comptables de Belgique
JOSEPH LOORE
Instituto dos Contadores Publicos de Sao Paulo
JOSE DA COSTA BOUCINHAS
Burma Accountancy Board
HLA TUN
The Canadian Institute of Certified Public Accountants
L. F. CORNISH
The Canadian Institute of Chartered Accountants
JAMES W. ABBOTT
Society of Industrial & Cost Accountants of Canada
A. P. BOWSHER
General Accountants Association (Canada)
JEAN LOUIS JAREST
Colegio de Contadores (Chile)
GERMAN E. WYNEKEN
Sociedad Nacional de Contadores (Chile)
LESLIE NICOL
Republic of China Delegation:
CHU CHING-TONG
consisting of representatives from:
China Accounting Institute, and
National Federation of Certified Public Accountants of Republic of China.
Instituto Nacional de Contadores Publicos (Colombia)
JOSE RAMON BECERRA DE ARCos
Colegio de Contadores Publicos de Costa Rica
EMILIO GARNER
Foreningen af Statsautoriserede Revisorer (Denmark)
K. G. JENSEN
Association of Accountants in East Africa
EDWARD P. JOHNSON
Federacion Nacional de Contadores del Ecuador
FRANCISCO SALVADOR-MORAL
Egyptian Society of Accountants and Auditors
FARID S. MANSOUR
KHT-YHDISTYS - Foreningen C.G.R.
(Finland)
SVANTE KIHLMAN
Conseil National de la Comptabilite (France)
ANDRE CIBERT
Federation des Associations de Commissaires de Societes Inscrite par les Courts d'Appel (France)
PAUL GRIZIAUX
l'Ordre des Experts Comptables et des Comp­tables Agrées (France)
JEAN LIEVENS
Institut der Wirtschaftsprufer in Deutschland e.V.
WILHELM ELMENDORFF
The Association of Accountants in Ghana
D. A. W. HEWSON
Institute of Sworn-In Accountants (Greece)
K. B. SPILOPOULOS
Association of Chartered Accountants in Hong Kong
S. S. GORDON
The Society of Chinese Accountants & Auditors (Hong Kong)
CHARLES MAR FAN
Institute of Chartered Accountants of India
NAVAL R. MODY
The Institute of Cost and Works Accountants of India
R. K. OJHA
The Institute of Chartered Accountants in Ireland
ROLLO ELLIS MCGLURE
Association of Certified Public Accountants in Israel
ARNON R. ROJANSKY
Consiglio Nazionale dei Ragionieri e Periti Commerciali (Italy)
ALESSANDRO FORCHINO
All Japan Registered Public Accountants
KOTARO SUGITA
The Japanese Institute of Certified Public Accountants
TOURU TAKEZAKI
Japan Accounting Association
ICHIRO KATANO
Korean Institute of Certified Public Accountants
JONG-HYEON HUH
Mexico Delegation:

ROBERTO CASAS ALATRISTE
Consisting of representatives from:
Colegio de Contadores Publicos de Mexico, and
Instituto Mexicano de Contadores Publicos
Nederlands Instituut van Accountants
H. C. TREFFERS
Vereniging van Academisch Gevormde
Accountants (Netherlands)
H. VOOLS
Incorporated Institute of Accountants of New Zealand
P. L. HAYS
New Zealand Institute of Cost Accountants
R. M. KAY
New Zealand Society of Accountants
D. S. COX
Northern Rhodesia Association of Accountants
RICHARD E. FARMER
Norges Statstutisertes Revisors Forening (Norway)
Reidar Råjå
t Institute of Chartered Accountants of Pakistan
ABUL QASEM
Pakistan Institute of Industrial Accountants
MUMTAZ MIKSA
Colegio de Contadores Publicos Autorizados de Panama
AMERICO QUINTERO M.
Colegio de Contadores Publicos de Lima (Peru)
JULIO PANEZ MEZA
Instituto de Contadores del Peru
AUGUSTO SAN ROMAN
Philippine Institute of Certified Public Accountants
WASHINGTON SYCIP
Puerto Rico Institute of Certified Public Accountants
JUAN ANGEL GIL
Cape Society of Accountants and Auditors
(L. H. G. SHUTTLEWORTH)
Natal Society of Accountants (South Africa)
H. P. STRACHAN
The Society of Accountants and Auditors in
the Orange Free State (South Africa)
E. W. WARNER
Transvaal Society of Accountants
(South Africa)
NORMAN ROSS LAKE
Southern Rhodesia Society of Accountants
R. G. WUTH
Ilustre Colegio Oficial de Titulares Mercantiles
de Barcelona
MARIANO GANDUXER RELATS
Foreningen Auktoriserade Revisorer (Sweden)
STEN NACKSTAD
Schweizerische Kammer fur Revisionswesen
MAX ROTHILSBERGER
Association of Chartered Accountants in
Trinidad and Tobago
LEICESTER EDWARD ROPER
Chartered Accountants Association in Turkey
OSMAN FIKRET ARKUN
The Association of Certified and Corporate
Accountants (England)
EDGAR SPENCER
The Institute of Chartered Accountants in
England and Wales
PERCY F. CARPENTER
The Institute of Chartered Accountants of
Scotland
JAMES C. STEWART
The Institute of Cost and Works Accountants
(England)
WILLIAM BISHOP
The Institute of Municipal Treasurers and
Accountants (England)
NORMAN DOODSON
Colegio de Doctores en Ciencias Economicas y
Contadores del Uruguay
JUAN RODRIGUEZ LOPEZ
Colegio Nacional de Tecnicos en Contabilidad
(Venezuela)
ANTONIO J. MANZO NUNEZ
American Accounting Association
WALTER G. KELL
American Society of Women Accountants
E. VIRGINIA BARNETT
American Woman's Society of CPAs
MISS MARY F. HALL
Financial Executives Institute (U.S.)
ARTHUR L. BOSCHEN
Federal Government Accountants Association
(U.S.)
DONALD W. BACON
Institute of Internal Auditors (U.S.)
ROBERT D. WHISLER
National Association of Accountants (U.S.)
JOHN B. BACHOFER
Municipal Finance Officers Association (U.S.)
JOSEPH F. CLARK
American Institute of Certified Public
Accountants
ROBERT E. WITSCHHEY
THE TECHNICAL PROGRAM

The Ballroom of the Waldorf-Astoria Hotel was packed to capacity on Monday morning September twenty-fourth for the official opening of the Eighth International Congress of Accountants. It was a stirring and impressive moment when the president arose to call the Congress to order at the opening plenary session.
EIGHTH INTERNATIONAL CONGRESS OF ACCOUNTANTS
OPENING PLENARY SESSION

September 24, 1962
Grand Ballroom, Waldorf-Astoria Hotel
New York

OPENING REMARKS BY MR. ARTHUR B. FOYE

Ladies and Gentlemen:

I bid you welcome to the Eighth International Congress of Accountants.

On behalf of the accountants of the United States, many of whom are in this audience, I bring a special greeting to those from outside of the United States. We are honored by your presence and are grateful for the privilege of being your hosts on this historic occasion. Many of you have made long and costly journeys to come here. It is our earnest hope that your stay with us will be both pleasant and profitable.

We have spared no effort to make it so, and over 1,300 men and women have co-operated in the planning and execution of the program. Constantly before us have been the memories of the incomparable Sixth and Seventh Congresses, in London in 1952, and in Amsterdam in 1957, both of which I had the privilege of attending. We recognized at the start that we could not duplicate those brilliant meetings, so we decided that it would be better not to try, but rather to follow patterns familiar to us in the United States. To some of our guests from abroad our ways of doing these things may seem strange, but we hope you will at least find them interesting.

One custom which has become popular in this country is to divide large gatherings of this kind into smaller groups for the presentation of technical papers, and even smaller groups for discussion purposes. It seems easier to listen to technical speeches in rooms holding a few hundred than in halls like this one, holding perhaps two thousand. And we believe that much more useful discussion is possible in groups of fifteen to twenty-five than in large assemblies. Accordingly, we have arranged fifteen separate technical sessions this afternoon, and 125 discussion groups tomorrow morning. Your tickets and instruction sheets will tell you where to go. Please examine all of the material in your kits. I earnestly hope you will all plan to attend your assigned sections both this afternoon and tomorrow morning.

We wish that it had been possible to present our program in the language with which each of our guests is most familiar. We thoroughly explored the possibility of arranging simultaneous translations. But there are some sixty countries represented here, and at least fifteen different languages. It was impossible to find interpreters familiar with accounting terminology. It was wholly impracticable to arrange for equipment in the fifteen technical sessions, and 125 groups. We consulted officials of the Sixth and Seventh Congresses. They reminded us that the proceedings at London had been conducted in English, which we were assured is generally recognized as the mother tongue of professional accounting. In the circumstances we made what seemed the only practical decision.

The fifty papers to be presented here will constitute a rich contribution to accounting literature. You have already received the papers of your specific session this afternoon, and the other papers will be available to all who wish them. We hope that many of them will be translated and published in accounting journals throughout the world. A condensation of all papers will appear in the book of Proceedings of this Congress.

In concluding these preliminary remarks, let me express the hope that our discussions here will increase the contribution of accounting to world trade, investment, and finance, and thus to world peace. Those who attended the banquet last night celebrating the Seventy-fifth Anniversary of the American Institute of Certified Public Accountants heard Mr. Stans give a stirring address on the world opportunities and responsibilities of accountants. The opening this morning of the General Sessions of the United Nations strongly emphasizes the world problems. Accounting is of great importance in world economic affairs and we can make substantial contributions in this regard. We can also help in a human way if we take advantage of the opportunity to extend our circles of personal friendships during this coming week.

I have the honor to read a telegram of greeting from the President of the United States:
MESSAGE FROM PRESIDENT KENNEDY

I am very pleased to extend greetings and warm best wishes to the Delegates and their families attending the Eighth International Congress of Accountants. I especially welcome those from other nations of the world and wish them a pleasant visit to the United States.

Your Congress, meeting at the invitation of the American Institute of Certified Public Accountants, offers an excellent opportunity for the exchange of information and ideas. As we gain confidence in each other's policies of economic disclosure, accounting can, indeed, become an international language of business. As a result, capital will flow more freely, and the international exchange of goods and services will increase more rapidly. Many of the problems with which you will concern yourselves during your meeting will, I feel sure, bear directly on the ability of all of us to strengthen the spirit of international economic confidence.

With all good wishes to those attending the Eighth International Congress of Accountants for a successful and constructive meeting.

(Signed: John F. Kennedy)

I now have the honor to present the highest accounting officer in the Government of the United States. He is appointed by the President, but is responsible to the Congress. His jurisdiction extends over the accounting and auditing of all the vast enterprises of our Federal Government. He is one of our own members of the American Institute of Certified Public Accountants. He has been a practicing accountant, controller of a corporation, the treasurer of Columbia University, and a member of the Atomic Energy Commission. He was appointed to his present high office in 1954 to serve for a term of fifteen years. Ladies and Gentlemen, the Comptroller General of the United States, Mr. Joseph Campbell.
Mr. President, Officials and Delegates of the Eighth International Congress of Accountants, and Visitors:

You are gathered here from many lands for one of the major episodes in the history of a great profession. Your presence is impressive evidence of the importance of accounting in our modern life and the widespread interest in it. Forging among accountants in all countries a better understanding of the aims and purposes of accounting and of the contributions that it can make to better management of public and private functions should be an important accomplishment of this meeting.

Accounting has been described as an ancient art. It developed and grew concurrently with the development and growth of the concepts of ownership and exchange of wealth and property, of private business ventures, and of levying and collecting taxes. Accounting finds its roots in a nation's culture and in its political and economic concepts. Its principles and aims vary in different countries. You will learn here at first hand about some of these differences. The knowledge you take away should help in understanding such differences and in forwarding the art in all countries.

An important responsibility of the accounting profession is to promote the communication of financial information about the operations of public and private enterprises. I know that progress will be made during this meeting in encouraging greater emphasis on this important responsibility.

In my position as Comptroller General of the United States, I have as one of my concerns the accounting of the Government of a great nation. Our national legislature has prescribed in law high standards of accounting to be observed by the component agencies of our Government. By law, the objectives of accounting for the agencies of our Government are to provide full disclosure of the Government's financial operations, adequate information necessary for the management of its operations, and effective control and accountability for its resources.

One of the duties of my office is, in the light of these overall standards and objectives, to prescribe for all agencies the basic principles to be followed in accounting for their affairs. It is because of this kind of responsibility that I have an abiding interest in the proceedings of this International Congress.

It is my sincere belief that, in a free society such as ours, where the people are the masters and the government is the servant, sound public decisions can be reached only on the basis of sound information. As in private business, government managers have the responsibility for reporting to the people on their stewardship of the resources which the people have entrusted to them. This reporting must necessarily have as its basis a good system of accounting supported by a strong and effective system of managerial control.

We are constantly striving to attain these goals in our Federal Government. We can never feel that we have completed this task because government programs and activities are constantly changing. Many of them grow in size and complexity as expanding interests and technologies take us further into the space age.

I understand that auditing will also be discussed at some length during your meeting. This subject is of great interest to me because, in addition to concern with accounting, my office has the further responsibility of auditing the operations of our national Government.

The size and scope of these operations are great and varied and they make the carrying out of this responsibility a heavy one. But it is a truly important one and I shall look forward with special interest to your discussion of this function during the Congress.

Our auditing work is carried out through a staff of over 2,000 professional accountants and auditors. Over 400 of these are certified public accountants.

We are completely independent of the agencies whose affairs we examine. This independence—so vital to the effectiveness of auditors everywhere—is an important key to our own effectiveness.

The financial affairs of many national governments now extend far beyond their own borders. The United States, for example, is spending or investing billions of dollars abroad every year. Other nations, in turn, have a stake in our economy—and in the economy of other countries. Because of this flow of both public and private funds, we have mutual interests in understanding how things are done in other countries and in knowing something about the concepts and functioning in all countries of such important activities as accounting and auditing.

I do not underestimate the difficulties in achieving such understanding but this Congress is a good place to begin.

It is encouraging to see you here—some of you from great distances—many of you at a great sacrifice. I wish you every success, and I trust that you will return safely to your homelands to continue the important work which will go forward at this meeting.

Mr. Foye: Thank you, Mr. Campbell, for your welcome. I have already referred to the memorable Sixth International Congress at London in 1952. It was presided over by a distinguished gentleman, who has served his profession and his country so well that many honors have been conferred upon him. He has been President of The Institute of Chartered Accountants in
England and Wales, he has received the Military Cross and the Distinguished Service Order in World War I; he has presented papers at the Fourth International Congress in 1933, and at the Fifth in 1938. He became a Knight Grand Cross of the Order of the British Empire in 1946. He holds honorary degrees from Oxford University and Nottingham University. We are indebted to him for crossing the ocean to grace this Eighth Congress with his presence. It is eminently fitting at this opening Plenary Session that you should hear from our good friend, Sir Harold Howitt.

My first thought is naturally to express thanks for the honour you do me, along with Mr. Kraayenhof, in inviting us to reply on behalf of all your guests to the President’s welcome. It is a great privilege to be here in this famous city and to feel once again the pulse of your mighty nation—mighty in its strength and, even more important, mighty in its power for good in the world.

It is not for me at this stage to thank you, Mr. President, for all you have prepared for our enjoyment, intellectual and recreational. As public accountants we are not allowed to indulge in prophecy, but even my Institute could hardly have me on the mat if I certified on the basis of your programme that your traditional American hospitality is determined to overwhelm us with kindness.

I suppose I am a bit of a patriarch at these International Congresses. This is the fifth I have attended. I have read papers at two of them—in London in 1933 and in Berlin in 1938. I was President in London in 1952 when you honoured us with no less than nine Presidents of the American Institute and many of its members. And twice I have been privileged to take part in the opening addresses—in Amsterdam in 1957 and now here today. Perhaps therefore I may be allowed to reminisce quite briefly and compare the form of these different duties. In terms of hard work and anxiety it is hard to choose between reading a paper and being President, though the former is not so continuous, and the latter I am sure you will find, Sir, a most rewarding and delightful experience enormously helped, as I was, by the labours of your Committees and Secretariat. To respond to the address of welcome, though onerous in one sense, is a position of “greater freedom and less responsibility” and I can thoroughly recommend it.

Accountancy is a comparatively young profession and these congresses must therefore be invaluable as a means of stimulating thought and helping to bring the level of all professional work up towards the level of the highest, wherever it is to be found. We have also our responsibilities to train and to help the young accountants in the less developed countries of the world. The shrinkage of the world due to travel facilities,
the closer integration of financial, industrial and political contacts between nations—of which the latest is the Common European Market—must place heavy responsibilities on the accountancy profession. We must accordingly in our dealings between nations, no less than internally, have an understanding of each other’s conceptions in presenting that which in our country we call the “true and fair view.”

A great responsibility rests upon us in this context. Most disputes, even those which lead to wars and rumours of wars, originate out of economic and financial affairs, and ours largely is the responsibility for laying the foundation from which facts may be compiled on a comparable basis, and on which agreement may be reached if the will to do so be there.

Most of our work is, of course, internal to our respective countries and here, even more, our handiwork is the basis on which the financial structure rests. The tax revenues of our Governments could not be collected if we were not both skilled and trusted; the flow of money in all its channels could not be maintained without proper accountancy control and presentation; nor could the appropriate decisions be taken by management, either in regard to past results or future planning.

Our job in essence is to hold the balance fairly as between man and man so that they may make their decisions and if possible settle their disputes. The time will probably never be reached when excessive demand is avoided whether in claims for wages, salaries, or other emoluments, or for profit margins, but we are at last coming to the realisation that it is only out of increased production that these can be effectively increased, that the consumer at the same time is entitled to consideration in the matter of prices, and that contributions to emergent and other countries overseas can only in the long run be met from home production.

The deeper one delves into the repercussions of these modern economic problems—on the national balance of payments, on the value of the currency, etc.—the more one comes back to these simple truths. As accountants our chief contact with this issue is in helping in all forms of efficiency and in profit ascertaining. Our work and responsibility in both these spheres will, I am sure, greatly increase. More and more are we being called on by management for help or actually to join their ranks. Profits, of course, along with costs, have to be covered in the price of goods and services sold and their effect thereon, and accordingly on the general price level, is considerable. Increasingly for these reasons are profits and prices coming to be required to be justified to governments, to courts and to the public. Increasingly it is important to be able to justify how far business extensions may fairly be financed out of profits, and therefore out of the consumer, rather than from the capital market.

As accountants we must admit that we have not yet reached unanimity amongst ourselves on certain matters within our province. I imagine the chief among these is the proper method of providing for depreciation or renewal of capital assets in days of deteriorating currency values. We are often blamed for this lack of decision by sectional interests who have differing objectives in mind, whether the saving of taxation, or the provision of further finance for development. It is well however to remember that the real blame should not be laid at the door of the accountancy profession but at the door of inflation itself. If we were really prepared to combat inflation and not merely to pay lip service to the desirability of doing so, this problem would not arise. It is so easy, and so human, to press unreasonable claims and at the same time to complain about the inevitable inflation which follows. The claimant is so apt to say "No doubt you are right, but don’t start on me." He is apt also to adopt towards the perils of inflation the easy ethics of the old music-hall song which ran "A little of what you fancy does you good." In this age of the welfare state, of full employment, of free enterprise and keen competition, we are of course trying for the best of all worlds; though we have not yet fully learned the technique even if it exists, and the accountancy profession has a major responsibility in all the complications that arise.

It is not for me today to attempt the solution of any of these problems—它 would be impertinence on my part to try—but in thanking you, Mr. President, for your welcome, may I also wish Godspeed to all your deliberations.

Mr. Fove: Thank you, Sir Harold. It gives us great pleasure to have you with us.

The Seventh International Congress was presided over by a distinguished citizen of The Netherlands, a past president of The Netherlands Institute of Accountants; a senior partner of an outstanding firm with wide international relations, on whom has been conferred the Officers Cross Order of Oranje Nassau, the Knights Cross Order of the Netherlands Lion. All who were in Amsterdam will remember his friendly attentions, and his limitless hospitality. Many members of the American Institute will recall his stimulating address on the need for international standards at the annual meeting of the Institute in San Francisco in 1959. We are happy that he is with us to help in opening this Eighth Congress: Mr. Jacob Kraayenhof.
Being the second speaker invited to respond to the President's kind words of welcome, I believe that nobody will expect me to try to surpass Sir Harold Howitt in his excellent speech in the name of all the guests from abroad and I shall therefore restrict myself to a few remarks in general terms.

In the first place I want to refer to the seventy-five years' jubilee of our host, the American Institute of Certified Public Accountants. On behalf of all the representatives from abroad I would like to express a tribute to the American Institute for its excellent work in the field of accounting, not only in America, but also to the benefit of many other countries of the Free World. May I invite all the guests in this room to rise and join together in warm applause to you, Mr. President, as the first representative of your Institute.

In 1952 in London, our colleagues in Great Britain and Ireland organized the first post-war International Congress. It was a very good restart to the series of meetings.

In 1957, in Amsterdam, we undoubtedly came yet closer together, favoured, too, by the more moderate dimensions of the city. My Dutch colleagues and I are still much impressed by the friendship and co-operation that continues to be shown to us by so many accountant colleagues and their wives whom we met in 1957. I am convinced, Mr. President, that you and your committee members will receive the same enjoyable dividends from the time you have devoted to the 1962 congress.

There was a considerable and encouraging increase, from the first to the second post-war Congress, in the number of visitors from abroad: London had about 860, Amsterdam 1,650, both figures including the ladies. Here in New York, I understand there are between 2,200 and 2,500 visitors from countries other than the United States. This is a clear indication that the need for international contacts is strongly felt in our profession.

Both earlier Congresses enjoyed a gratifying interest from the participants at the business sessions; the social parts of the programmes gave much satisfaction and stimulated human relationship between many accountants throughout the world.

However, the critical question can be put as to the actual results in the professional field of the great efforts of the sponsoring bodies and the high sacrifices of the participants, both in time and in money. As there is no international information centre on professional activities this question cannot be answered easily. But looking around the world I feel myself inclined to say that I am not at all pessimistic.

Apart from an important and fruitful growth in individual international contacts, I find a still scarce but increasing number of contributions from authors from other countries to the national professional journals, and more lectures given by speakers from abroad.

Besides, on this side of the Atlantic Ocean there are already regular inter-American conferences, as there will be one after our Congress. In the Far East, congress are held by the Asian and Australian accountancy bodies, and last but not least—said by me as a European, with proper modesty—next year, in September, the first all-European congress will be organized in Edinburgh, Scotland, the cradle of the organized accountancy profession. Undoubtedly the International Congresses have largely contributed to prepare the ground for this event which, to my opinion, can be of historical value for the development of the profession in Europe.

Progress is surely being made, but world events move so rapidly that we must make even faster progress to meet our professional responsibilities fully. In my opinion there are three crucial areas in which international co-operation is needed:

Firstly, in the education, training and examination of new recruits, which must be seen to be of the greatest importance in view of the steady increase in the profession's international scope. It was therefore with great pleasure that I learned of the international group that will come together on the subject of accounting education next week at the University of Illinois.

Secondly, on the need for uniformity in accounting principles, and to this end the necessary systematic international research on the differences and their significance, in order to investigate the possibility of developing a broad set of accepted principles. I
am happy to learn that serious consideration is being given to this problem by the American Institute’s Committee on Long-range Objectives.

Thirdly, on the necessary uniformity of auditing standards and procedures. While increasing international contracts have made a start toward the acceptance of one philosophy and similar standards, many differences remain. Here, too, an organized, systematic approach would speed up progress.

It is, Mr. President, a fact that the present congress, in its broad subject of accounting and auditing in the world, invites a conscientious study of and an open discussion on the problems referred to in my second and third points. The great number of technical papers to be presented here will undoubtedly contribute much to our understanding of present practices throughout the world. May I express the sincere hope that internationally co-ordinated research, study and discussion may soon be organized. If the discussions here should encourage such a step, this Congress, with its overwhelming attendance, will be seen as a landmark in the march towards more uniformity in the accounting field.

Concluding, may I, Mr. President, to this end urge all participants of this Congress to co-operate by giving their best efforts for the success of both the business meetings and the social events, in an atmosphere of good friendship.

Mr. Foye: Thank you, Mr. Kraayenhof. We hope you will enjoy your stay here in this country which you know so well.

The first address to be presented at this Congress will be by an outstanding American industrialist who has had wide international experience. A graduate of Yale University, he has worked up through the ranks of the International Business Machines Corporation. He is now president of the IBM World Trade Corporation. He is also a director of many other corporations, of the Carnegie Endowment for International Peace, and of the United States Inter-American Council, and a trustee of Colgate University and International House. He has received decorations from many governments, including Chile, France, Italy, Brazil, Peru, and Belgium. He has been an active member of the International Chamber of Commerce and is a vice president of the Far East America Council of Commerce and Industry. Mr. Watson is eminently well fitted to bring to us a businessman’s view of the international economy, of which accounting is inevitably an integral part. It gives me great pleasure to present to you Mr. Arthur K. Watson.
This is not the first occasion that I've been introduced by Arthur Foye. I must say every time he does it, I wonder about whom he's speaking. But nonetheless I am extremely grateful for your gracious introduction. Needless to say my delight in being here with you all this morning is only exceeded by my surprise. Certainly neither Arthur Foye nor any of my colleagues could have accounted for my surprise had I nearly flunked my course. Or maybe some of you did contact him, in which case I must thank you most sincerely for your charity as well as your kindness in inviting me.

An early exposure to accounting did give me one thing, a deep respect for the subtlety and the complexity of your work. It taught me to listen with both ears when my Company's accountants or one of our outside auditors has something to say. I've learned to respect accounting and accountants. You people have the curious habit of being right. They tell me in Moscow they told, over four thousand years ago. And as Arthur Foye told us in opening the session, there are sixty nations represented. I'm told also that twenty-one of these nations are represented for the first time. This I believe, is ample proof of the vigor of accounting and ample proof of professional recognition on an international scale.

Many of you I know are visiting our country for the first time. And perhaps some of you are strangers to our ways and customs. It occurred to me that you might be wondering just as I do when I go abroad and visit a country for the first time, just how to get along with the natives, what to say, what to do. The best advice I can give you is not of my own. It comes from another foreigner, a man who got on very well with Americans. His name was George Bernard Shaw. He explained his success with Americans this way. "I'm always careful never to say a civil word to the United States. I've scoffed at their inhabitants as a nation of villagers. I defined the one hundred per cent American as ninety per cent idiot and they just adore me." Perhaps by the time I'm through tonight you'll decide that I've taken Shaw's counsel and decided not to insult you or goad you anyway. Certainly this is not the case. Everyone in business is well aware of the great strides your profession is making. In the industrialized nations, you're doubling your ranks every decade. You are at the same time raising your standards of technical proficiency and of ethical conduct. The American Institute's rigorous new code on conflict of interest is a clear indication of professional ethics at its best. The business community applauds you for this. My argument with the accounting profession is not over what it has accomplished, for the record is impressive. It is rather with what you might do more profitably and with the urgency you attach to it. History, I am convinced, has thrust your profession into a pivotal role. You must race with the tremendous technological change underway in the industrialized nations and against the flood tide of expectation in the developing nations. In this race you're always paced by the spectre of a rival philosophy. It has no place for private business. It has no place for independent accountants. Most of the time it doesn't want an honest accounting of anything.

Some of you may have heard the story of the Russian factory manager who was trying to hire a new accountant. It seems there were three applicants for the job. Two were eager young men. The third was a grizzled old timer who had been an accountant under Lenin, under Stalin and under Malinkov. As the story goes, the first young man was ushered into the manager's office and the manager asked him one question. "How much is two and two?" The young man came to attention. "Comrade Factory Director, it is exactly four." He was waved from the room and the second applicant appeared. "I see by your application," said the factory manager, "that you're a graduate of the University of Moscow. Perhaps then you can tell me how much is two and two?" The young man snapped to attention. "Comrade Factory Director, two and two is precisely four." He too was dismissed and then the old man shuffled in. "Boris, I see by the resume that you're an experienced Soviet accountant. I would judge that you are a man who understands basic accounting principles under Communism. Perhaps you can answer my simple question. How much is two and two?"

The old man slouched. He shuffled his feet and cleared his throat. "Comrade Factory Director, how much do you need?"

How much do you need? As accountants you're not naive. You know that the same question has been asked in other places at other times. The question may only tell us something about the man who asks it. But more often, it's a commentary, a sad commentary on the system in which he lives. I think all of us want to live in a world where two and two do equal four every time. And in a way that's what I want to talk with you about. As I see it, accounting is in the vortex of the free world's race. Its challenges are difficult. They are also paradoxical. I'm concerned that in some places accounting may not be good enough technically to support the vast growth in economic and government units that must come. I'm equally concerned in other areas that accounting, more specifically control, may become too good. It may become an instrument of stiflement in business and tyranny in government. Let me talk about this latter concern first.

I borrow trouble before it arises, in the hope that we'll be able to avert it. Accounting, the bulk of it, is used as an instrument of control and through all of its history, it has been a very imperfect instrument. It has never really had the tools to control anything on an hour by hour or even a day by day basis. All that it really could do was
record history and project that history. It assessed the future based on the past. So long as this is true, accounting influences business decisions. But it does not make decisions and it does not enforce decisions once they are made. Now this is changing. Accounting with computer technology at its command, can make decisions. It can in effect, enforce decisions that have been made. I heard a speech a while back which described accounting in the year 2000. It described the most commonplace event in a business, a salesman taking an order from a customer. What followed however, may still sound like science fiction. The salesman after taking the order, borrowed the customer's dataphone. Naturally everybody will have a dataphone by 2000. He then inserts some kind of plastic card in the machine which puts him in touch with the central computer back in the home office. Needless to say, the computer does the rest. It checks the inventory. It checks the customer's credit and confirms the order. It then notifies the factory, adjusts the parts inventory. I'm not sure but I think it also printed the shipping label and sent out the bill. It was quite a system. But I suppose most people who heard the speech thought, "Well that's nice but it's forty years away." Then the speaker opened his bombshell. Everything he had described could be done today. Most of it was being done. Such systems are coming and they're coming more quickly than most of us realized a few years ago. They can, they should be a blessing to business. They can and should be a blessing to society. Whether or not they are depends on how they are used, to a considerable degree on how you use them. There are vast implications. A good many books, usually pessimistic, have been written on the subject. I'd limit my observations to more direct implications for I don't share the pessimist's misgivings. It's up to us to make the age of computer systems a good age to live in and I think we will do it. The first step in this direction is recognizing that it does pose new problems for business and government.

Let me raise a question. When the big computer systems come will there be room left for dynamism, for imagination, for creativity and for human thrust in business? How can a maverick flourish when the minutes of his day, and the dollars in his budget are counted to the minute, to the penny, by a machine? Systems of the future will enable us to do everything from keeping track of the postage stamps in a distant office to the sand on the seashore. But how much do we want to know? How much can we even ask without dulling initiative, without killing imagination? Let me give you an example.

The disk memory unit, the heart of today's random access computer, is not the logical outcome of a decision made by IBM management. It was developed in one of our laboratories as a bootleg project. It was developed over the stern warning from management that the project had to be dropped because of budget difficulties. A handful of men ignored the warning. They broke the rules. They risked the project they believed in. Could they have done this if my company's control system were more precise? I doubt it. Luckily for us, our control was imperfect and a great development was the result. What I'm saying I suppose is this. The time is coming when weak, ineffective control will become one of the two hazards. There are also bound to be businesses that destroy themselves through excessive control. Their budgets will come out to the penny and along with them, will come the heart of the business. In government, the potential for mischief is even greater. For example, there will always be people who in the name of orderliness want to pervert the new technology into a kind of automated nosey neighbor. They'll want to pry into private lives and record what they find in computer systems. They'll want to use those records to dog people through their lives. I believe we must stop them. I believe that you, representing a mature profession, must go beyond your existing ethical code if you're asked to help devise such controls. I believe you must assume the moral responsibility for the effects of control on the lives of people. The world has lived a long time with imperfection. Most of our business controls are created on the assumption that they can be and sometimes will be ignored or evaded. We devise rigid business systems just as many nations levy extravagantly high tax rates. In both cases, the rigidity of approach is offset by the laxity of practice and the net effect is about what we expected in the first place. Now, however, we must conjure with a day when systems in business and systems in government can fix down hard, when a business budget can come out to the penny, when the skin of taxes monitored by computers could suck up every franc, every lira and every dollar they were designed to raise. In balance, these could be great improvements. But we must not put the world in the position of "der brau soldat Schwej."). Schwej was a fictional German soldier of World War I, a man of boundless good will, a man who followed every regulation perfectly, so perfectly that he sowed chaos in the German army. People need elbow room. It's up to us to see that they get it. Systems. Schwej reminds me, also need flexibility. Maybe there also ought to be room for interpretation. Like the four-year-old daughter of an accountant, she had to be an accountant's daughter, whose father had just Cinderella to her for the first time. The little girl was fascinated by the story, especially the part where the pumpkin turns into a golden coach. And finally she just had to ask the question, "Daddy when the pumpkin turned into a golden coach, would that be classified as straight income or a long-term capital gain?"

As I warned you earlier, I see your problems, your challenges as paradoxical. Perfection, too much perfection in control is one of them. The other, I suppose, is an
imperfection. It's one that I as a businessman, doing business internationally am painfully aware of. Publicly available financial information which should be the lingua franca of commerce, doesn't really travel very well. In too many countries it conveys little within the country and it conveys practically nothing at all beyond the borders. This I know is one of the major topics you plan to discuss in your seminar. I'm no accountant and I have no practical suggestion to make. But as a businessman, doing business internationally, I can assure you that I believe solving this problem, the problem of getting meaningful financial data from one nation to another is important. Certainly it can be solved. Dr. Otten's Philips, my own company and any other firm doing business internationally has had to solve it. Despite differences in custom, in language, in tax law, we've learned to communicate within our businesses through accounting. We've learned or we wouldn't be in business.

Part of the problem is essentially technical, simply the difference in accounting philosophies and business customs from one nation to another. Surely the time is come to make really great headway against this source of misunderstanding. Another part, the more stubborn part, stems from a tradition of business secrecy that prevails in much of the world. There is, we all know, a fine line between what a business can reveal publicly for the good of its public and its nation and the kind of financial information it reveals which will boomerang, which a competitor will use to telling advantage. I can't really draw that line but I do know it's a long way removed from where businessmen in many nations feel that it is.

American financial statements and the material we send to our Securities and Exchange Commission is as revealing as any published financial information I've ever seen. I don't believe that American business has been injured by open disclosure of its results. As a matter of fact, I believe firmly it has been strengthened, for it has enabled us to learn from one another. There aren't many secrets in American business and we're the healthier for it. I wish this were true all over the free world. I think it has got to become true or free enterprise will never fulfill its promise. Secrecy or simply the lack of good financial information, hurts businesses in many ways. It creates suspicion in the minds of labor and the general public. It confuses national economic policy for the policy is based on misleading or incomplete information. But let me limit my observations to still another of the injuries—international finance.

Private capital is moving among the free nations. It's flowing well through some channels. American corporations, as an example, invested about twelve and a half billion dollars in their subsidiaries in the past ten years and that figure excludes reinvested earnings. But the flow is a relative trickle through our traditional capital market. When a foreign business does finance itself in the American market, it's news. Our newspapers remark on it. And even when it happens, there is little participation by the average American investor. Investing abroad is the province of the experts here. The volume of capital exports from the American money market underscores the point. It's a relative trickle. Foreign business firms, excluding Canadian, have probably raised less than a half billion dollars here in the past ten years and this, by all odds, is the largest capital market in the world. This condition is unnatural. American investors have capital to export. Over the long run, I qualify this forecast to the balance of payments question. America should be a huge exporter of private capital. Yet the American investor accepts far lower returns on his capital here rather than venture abroad. This just isn't right for we depend more and more in our country for goods and services secured outside of our borders.

I'm sure you've all heard, or some of you possibly have heard, the story of the typical American. He's the man that sips Brazilian coffee from an English cup, while sitting in a Danish chair having just returned from seeing an Italian movie in his German car and picks up his Japanese ball point pen and writes his Congressman and says, "Something must be done to stop the outflow of gold."

Differences in accounting practices, secrecy, these things are not the sole reasons for the turgid capital flow. We could all name a dozen more. But I believe the simple inability of a businessman in one nation to communicate with an investor in another is a prime reason. Maybe the prime reason. Is it important? I believe it is. If private enterprise is to flourish in the free world, if the developing nations are to get the massive infusion of capital that they need, the worldwide flow of capital has to increase immensely. Governments can't do it all. International credit agencies can't do it all. They are limited by the amount of capital at their disposal. They are sharply limited by the type of investment they can make. It's up to private enterprise to do most of the job and it's up to you people, more than any other professional group, to make it possible. Capital and business must communicate easily across national borders.

We live in an astounding era. For the first time in history a large group of nations are entering an era of abundance. There is no hunger in there anymore. Children can have decent housing for everybody. And the opportunity for education and leisure. Capital in the form of machines and knowledge created this abundance in the industrialized nations. It can do the same thing anywhere else in the world. Capital skillfully managed reaps more than profits for its owner. It can and it must flow through the world to provide training in nations where few have had the opportunity to learn. It can and it must
bring needed services where they haven't existed before. You ladies and gentlemen understand the tools of measuring capital. Your influence grows as men's affairs grow more complicated. I think this is healthy. I think the world needs your tradition of objectivity, of rational evaluation and your stern ethical code. The tools are in strong hands. It is your profession's successes, not its failures, which pose the problems I've been talking about and I believe they'll be solved.

Mr. Foye: Thank you, Mr. Watson, for your exceedingly stimulating address. It will give us much to think about in the future.

The final address of this Plenary Session will be made by a distinguished European industrialist, whose international interests are also far-flung. Until recently he was president and is now chairman of the famous N. V. Philips' Gloeilampenfabrieken. He joined this great company in 1924. As an electrical engineer, he engaged in the development of radio tubes and sets and became a pioneer in the new field of electronics. His qualities as a leader were soon recognized. In 1927 he was appointed to a staff management board, and in 1934, chairman of that board. In 1936 he was made jointly responsible with the president for directing the company's affairs. In 1939 Mr. Otten was made president. He is familiar with business conditions and economic trends on a global scale. He has taken part in international conferences, including at least one in the United States which I had the privilege of attending. It gives me greatest pleasure to introduce to you Mr. P. F. S. Otten.

Mr. President, Ladies and Gentlemen,

After your opening remarks, Mr. President, I am even more conscious, if that were possible, of the significance of this assembly than I was at the time when I prepared my talk, for we are meeting here at the opening of an international congress of members of a profession which is of great importance to the business community throughout the world, a congress in which practically all countries of the Free World are represented. A unique opportunity is thus provided for the exchange of opinions and the promotion of uniformity of professional views.

Allow me to begin by expressing my appreciation for having been invited to address you in this opening session. Not being a member of your profession but an industrialist, I am pleased that you have extended your choice of speakers for the opening session to that section of the business community which may be described as "the business leaders." In so doing you demonstrate that you as accountants are aware of your function in a "world economy," a function which you accomplish mainly with and through the business community. From the reports of the proceedings of previous Congresses I have learned that those Congresses dealt with subjects of importance to accountants in all countries. I would like to congratulate the Council of this Congress for having decided to stress the international character this time by giving a central place to world economy, which I appreciate you as accountants will approach under the headings of "accounting," "auditing" and "financial reporting." Although I feel personally honoured that your choice should fall on me I would beg you to accept my thanks on behalf of
all business leaders outside the United States for whom I feel I am acting as spokesman at this time.

As the former President of the Board of Management and now the Chairman of the Board of Directors of an international concern I do not feel like a complete stranger in this company of accountants; neither are the basic elements of your subjects, namely "world economy," "accounting," "auditing" and "financial reporting" so many closed books for me. For my subjects I have confounded to the subjects under discussion this week and have selected "public financial reporting" as my topic because this is a subject in which I am particularly interested. I would like to make some observations on this subject in its relationship to world economy and to the audit function. I am neither an accountant nor an economist, I am a qualified engineer, and my business career has been concerned principally with the management of an industrial enterprise. May I be permitted to deal with my subject from that angle.

First I would like to give my views on the auditor. I am aware of the fact that an auditor is somebody with a certain professional skill and that he applies this skill in his auditing function in order to arrive at an independent personal opinion. In some cases the purpose of this opinion is to give the public additional assurance with regard to the published financial statements of an enterprise; in other cases this opinion only gives assurance to the party requesting it. I also know that in the practice of your profession the advisory capacity plays an important role.

Independence in forming the opinion is to me an essential element of the audit function. It is a necessary complement of professional skill. So firmly do I believe in this that I regard the auditor as a professional who does not understand that an auditor must give an independent opinion should neither give an assignment to a public accountant nor appoint an internal auditor.

I want to emphasize that I consider the auditing function of essential importance for public financial reporting. As far as I am concerned an annual report is not complete without an auditor's certificate. But I also believe that the advisory function of the auditor, in relation to public financial reporting, is at least as important as his pure auditing function. The responsibility for financial reporting rests primarily with the management of the enterprise and by making use of the advice of experts the management can act in the most effective manner in accordance with that responsibility. Prevention is better than cure. The management of the enterprise should organize its reporting as well as possible, which implies that it should aim at preventing the auditor's comments or criticisms afterwards. It can achieve this by soliciting the auditor's previous advice. That the audit may then lead to a clean certificate without prior comments or criticisms does not decrease the significance of the audit work. On the contrary I should say: This is the reason why the auditor's advice has always been welcome to me.

The auditors, with whom I have been cooperating for many years, maintain that I am "audit-minded." That is right, but not because of the auditors—sometimes they can be extremely difficult—but because I regard auditing as an indispensable element in the organization of an enterprise.

After these general observations regarding the auditor, I would like to proceed with my subject proper. In the first place "world economy" demands our attention. You will agree that this subject has so many aspects and is of such importance that your entire Congress could be dedicated to this, and even then it would certainly not have been dealt with exhaustively. Therefore I must severely restrict myself, and this I can afford to do because my subject is limited to financial reporting in relation to world economy.

When speaking of world economy we find that the Free World is composed of a number of countries which, it is true, have achieved a certain degree of economic co-operation, but in which national economies continue to hold a dominating position. Fortunately there is a growing awareness that a closer co-operation must be achieved. We can observe with satisfaction that in several parts of the world—notably Europe—efforts which have been made in this direction are encouraging. It is of the utmost importance that all free countries should realize that the ultimate goal is the unity of the entire Free World. I believe that only in this way can we create a position on which we can take a stand against communism. Destructive criticism will not save the Free World from the communist danger; demonstration of the unity of the Free World and the favorable results of our co-operative endeavors is the appropriate weapon. If the highly developed countries of the Free World succeed in achieving this—and they must succeed for the sake of their very existence—then the young countries, the newly emerging countries, will have little difficulty in deciding whether they want to belong to the unity of the Free World based on liberty or to the so-called unity of the communist world based on servitude. The Free World will have to play an active part in helping the developing nations to make that choice, if only because initially they feel more attracted to the Russian than to the Western example, by reason of the wider economic and social gap between the developing nations and the West.

In my opinion there is no reason to doubt the fundamental rightness of our economic system. The continuous improvement of productivity made possible by the dynamic technical development in our society leads to a continuous rise in the standard of liv-
ing and we may feel confident that this improvement, contrary to what happened in past years, will be attained without major cyclical setbacks, although there may be minor incidental interruptions in our progress. On the one hand we have learned more about the nature and patterns of business cycles and their effect, while on the other hand the structure of our economy has been strengthened with a number of "built-in stabilizers" among which I would like to mention specifically improved social security, such as unemployment benefits.

After these observations on some general aspects of the world economy, in which I hope I have left no doubts as to what we in the Free World should be striving for, I now come, when reflecting on my subject of financial reporting, to the free enterprise on which our economy is mainly based. The spectacular progress in the Free World during the past hundred years is due to a large extent to the rise of the large industrial enterprise. The rapid technical and social evolution has been attended by a fundamental change in the ideas regarding the objective of the enterprise. Formerly this was considered to be the pure striving for profits to which everything else was subordinated more or less. In the development of the economy it has become abundantly clear that our efforts should be directed not at maximum short-term profits but rather at the most appropriate profit applicable to the continuity of the undertaking. The evolution in the social field shown in the continuous improvement in terms of employment and in social relationships within the enterprise, has caused the social aspect to become an important element in the policy considerations of management with regard to that continuity.

The effect of the emphasis on continuity is that financial reporting should not be restricted to a particular period, but should be suitable to the concept of continuity. One should also take into account that the report is intended for various groups of interested parties. These interests should be weighed against each other in drafting the report. Thus the report should not only serve as an accounting to shareholders, but also as information for all those who play a part, either directly or indirectly, in the continuity of the undertaking, that is to say the capital market, employees, customers, suppliers and government.

Another development plays a part in financial reporting, namely that investors, in their selection of investments, increasingly seek the advice of experts who in forming their opinion, are interested, principally on rely as much as in the annual report holds the predominant position, although we should not overlook the importance of quarterly reports, press conferences and incidental information published as and when deemed necessary.

Thus there are a number of considerations which a management, and in particular the management of a large enterprise, will have to take into account in their financial reporting to meet the requirements imposed by this evolution. If a reasonable solution for the problems connected with reporting at this level is to be found, a profound knowledge of business economics will be required both on the part of the experts within the organization itself and on the part of the advisers of the enterprise, especially the auditors.

I would like to pay separate attention to the effect of the development of world economy on financial reporting. Enterprises increasingly call on foreign capital markets; investors operate on them and there is a tendency for enterprises to participate more actively in the industrial life of other countries. In these cases there is a need for certainty as to the information which is embodied in the reporting. Moreover I hope that I have succeeded in demonstrating that pure motives of self-interest is the duty of all of us to make the maximum contribution to stimulate co-operation and unification of the Free World. Therefore I am of the opinion that the development of world economy places on those who are responsible for financial reporting the obligation of attaining the greatest possible uniformity in contents and presentation. Only when this is achieved will the national boundaries in the field of reporting disappear and will it be possible for everyone to draw conclusions from reports of any enterprise located in any country with understanding and confidence. Only then will readers place the same reliance on the auditor's certificate included therein.

The need for uniformity—I would like to stress this—does not only relate to accounting but it also concerns the economics of the enterprise. Problems of the highest order are involved. I would like to mention for example the effect of changing price levels on the calculation of profits and capital; in the Netherlands the application of the replacement value theory is, at least for management, an important aid in arriving at economically justified and therefore also comparable results. In our own enterprise we only consider as profit the surplus remaining after the purchasing power of the capital invested has been maintained. Also I would draw your attention to the rates of exchange, which in times of inflation require a lot more attention than a mere glance at the quotations to arrive at a justified calculation of capital and profit. In conclusion I would like to mention the importance of the tax problem, arising from the differences between tax regulations and economic principles. It would certainly be a great step forward if all tax authorities were to accept the economic principles.

The striving after uniformity in public financial reporting in my opinion should
only concern itself with principles and not with details. It one were to go further it would lead to a rigidity which would be too restrictive for both management and auditors.

In financial reporting I perceive four areas in which uniformity is of essential importance, namely:

The function of the annual report

The reconciliation of the annual report with the internal information for management

The principles of the calculation of capital and profit and the demonstration thereof in the annual report

The meaning of the auditor's certificate

The function of the annual report should not only be for management to render an account in respect of a past period, but management should be aware of the concept of continuity in the drafting of its reporting. I would like to say that reporting should be "dynamic"; that is, the period to which the report directly relates should be placed in the right perspective: the past, the present and the future. Only in case the annual report demonstrates the relation of the present with the past and creates the possibility for the reader to form an opinion on the future the annual report fulfils its function.

The reconciliation of the annual report with the internal information for management implies that capital and profit will have to be the same in either case. I am firmly convinced that there should not be different concepts of capital and profit for internal and external purposes. Of course one will have to take into account the extent and the nature of the needs in each case which means that in public reporting many details, and such information which when disclosed might be prejudicial to the interests of the enterprise, have to be omitted.

The principles of the calculation of capital and profit and the demonstration thereof in the annual report should not differ in their concept from country to country, nor need they differ if the right economic principles are accepted. I know that the hosts of this Congress have already achieved much in this respect by way of their accounting principles, and that in other countries also rules and recommendations are in existence, but from the arguments I have expressed it will be obvious that I would like to see more. This is not the appropriate time for me to go further into this very important point nor would I venture to do so.

In respect of the meaning of the auditor's certificate I know that in a number of countries a basis for a certain uniformity has been created; in the United States this has been effected by auditing standards and procedures. I have already stated that I consider the auditor's certificate an essential element of reporting and the uniform meaning of that certificate will be a suitable manner of promoting certainty as regards the fair view of the published financial information.

With regard to the uniformity to be achieved in respect of the first and the second point namely the function of the annual report and the reconciliation of published accounts and internal information, I see a specific task for management in the interest of the enterprise because it improves its position in the capital markets. With regard to point three, namely the accounting principles, I see internationally a task for the auditors in close cooperation with the business community. Point four, the auditing standards and procedures, is a specific task for you as auditors.

In closing I hope that I have succeeded in demonstrating that from the management's point of view it will be necessary to strive after greater uniformity in the fields in which you are specific experts. I firmly believe that in this way financial reporting can contribute significantly to the universal acceptance of our system of free enterprise which is of greatest importance for a satisfactory development of the world economy.

May the Blessing of The Almighty be upon your discussions of this coming week.

I thank you.

Mr. Foye: We are greatly indebted to you, Mr. Otten, for your thoughtful and stimulating address. What you have said will provide a sound basis for our future deliberations.

It is now necessary to adjourn this Plenary Session in order that the hotel may arrange this ballroom for the accountants' luncheon which will be held here at 12:45. All Congress registrants will find tickets for the luncheon in their folders.

Cocktails are available in three rooms on this floor of the hotel adjoining the ballroom: The Astor Gallery, the Basildon Room, and the Jade Room; and also in the Sert Room on the main floor of the hotel. These rooms have been reserved for the use of Congress registrants.

At 2:30 the fifteen technical sessions will be held in various locations in this neighborhood. Each registrant will find in his folder a ticket indicating the session to which he has been assigned and the place where it will be held. Your co-operation in attending promptly the afternoon meetings and the small discussion groups tomorrow morning is earnestly requested. We plan to take photographs of each of the small discussion groups and to furnish gratis a copy of the group to each one who attends it. These will be sent to you by your discussion leader.
after the Congress closes. It is hoped that you will clear this room promptly and return at 12:45 sharp, in order that luncheon may be served in time to permit the afternoon sessions to begin on time.

Thank you very much.

SIMULTANEOUS TECHNICAL SESSIONS

On Monday afternoon September 24th registrants were assigned to one of fifteen sessions. Space does not permit inclusion here of the complete texts of the forty-five papers given at the Sessions, but on the following pages you will find summaries which will bring you the essence of those papers.

SIMULTANEOUS TECHNICAL SESSIONS—Monday, September 24, 1962

SESSION “A”—Astor Gallery, Waldorf-Astoria

Chairman: John W. Queenan, Past President of the AICPA

Vice Chairman: James G. Duncan, Canadian Institute of Chartered Accountants

Speakers: L. A. Braddock, Australian Society of Accountants

H. D. de Leeuw, Netherlands Institute of Accountants

F. Riosco, Mexican Institute of Public Accountants

SESSION “B”—Jade Room, Waldorf-Astoria

Chairman: Louis H. Pilié, Past President of the AICPA

Vice Chairman: Ernst Knorr, Institut der Wirtschaftsprufer in Deutschland

Speakers: J. E. Harris, Association of Certified and Corporate Accountants of England

A. C. J. Jonkers, Vereniging van Academisch Gevormde Accountants (Netherlands)

B. Forsström, KHT-YHDISTYS—Foreningen C. G. R. (Finland)

SESSION “C”—Empire Room, Waldorf-Astoria

Chairman: J. S. Seidman, Past President of the AICPA

Vice Chairman: G. P. Morgan-Jones, Institute of Chartered Accountants in England and Wales

Speakers: I. Kleerekoper, Netherlands Institute of Accountants

Washington SyCip, Philippine Institute of CPAs

R. O. A. Keel, Institute of Chartered Accountants in England and Wales

SESSION “D”—Sert Room, Waldorf-Astoria

Chairman: Alden C. Smith, Member, Congress Organizing Committee

Vice Chairman: Nils Karlgren, Foreningen Auktoriserade Revisorer (Sweden)

Speakers: T. A. M. Hutchison, Canadian Institute of Chartered Accountants

Herbert Rätsch, Institut der Wirtschaftsprüfer in Deutschland

D. S. Anderson, Institute of Chartered Accountants of Scotland

SESSION “E”—Starlight Roof, Waldorf-Astoria

Chairman: J. Harold Stewart, Congress Vice-President

Vice Chairman: S. N. Desai, Institute of Chartered Accountants of India
Speakers: Henry A. Benson, Institute of Chartered Accountants in England
A. Goudeket, Netherlands Institute of Accountants
William A. Paton, American Accounting Association

SESSION "F"—Ballroom, Sheraton-East
Chairman: Harold R. Caffyn, Congress Treasurer
Vice Chairman: Rollo Ellis McClure, Institute of Chartered Accountants in Ireland
Speakers: W. E. Parker, Institute of Chartered Accountants in England and Wales
Ebbe Rybeck, Foreningen Auktoriserede Revisorer (Sweden)
Dudley E. Browne, Financial Executives Institute

SESSION "G"—Crystal Ballroom, Park Lane
Chairman: T. Dwight Williams, Past President of the AICPA
Vice Chairman: Arnon R. Rojansky, Association of CPAs in Israel
Speakers: I. T. Morrow, Institute of Cost and Works Accountants (England)
C. C. Slain, Institute of Internal Auditors (U.S.)
W. L. Chapman, Federacion Argentina de Colegios de Graduados en Ciencias Economicas

SESSION "H"—Trianon Room, Sheraton-East
Chairman: L. H. Penney, Past President of the AICPA
Vice Chairman: William P. Henson, Australian Society of Accountants
Speakers: H. W. Robinson, Institute of Chartered Accountants in Ireland
Lindsley H. Noble, Federal Government Accountants Association (U.S.)
Reidar Røsjø, Norges Statsautoriserte Revisorers Forening

SESSION "I"—St. Bartholomew's Community House
Chairman: Thomas D. Flynn, Congress Assistant Treasurer
Vice Chairman: T. G. Hull, New Zealand Society of Accountants
Speakers: Naval R. Mody, Institute of Chartered Accountants in India
I. Wayne Keller, National Association of Accountants (U.S.)
R. G. Wuth, Southern Rhodesia Society of Accountants

SESSION "J"—Ballroom 1, Summit Hotel
Chairman: Percival F. Brundage, Past President of the AICPA
Vice Chairman: Anselmo T. del Rosario, Philippine Institute of CPAs
Speakers: Helene M. A. Ramanauskas, American Woman's Society of CPAs
D. S. Cox, New Zealand Society of Accountants
W. B. Danks, Transvaal Society of Accountants (South Africa)

SESSION "K"—Ballroom 2, Summit Hotel
Chairman: J. William Hope, Past President of the AICPA
Vice Chairman: K. G. Jensen, Foreningen af Statsautoriserede Revisorer (Denmark)
Speakers: F. M. Richard, L'ordre des Experts Comptables et des Comptables Agrées (France)
G. C. Tootell, Institute of Chartered Accountants of Australia
James P. Ould, Jr., American Institute of CPAs
SESSION “L”—Moderne Room, Belmont-Plaza

CHAIRMAN: R. Kirk Batzer, Member, Congress Organizing Committee

VICE CHAIRMAN: Mikio Kawai, Japanese Institute of CPAs

SPEAKERS: Norman Doodson, Institute of Municipal Treasurers and Accountants of England
Lewis E. Rossiter, American Institute of CPAs
Juan Rodriguez Lopez, Colegio de Doctores en Ciencias Economicas y Contadores de Uruguay

SESSION “M”—Baroque Room, Belmont-Plaza

CHAIRMAN: John H. Zebley, Jr., Past President of the AICPA

VICE CHAIRMAN: Gerald Maxfield, Colegio Nacional de Tecnicos en Contabilidad (Venezuela)

SPEAKERS: T. Takezaki, Shadan Hoin Nippon Koninkaikeishi Kyokai
W. P. Hutchison, American Institute of CPAs
J. Loore, Collège National des Experts Comptables de Belgique

SESSION “N”—Basildon Room, Waldorf-Astoria

CHAIRMAN: John J. Deering, Member, Congress Organizing Committee

VICE CHAIRMAN: Uno Lonnqvist, KHT-YHDISTYS—Foreningen C. G. R. (Finland)

SPEAKERS: Johannes Semler, Jr., Institut der Wirtschaftsprufer in Deutschland
Roger Wellington, American Institute of CPAs
Leslie Nicol, Sociedad National de Contadores de Chile

SESSION “O”—Louis XVI Room, Waldorf-Astoria

CHAIRMAN: William P. Stowe, Member, Congress Organizing Committee

VICE CHAIRMAN: A. Underwood, Southern Rhodesia Society of Accountants

SPEAKERS: Kenneth Axelson, American Institute of CPAs
F. Somekh, Association of CPAs in Israel
Richard J. McConnell, Municipal Finance Officers Association (U.S.)

Forty-five distinguished accountants submitted papers to the Congress. These were read or summarized at the fifteen concurrent sessions on Monday afternoon, September 24. The papers covered three basic subjects, Accounting, Auditing and Financial Reporting and other subjects, among them services rendered by accountants other than auditing. Some of them have been published in accounting journals throughout the world. Copies of the papers were made available at the Congress to all who desired to have them and complete files have been placed in a number of libraries, including the Library of Congress, the Library of the American Institute of Certified Public Accountants and all organizations officially invited to join the Congress.

While all of the authors were advised in advance that it would not be feasible to include all of the papers in full in this report of the Congress, the quality of the papers was so high that this summary was prepared to preserve for the future some of the more significant ideas expressed therein.

ACCOUNTING PRINCIPLES

The broad subject of accounting principles was treated in many papers with illuminating comments on the qualifying phrase "generally accepted." Many papers stressed the material variations between accounting principles in different countries and the major areas of difference were mentioned. From The Netherlands, Professor A. Goudeket was of the opinion that "national circumstances, differences in fundamental viewpoint and development have led to widely differing accounting and auditing principles as between the various countries." Drs. A. C. J. Jonkers also of The Netherlands was of the same general opinion:
Accounting principles (how economic data should be measured and presented) vary so much in different enterprises, different lines of business, different countries and over the years that a detailed exposition of the principles applied would actually be necessary to enable an accurate judgment of the annual accounts.

Drs. A. C. J. Jonkers goes on to discuss generally accepted accounting principles in an illuminating way:

In view of the variety of economic life and the individual character of the enterprises, the Dutch accountant is aware that by referring to generally accepted accounting principles he does not give the reader anything concrete. He may assume that the reader knows that there are many possibilities in accounting and that each set of annual accounts is preceded by a selection from those possibilities. Thus, his reference implies that he regards the adopted accounting principles to be acceptable and in accordance with what is customary in the branch of trade concerned. It also implies that the accounting principles comply with possible statutory requirements, e.g., in respect of life-insurance companies, and that the notes giving the bases of valuation as prescribed by the Commercial Code are correct. Further, it means that the accountant approves the management's explanations about the accounting principles applied relating to consolidation principles, bases of depreciation, provisions, etc., and finally, that care has been taken to avoid a possible misunderstanding by the reader, resulting from an incorrect or ambiguous nomenclature, inconsistency, or a suppression of facts or circumstances necessary to give a true and fair picture.

He then goes on to list the points where differences may occur: secret and hidden reserves, contingent tax liabilities, depreciation on fixed assets, revaluation of fixed assets following a change in the value of money, pension liabilities, * * * comparative figures and consolidated annual accounts.

Running through many of the papers is the subject of "Changes in the Purchasing Power of Money." The historical background is fully set forth in the paper by Mr. W. E. Parker (England) who advocates as a start that the effect on accounts of changes in the value of money be shown in statements supplementary to the traditional accounts. Mr. William A. Paton (U.S.) in a broad discussion of Accounting and the Utilization of Resources advocates the use of current values in many areas. On the other side, Mr. J. E. Harris (England) believes that the historical cost basis has many practical considerations and that the present accounting conventions are not so unsound as to necessitate a departure from them. Mr. F. M. Richard (France) presented a paper by Mr. Robert Mazars which sets forth the results in France of the application of the French fiscal law with regard to fluctuating price levels. This is evidently a subject which will be discussed and argued for some time to come.

The determination of what are generally accepted accounting principles in other countries evoked the following comments: Mr. G. C. Tootell of Australia reported that it had been hoped that legislation would refer to "generally accepted accounting principles consistently applied" but that the Australian authorities could not be satisfied that there were uniform standards of accounting principles which would give the expression of precise meaning.

Mr. Johannes Semler, Jr., of Germany stated:

The German accountant * * * attests in his certificate only that the financial statements conform to the requirements of the law. He will not, if his audit is only made on the basis of legal requirements, state that the financial statements give a true and fair picture of the financial condition of the corporation, as that concept is understood in the United States and England.

Mr. Naval R. Mody of India said:

* * * in the present stage of development of the accountancy profession, it has not yet been possible to lay down in India a set of principles as representing the only principles which may be followed. Diversity of problems which arise in businesses is so great that uniformity is not possible and, therefore, we have felt that a reference to generally accepted accounting principles may not be quite appropriate, and the true essence of the test must always be whether the accounts show a "true and fair" view, which implies that the principles which underlie the accounts are fair and appropriately so in the circumstances of the case.

In his paper, Mr. T. A. M. Hutchison of Canada discussed this subject saying:
The Committee on Accounting and Auditing Research of the Canadian Institute of Chartered Accountants has issued some nineteen bulletins in the last sixteen years, of which the majority have concerned themselves primarily with the application of accounting principles or with the development of specific accounting principles for use in particular circumstances. However, the vast majority of accounting principles used by the independent public accountants in Canada have not been formally defined by any recognized authority. The Research Committee of the Canadian Institute, in calling for the auditor to state that financial statements were prepared in accordance with generally accepted accounting principles, had this to say:

"Basic concepts of sound accounting have evolved over the years, and have been developed and recognized generally by accountants. Within the framework of basic concepts of sound accounting, certain rules, conventions, or practices have gained general acceptance as appropriate methods of applying these concepts in particular circumstances. The basic concepts of sound accounting and the acceptable methods of applying them are referred to as 'generally accepted accounting principles.'"

In determining then what are generally accepted accounting principles, the independent public accountant in Canada draws very largely on the experience developed over the years as to the accounting conventions and practices which have received approval by the profession generally as being sound. In this connection, many of the accepted accounting conventions and practices have stemmed from those developed in the United Kingdom and in the United States of America.

AUDITING

Twelve of the papers presented dealt specifically with the subject of auditing and naturally the subject was mentioned frequently in papers on other subjects.

It would be gratifying to say that throughout the world accountants are in accord on the basic features of auditing. However, Dr. William L. Chapman of Argentina states in the introduction to his paper:

a) The objectives of corporation audits established by the legislation of certain Continental European countries, and by that of the many South American and other countries following their lead, cannot be generally, if ever, attained for the reasons that these objectives are but vaguely defined in the related legislation and no special qualifications and standards are prescribed for the persons whose task it is to perform these audits.

b) Experience has shown that the most effective and practicable conception of the objectives, and scope, of corporation audits is that which had been adopted by most English speaking countries and which postulates, as its keystone, that auditors should hold fitting accounting qualifications and should discharge their duties in keeping with high standards of ethics and professional competence.

c) The conception of corporation audits adopted by English speaking countries can only successfully be applied in countries where the accounting profession is able to meet the qualifications and standards called for in that conception, and therefore any country wishing to adopt this conception must necessarily have, or must build up, an accounting profession of the required high levels. This can only be done where businessmen and legislators have an adequate appreciation of the situation, and where appropriate human resources and suitable educational and training facilities are available.

He discussed quite fully the varying practices. What he later calls the Anglo-Saxon system is set forth by Mr. Henry A. Benson in his paper under the heading of "The Essential Features of an Audit":

I have so far dealt with the organization of the profession and the main factors which govern audit work in the United Kingdom. It is now I think relevant to consider what the essential features of an audit are. They may be summarized in the following way and I examine them in some detail in the succeeding paragraphs.

a) To make a critical review of the system of bookkeeping, accounting and internal control.

b) To make such tests and enquiries as the auditor considers necessary to form an opinion as to the reliability of the records as a basis for the preparation of the accounts.

c) To compare the profit and loss account and balance sheet with the underlying records in order to see that they are in accordance with the Act, usually defined as:

d) To make a critical review of the profit and loss account and the balance sheet in order that a report may be made to the shareholders stating whether in the opinion of the auditor the accounts are correctly presented and the items are described in such a way that they show not only a true but a fair view and give such information as is prescribed by the Act.

Mr. H. D. de Leeuw of The Netherlands recognized the differences in auditing standards when he stated:
Auditing standards still vary from country to country; the development has been very dissimilar and, inter alia, is determined by the intensity of economic relationships, the degree of international contact, jurisdiction of national courts, governmental regulations and theoretical reflection. Only an elaborate study would make it possible to give a survey of the auditing standards valid in different countries. Not only is there a great divergence in the degrees in which the profession has been developed, but the sources from which knowledge about the standards attained must be derived and the manner in which those standards are applied in practice are often not easily accessible without extensive study and close contact.

Even in countries where the profession has reached a high stage of development, essential differences in auditing standards may still be ascertained. In some countries, the examination of the instructions given in respect of and the actions performed under the system of internal control and a verification of the opening and closing balance sheets, together with a critical analysis of the recorded figures, form the basis of the report to be issued.

In the Netherlands, the standards include, in addition, an examination of the various organic relations between the flows of monies and of goods, which examination is based on a verification of expenditures.

The same feeling is expressed by Mr. Washington SyCip of the Philippines in his paper:

More uniform world-wide auditing standards should be developed.

From the papers submitted and the discussions which took place during the Seventh International Congress of Accountants held in Amsterdam in 1957 and during the First Far East Conference of Accountants held in Manila in the same year, it is evident that there is little uniformity in auditing standards among different countries of the world. The variation is so marked that, while there are some countries which have developed their standards to such a degree that accountancy has attained the stature of the well-established professions, there are some which have not set any standards at all. Between these two extremes are those, which, though not having collated or expressed their own set of standards follow a semblance of standards or observe standards set by the profession in countries like the United States and United Kingdom. And among the countries which have developed their own set of standards there are variances in the basic approach to auditing, in the form and content of independent auditors’ certificates, in the scope of work considered necessary for expressing an opinion, in educational and experience standards, in the extent to which sampling and testing of transactions is acceptable, in the extent to which reliance may be placed on internal control, and in other salient points.

It is natural that there should be discussion of certain specific features of audits. A number of the speakers commented in some detail on specific steps in auditing programs. Those steps which received most frequent mention are summarized below:

CONFIRMATION OF RECEIVABLES BY DIRECT COMMUNICATION WITH DEBTORS

There is a difference of opinion as to the necessity or advisability of the auditor’s confirming receivables by direct communication with the debtor. Mr. Henry A. Benson of Great Britain summed up the difference in practice in some areas in this way:

In the United States and some other countries confirmation of outstanding balances is normally obtained by direct communication with debtors to the extent which is considered reasonable and practicable, and, in the United States, an omission to do this must be stated in the auditor’s report if the amounts are material. In the United Kingdom the confirmation of receivables by direct communication with debtors is not usual. . . . The situation may change in the United Kingdom as a result of the introduction of electronic methods of accounting. The absence of handwritten or printed debtors’ accounts in ledgers may necessitate verification by direct communication with the debtors.

Mr. T. A. M. Hutchison of Canada said that only within the past four years has the Committee on Accounting and Auditing Research of the Canadian Institute of Chartered Accountants made positive recommendations for the confirmation of accounts receivable by direct communication with the debtor and for the observation of the physical taking of inventories, although these procedures were followed for a number of years before this by many public accountants in Canada.

Mr. William B. Danks of South Africa stated that in South Africa it is not obligatory to request independent confirmation of trade debts and other receivables. After reciting the various other steps employed by the auditor to check on the accuracy of receivables (observing preparation of monthly statements and mailing them himself, examination of cash subsequently received,
etc.) he asked, "If his examination of the available internal evidence enables the auditor to form an opinion that the debts generally have been substantiated and appear to be correctly stated, why should external evidence be considered necessary or even desirable?" He feels management would object to external confirmation as unnecessary unless the auditor could show conclusively that the internal controls were inadequate.

Generally, the inclination (in South Africa) is to regard external evidence in relation to normal trading operations as inappropriate in a business which has uniformly good accounting practices, unless there is a prima facie case of weakness in control, fraud, or other unusual features.

Mr. H. D. de Leeuw of The Netherlands gives the procedure in his country:

The technique to be applied here is dependent on the customary manner of payment. In The Netherlands, where payments are usually made through bank transfers and the bank statements include the name of the debtor and the date of payment, the existence of amounts receivable can usually be verified with the actual payment made after the balance sheet date. If payments have not yet been received or if the payments are not traceable to the individual amounts receivable, confirmations are used.

OBSERVATION OF PHYSICAL TAKING OF INVENTORIES

Several speakers from the British Commonwealth discussed this procedure. Mr. Henry A. Benson of Great Britain said:

Since the McKesson case in the United States, it has been accepted audit procedure there that an auditor should be present at stocktaking. He is not thereby considered a stocktaker or valuer and the purpose of his attendance is to ensure that the stocktaking has been properly done. This is not at present the normal practice in the United Kingdom but in recent years some auditors have been observing stocktaking, though not necessarily every year... in the next few years it will become normal practice in the United Kingdom for stock observation to be carried out...

Mr. Benson said that the verification of the amount at which the stock of goods is included in the accounts is one of the most important of an auditor's duties although in general there has been no clear guide as to the basis upon which the stock should be valued. In some Continental countries gross under-valuation of stock shown on the annual reports is recognized as normal practice. This presents difficulties when the accounts of subsidiaries in such countries are consolidated by a parent company elsewhere.

THE EVALUATION OF INTERNAL CONTROL

AS PART OF THE AUDIT PROGRAM

In the various papers presented there was general recognition of the importance of an evaluation of a company's system of internal control as the foundation of the work of both the internal auditor and the public auditor. What he learns about a company's system of internal control will have an important bearing on the extent of the tests which the auditor considers necessary. The gradual perfection of internal control results in a material reduction in the extent of detailed verification of routine procedures. Internal control is naturally linked with the work of internal auditors which is discussed at length in some of the papers, especially those of Fred S. Somekh of Israel and Cedric C. Slain of the United States and more briefly by H. D. de Leeuw of The Netherlands and Reidar Røsjø of Norway.

Mr. F. S. Somekh of Israel who dealt largely with small business, based his entire paper on internal control and its relationship to the conduct of ordinary examinations by independent public accountants in Israel, the United Kingdom, and the United States. He stressed the point that the study of internal control is the concern of independent public accountants in all countries for there is probably no other factor that has had as much impact on the work of the auditor. A few extracts from his comprehensive paper follow.

In the small business, control over its operations is generally exercised by the personal supervision of the owner.

The constant growth in size and complexity of business organizations during the present century, the multiplicity of products and locations and the intricacies of specialized skills and techniques gave impetus to the development of improved systems and procedures designed to help management to control the internal operations of an organization.

These systems and procedures whereby an organization is enabled effectively to administer its operations, safeguard its assets, and plan for the future, have become to be known as "internal control."
Perhaps no other factor has had such an impact on the work of the auditor as internal control. Its development and gradual perfection has permitted a more scientific planning of the audit, resulting in a material reduction in the extent of detailed verification of routine transactions.

Particularly in the small businesses, management is not always aware of the benefits of internal control and sometimes it tends to under-estimate and even belittle the value thereof. The public accountant can be of service to the business by pointing out to management:

1) that it cannot shift its responsibility to the public accountant,
2) that an audit is not a substitute for an effective system of internal control, and
3) that an efficient system helps to reduce the cost of the audit.

Mr. Somekh expressed the view that:

The American Institute of Certified Public Accountants' admirable booklet on internal control issued in 1949, and the case studies in internal control in specific industries, published in 1950, have done much to influence the thought of public accountants on the subject. . . . a further material contribution would accrue to the profession if a revised booklet were issued at an early date, incorporating the developments in practice and procedures which have since taken place.

Mr. C. C. Slain of the United States is more concerned with larger companies. He said the internal auditor has advanced from a routine verification of financial transactions to the appraisal of the effectiveness of the control over the operations which the financial transactions recorded. He described internal auditing today as an arm of management with the responsibility to help management by determining:

1) Whether operating executives are adequately informed on the progress of their plans.
2) Whether the policies established by management are complied with and whether they are deficient in any respect.
3) Whether management has the means of appraising the performance of the people to whom responsibility and authority have been delegated.

This modern view of internal auditing was expressed by the following definition of internal auditing in the 1957 revision of the Statement of Responsibilities of the Internal Auditor by the Institute of Internal Auditors:

"An independent appraisal activity within an organization for the review of accounting, financial and other operations as a basis for service to management. The overall objective of internal auditing is to assist all members of management in the effective discharge of their responsibilities, by furnishing them with objective analyses, appraisals, recommendations and pertinent comments concerning the activities reviewed. The internal auditor, therefore, should be concerned with any phase of business activity wherein he can be of service to management."

Mr. Slain said that since the practices of management vary, "the practice, scope and responsibilities of internal auditing will be different in every company, governmental unit, or other operation in which internal auditing exists." He expressed the opinion that internal auditors operate in much the same way in countries around the world. He said, "We find that the level of internal auditing varies far more between companies within any given country than it does between countries."

Mr. H. D. de Leeuw of The Netherlands said it was the responsibility of the internal auditor to see that an effective system of internal control was built up and to continually satisfy himself as to its proper functioning. He also looked upon the internal auditor as an advisor to management at all levels of the business because of his expert knowledge of relevant subjects.

Mr. Reidar Råsjø of Norway discussed the work of internal auditors in some detail. The internal auditor reviews the soundness, adequacy and application of accounting, financial and operating controls and determines to what extent established policies, plans and procedures are being complied with. Management should make substantial use of the internal auditors in accounting for safeguarding the company's assets. Through his daily work the internal auditor should obtain a detailed knowledge of the reliability of its accounting data. In the matter of appraising the quality of employees in carrying out assigned responsibilities, Mr. Råsjø thought it was within the province of the internal auditor to compare performances with prescribed schedules or budgets. When it came to the matter of personal judgment of employees, he thought the internal auditor's opinion might be asked about the performance of accounting personnel but not of other employees.
USE OF STATISTICAL SAMPLING AND ADAPTATION OF AUDITING TECHNIQUES TO PUNCH CARD AND ELECTRONIC DATA PROCESSING ACCOUNTING SYSTEMS

Relatively little was said on these subjects in the technical speeches. Mr. Henry A. Benson of Great Britain reported:

At the present time comparatively little attention has been paid in the United Kingdom to the selection of tests based on mathematical or statistical formulæ. I am skeptical of tests selected in this way. The best auditors are those who, by instinct or experience, or a curious combination of both, seem to sense that a particular transaction or situation merits inquiry. This is not found by a formula and I believe it to be more important to base the tests on a commonsense appraisal of the situation....

On the other hand, Mr. T. A. M. Hutchison of Canada and Mr. H. D. de Leeuw of The Netherlands discussed statistical sampling as an effective method of reducing the detailed checking. Mr. de Leeuw said:

Statistical test-sampling makes it possible to indicate with a certain probability the extent to which the result of an observation of a phenomenon is a sample taken from a mass deviates from the actual occurrence of that phenomenon in the whole mass. ... If the number or amount of errors found in the test is in excess of the number or amount for the desired conclusion, then the range of the test sample will have to be extended until a positive or negative conclusion is obtained.

Two methods of statistical test-sampling are used in auditing in The Netherlands: the stratification method, involving division of data to be examined into groups according to size of amounts, and the "guilder number" method, which attaches an equal probability of being selected to each guilder rather than to each item in a series of entries. The latter method can, of course, be used for other units as well as for guilders.

Several speakers reported that techniques for auditing punch card accounting systems have been developed and applied quite generally. No detailed comments were made on the application of auditing techniques to electronic data processing. The view was expressed that the basic functions and responsibilities of the auditor would not be changed by these new developments but that he would change some of the ways in which he carries on his work.

FINANCIAL REPORTING

This subject was discussed specifically in fifteen papers by authors from eleven countries, thus giving wide geographical coverage.

Equally wide was the field covered—the "Directors Report," the "Chairman's Report or Address to Shareholders," the "Report to Shareholders," "Prospectuses," "Report to Stock Exchanges," the "Auditors Report" and "Internal Reports." The reasons for the variety are in legal requirements and in customs which have grown over the years. Legally, the gamut runs from Sweden, where every corporation must file a report, to Finland where no public reports are required. In between are England and the countries influenced by it where public companies must file reports.

The content of the report also varies substantially from country to country, from one where only the balance sheet is required without any profit and loss statement to one where the annual report "must state the accounting principles on the basis of which the results of operations and financial position have been computed." In between these extremes, one paper states, "the preparation of an annual report is a matter of compromise as to content and amount of detail."

In some countries the latitude is wide as in England and France. In others such as Germany and Sweden there are fairly detailed rules on the specifications of different items in the annual reports.

Despite all of this variety there is very little difference in the fundamental basis of reporting. The writers of the papers seem to agree with two excerpts—the first from The Netherlands (Mr. A. Goudeket): "Financial reporting—whether internal or external—aims at satisfying the need for information of those for whom the reporting is intended. The function of the annual report is twofold: (a) accounting by the company's management of its administration during the period under review (retrospective purpose) and (b) supplying information from which interested persons may form a picture of the future of the company (prospective purpose)." The second is from Mr. R.O.A. Keel of England: "Financial reporting is a major means of communication in presenting the activities of commercial enterprises, helping to bridge the gap between producer
and user, owner and manager and between commerce and government. The objectives of the Financial Report are three: an account of stewardship, a demonstration of the efficiency of capital and a statement of monies due to those other than the proprietors. They are to improve the use of resources, encourage the flow of trade and illustrate the performance achieved."

In connection with Internal Reports the comment of Mr. Ian T. Morrow of England is pertinent: “In the modern age more accurate detailed information can be presented to management—selective information that will initiate policy and action.”

It is quite evident that there is wide variation in report requirements and content and with the legislation and long established customs involved, any uniformity is in the distant future. In the paper of Mr. Dudley E. Brown of the United States he compares financial reporting by industry in the United States and other countries in a number of specific areas and instances. He does not seek uniformity but rather that essentially there be comparability of information, greater disclosure and better understanding of the practices of the different nations.

SERVICES PERFORMED BY ACCOUNTANTS OTHER THAN AUDITING

The writers of the papers emphasized the growing breadth of the work of accountants. Other areas are evident from the following excerpts from some of the papers.

One subject constantly in the minds of accountants is taxation and naturally there are many references to it throughout the papers. Mr. Braddock (Australia) dwelt on the importance of taxation as an economic and social measure and its effect on accounting and on managerial decisions. He also outlined fully and clearly the statutory influences on accounting principles in Australia. Mr. Wurth did the same thing for the Rhodesias as did Dr. Herbert Reisch for Germany. Mr. Takazaki (Japan) not only referred to the Japanese tax laws but covered broadly the history of the establishment of accounting principles in Japan and outlined the present status of accounting practices and services of the Certified Public Accountants in Japan.

Mr. T. A. M. Hutchison of Canada mentioned that the independent public accountant has always provided advisory services to the management of business enterprises on accounting and financial matters but in recent years the scope of these services has been expanding greatly. Today many auditing firms are furnishing extensive service in Canada in areas such as accounting mechanization, integrated data processing, computer applications and development of internal accounting systems and controls. Services are also frequently provided in the sphere of factory production controls, marketing policies and organizational structures for business enterprises.

Additional areas in which the independent public accountant is rendering service in Canada to business enterprises encompass the performance of duties as trustee, receiver or liquidator for businesses in receivership, the provision of advice and evidence in rate making proceedings for public utilities and assistance in the preparation and assessment of claims for insurance damages. Other types of assistance to business enterprise undoubtedly arise when services are rendered to meet special circumstances, but those described here are commonly encountered in the activities of the independent public accountant.

In many papers dealing completely or partly with special services there is the almost traditional concern with costs and budgets. Several of the papers dealt at length with these subjects. Mr. I. Wayne Keller (U.S.) reviewed Standard Costs and Budgets, Direct Costing, Product Costs and Budgetary Control, concluding by stating:

Management accounting in the United States has developed rapidly and is used extensively. This has been influenced by a rather rapid increase in costs, coupled with strong pressures to hold or reduce sales prices. To operate profitably under these conditions, management has been forced to plan income and costs very carefully and to give immediate attention to unfavorable deviations from the plans.

General practice is to present actual costs in two parts—planned costs and variances. Inventories are valued at planned costs for interim periods, but these values are adjusted to the lower of cost or market for financial reporting.

Dr. Ramauskas also dealt with “this new costing philosophy, commonly known as direct or marginal costing, which focuses attention entirely on the distinction between variable and fixed costs and recognizes that costs are not simply a function of either production or sales, but a combination of both, thereby introducing the cost-volume-profit relationship into the framework of accounting thinking.”

Just as Mr. Somekh spoke of small business in Israel and the importance of internal controls, of budgets and of special services so Mr. James P. Ould, Jr., (U.S.) and Mr. William P.
Hutchison (U.S.) did as to small business in the United States—with much the same emphasis.

Mr. Lewis E. Rossiter (U.S.) looked at these problems of accountants and small business from the specialized field of Auditing and Bank Credits with stress on the responsibility of the accountant in preparing clear and accurate reports.

Mr. Reidar Røsjø of Norway asked this question: "To what extent do the activities of independent public accountants include advisory services to management on matters of business policy?" He went on to answer the question in this manner:

Obviously, the public accountant must not get too far involved in matters concerning business policy as such. It is true that, in the case of quite a few firms, we must be willing to give help and advice, provided we consider ourselves competent to do so, but it is not our job to run a company where the shareholders have appointed us to audit and appraise without bias. Even so, there are aspects of business policy on which we do have every right and authority to comment.

It would, in my opinion, be a good thing if it became still more usual to consult a public accountant and to have him present at negotiations for loans and for their conditions. It should be just as important for the investor as for the borrower that the loan is right as to amount, repayment, interest and security.

Another field where our help and advice will prove useful is at the expansion of a company through the buying of, or amalgamation with another company.

These ways of expanding are steadily increasing, but before a decision is reached, a public accountant should be brought into the picture to review and appraise the obtained results, present financial standing and future possibilities of the project.

Mr. W. B. Danks of South Africa had this to say about advisory services to management:

It is a growing practice for management to consult the independent accountant on accounting systems. He (the accountant) would not, however, expect to be consulted on matters of business policy nor upon strictly technical operating procedures; and he would probably not lay claim to professional knowledge or skill in such matters.

It is not the practice of accounting firms in South Africa to employ technical specialists such as engineers, for system work outside what is usually regarded as the scope of the professional work of the accountant, although there is nothing in the law to preclude it. Unless such specialists were qualified to be registered as public accountants and auditors, and were so registered, they could not be members of partnerships nor could incomes of the firms with which they might be associated be shared with them. It does not seem likely that the profession in South Africa will extend the scope of its services beyond the general field of accounting systems and procedures; but in that field it is evident that there will be an increasing requirement for its assistance.

Mr. K. S. Axelsson of the United States presented a paper on the subject of "The Development of Management Services in the Practice of CPAs." The major categories of management services are, he said:

General management, financial and operating controls, office management and procedures, marketing, manufacturing, personnel, acquisition studies, organization planning, executive compensation plans, operating research analysis, systems for general and cost accounting for budgetary control and for management reporting, office mechanization, clerical work measurement, market research, pricing studies, production and inventory control systems, job evaluation plans, and management development programs.

In demonstrating the extent to which management uses the independent accountant’s advice in these areas he cited a recent survey:

A National Industrial Conference Board survey of 222 manufacturing companies this spring found that 95% of these companies called upon their public accountants for services other than those involved in conducting the annual audit. That does not mean, of course, that 95% used their accountants for management services, because services other than audit included tax. However, more than a fourth of these companies said they sought the help of their public accountants in evaluating the desirability of acquisitions, mergers, and consolidations. And many said they consulted their auditors on general accounting and cost accounting practices, changes in systems and procedures, inventory control refinement, electronic data processing installations, and personnel and organizational problems.

About half the companies in the NICB survey said they were making more use of their auditors consulting services than they did five years ago. The chief reason mentioned was the growing capacity of the auditors to offer such counsel.

The management services is recognized as one of the three major divisions of the CPA profession—along with accounting and auditing and with taxes. It is already a substantial field in terms of the number of individuals involved and in terms of the income it belongs to the firms engaged in it.
To emphasize that such service is not new in the practice of public accountants he referred to a statement of George Wilkinson, secretary of the Federation of Societies of Public Accountants to the First International Congress of Accountants in 1904:

The Accountant who is consulted on important business matters like agreements between companies, firms, and individuals, or the adoption of new lines of business policy, is infinitely more valuable to the client than the mere man of figures. In our capacity as auditors we are necessarily taken into the innermost confidence of our client, and what is more natural than that the accountant should be consulted in matters of management and the future policy of the business? The point is here: If the accountant is individually competent to give competent business course, his advice will be sought. It therefore becomes more desirable that we should qualify ourselves by study and observation to become the adviser of our client more than the checker of our client's employees.

Mr. D. S. Cox of New Zealand touched on this subject also, saying:

In spite, however, of this preoccupation with taxation, public accountants perform a wide range of general and specialist services in such things as costing and budgetary control, installation of accounting systems, and management accounting, in addition to the traditional roles or secretarial work, liquidations and receiverships. There is also no restriction on a public accountant acting as a director, except where such an appointment conflicts with other professional duties, or with his independence.

Among the activities of accountants other than in auditing and taxes, Mr. Henry A. Benson of England mentions accounting systems, costing in the widest sense, use of accounting machines, investigations and special studies of: new enterprises, internal administration and organization, reorganization of capital, cost of production, and installation of pension plans; activities in: share valuation, estate planning and arbitrations, services as liquidators, trustees, receivers, expert witnesses and indeed "friend, advisor and confidential."

Mr. Washington SyCip of the Philippines listed as management advisory work: design and installation of accounting systems; mechanization of existing systems and procedures preparation of accounting manuals; establishing budgets; developing cost systems; strengthening internal control; and in larger firms: job evaluation and compensation, organizational structure, economic feasibility of projects, credit and collection policies, materials handling and inventory controls, etc.

The special subject of Financial Reporting by Municipal and Governmental organizations was covered by several authors.

Mr. Norman Dooodson (England) stated that his paper was concerned with accounting and financial administration in the public sector, that is, government and local government bodies and public finance organizations established by government action or under government jurisdiction. While he pointed out the differences in the purposes of reports in the private sector and the public sector he recognized that accounting fundamentals were the same and that effective controls require the same basic financial and accounting controls to produce prompt and accurate figures from which performance, efficiency and security can be checked.

Mr. McConnell (U.S.) emphasized the advance in municipal accounting in Canada and the United States in the past few decades and reviewed the types of municipal reports, formal and informal, with the following refreshing comments:

The formal report is, obviously, designed and intended for those having a knowledgeable and professional interest. There is a far greater segment of the public which is entitled to information—the ordinary citizen.

In the field of popular reporting, it would be better if the financial officer would ignore the fact that he is an accountant and put himself in the position of the public relations man. He must divorce himself from the stuffy formalisms of the professional report and abandon his addiction to detail. He must without condescension however, adapt his presentation to the capacities of the general public. He must present the information in a manner that is interesting and understandable.

Simplicity of expression, is of course, the basic prerequisite of the popular report. Words like "Disbursements" become "Outgo" or even "How the money was spent." Where a picture is worth a thousand words, it can also serve as a substitute for a ream of statistics.

Mr. Noble (U.S.) developed the same thoughts as to Federal accounting, expressing the thought:

Experimentation and progress in the improvement of Federal accounting are continuing. The prospects for further improvement were never brighter. In recent years certified public accountants have been appointed to high executive posts by the President.
These include, or have included the offices of the Comptroller General of the United States, the Director of the Bureau of the Budget, the Commissioner of Internal Revenue, and a member of the Federal Power Commission. There are some 2,000 CPAs presently employed by the Government. Many are members of the American Institute of CPAs. In addition, professional accountants drawn from high posts in business and the academic world are rendering valuable service in numerous key Federal positions.

Another area covered was that of governmental, statutory or legal requirements for audits. These vary materially throughout the world. In Chile, Mr. Leslie A. Nicol stated that corporations are not required to submit financial statements audited by independent accountants. In Finland, Mr. Börje Forssström said that "only companies listed on the Stock Exchange must have a Finnish equivalent of CPA's certificate and auditor certified by the Central Chamber of Commerce. But most other companies also of medium and relatively small size prefer to choose independent, authorized accountants as their auditors."

The effects of laws on accounting were discussed by Mr. Ratsch (Germany) pointing out that in Germany the present laws exert a decisive influence on accounting.

It is interesting that the opposite is true in The Netherlands where Drs. Kleerekoper said:

In the Netherlands the problems of accounting have been approached scientifically for decades in close conjunction with and on the basis of the development of a normative—i.e., directive theory of business economics. This approach may well have been stimulated by the fact that there are practically no legal regulations on this subject.

In a number of countries as in Finland certain specific companies must be audited. This is true in Germany according to Mr. Semler, in Ireland according to Mr. Robinson, in the Philippines as Mr. Sycip states. It is also true in the United States.

Other countries, such as Great Britain, Australia, New Zealand, South Africa, India, Sweden and Norway require audits for all corporations.

Mr. Benson of England examined the requirements of 26 countries and 10 of these had legislation requiring audits.

This is one area where there is a decided lack of uniformity and probably will be for many years.

Some of the writers rise beyond the legal and technical aspects of accounting and reporting. Mr. Federico Rioseco of Mexico deals with the broad social trend of accountancy and speaks of financial statements in the setting of economic development. Mr. Ebbe Rybeck of Sweden takes a world view when he says:

It is obvious that the future, given peace, will involve a relatively rapid development towards greater economic freedom of movement. Such a freedom must affect accountants to a very great extent. It is, indeed, probable that in their capacity of professional men they cannot directly help to bring about this freedom; this is above all a political task. But when the freedom has been established it will make great demands on accountants.

Mr. R.O.A. Keel of England concludes his paper:

We are living and I believe we are going to live in a world where international boundaries that divide us are going to fade fast, certainly in terms of knowledge and standards of practice in our profession. . . . In considering the future of the world economy the conclusion emerges that there is a relative shortage of capital available for all the many tasks that demand to be performed. In such circumstances the concern that deserves support will aim to present through its performed financial report its image and activities and its claim to capital. Such a report will need to be up to date, responsible, enterprising, comprehensive, graphic and lucid. In the electronic world of the future it could be, of course, that the circulated printed word may be supplemented or eventually replaced by a medium giving sound and even vision.

DEVELOPMENT OF INTERNATIONAL UNDERSTANDING IN ACCOUNTING

The Congress focused the views of many of the authors of the papers on world-wide understanding of accounting principles and terms and international agreements or associations to further these. This subject as with so many of the others developed diverse views. These ranged from the suggestions of Dr. Ramanauskas:

Because of the necessity of a uniform international approach there seems to exist an urgent need for a more permanent form of international association of the accounting professionals of the world as this periodic International Congress provides. What is
needed is a permanent international forum of some sort, where professionals and theorists of our discipline could exchange new ideas, criticize and modify old ones and where they can participate in the present evolutionary undertaking of crystallizing a sound framework of international postulates and principles. Such a forum could very well be accommodated within the organizational set-up of the World Economics Commission of the United Nations.

A vital demand also seems to exist for an international publication, where articles of broad interest are translated and published in the major languages to enable world-wide interchange of ideas, experiences and inspiration by accounting professionals without the necessity of time consuming search and interpretations by each.

and Dr. Juan Rodriguez Lopez (Uruguay):

In my opinion, according to the actual situation of this discussion about accounting principles, and when we have seen the evolution of recent years, it would be of great utility for the prestige of accounting, to create an International Committee on Accounting Principles sponsored for instance, by the A.I. of A., one of Great Britain’s institutes, one from The Netherlands, another from Germany, one from France, another from Italy, another from Spain and two from South America (because of language and custom) for a research on a high level and to redact a group of recommended principles. It would be a very substantial contribution to the general acceptability of basic accounting principles. The Committee may demand the opinion of leading accountants (accountants authorities with professional reputation) from all the world. Its recommendations will have, therefore, an authoritative support and will be recognized by all the accountants’ representations.

through the more simple hopes of Drs. Herbert Räisch (Germany):

In the age of progressive economic integration, it is imperative. I believe, that we all speak the same language as far as figures and their presentation is concerned. This should also include the adoption of a uniform, internationally accepted accountant’s report which frees itself from regional concepts and exigencies and gives the reader of financial reports the guarantee that these financial reports and accounts are in conformity with internationally accepted principles of accounting.

and Joseph Loose (Belgium):

... the Congress must permit to the intellectual potential of accountants to clarify and canalize the energies for the permanent perfection of their methods and technics.

Presently, the general tendency is for the establishment of a common language for numerous spheres. Why should this common language not be used and tuned-up by the accountancy professionals?

The accountants, who are organisators, besides their activities of control, auditing or certification, cannot be the latest ones to consider the utility and the interest that this common language—this means normalization—represents for the enterprises, for the economy of the country, and even for the economical communities established on more and more larger basis.

to the plea of Professor D. S. Anderson (Scotland) in his paper on "Communication" wherein he asks:

Here then is an opportunity for the accountants to do something to bring the business people of the world and others closer together. It seems to me that as a section of the community of man we can do more to achieve this end than any other group of people—and certainly more than the politicians.

Nothing very radical is really necessary; no strongly held views need be sacrificed. All we require is a general acceptance of the meaning of the words which we use in a technical sense. Neither the alphabet nor the rules of this specialist language have been agreed upon. And this is a first essential of a satisfactory atmosphere in which to foster international as well as domestic exchange of accounting information. With this, confusion must arise. We all know of the trouble which blows up when two teams playing a game obey different sets of rules!

I am not a believer in standardisation of accounting techniques. We practice an art which calls for individual expression of opinion and thought and I think that it would be a sad day for the profession and, in fact, for the community if the reporting accountant were forced to conform to a rigid code in performing his function of reporting. We cannot all think alike and there is generally room for two or more points of view in most matters. We do, however, owe a duty to those to whom our reports are addressed; a duty to make these reports comprehensible and in no way possible of two interpretations being given to them.

This can only be achieved if a common alphabet is employed. The basic terms which we employ should have only one possible meaning, no matter in what language they are expressed. Qualification of the basic meaning could be achieved by the addition of suitable qualifying words.
and to the conclusions given by Mr. Henry Benson (England):

In conclusion may I emphasize that when referring to legislation I am concerned only with the importance of raising standards of accounting and auditing and not with the imposition of restrictions which have no relevance to those matters. As the world economy is such an important feature of this Congress it is appropriate that I should put on record here the oft repeated view of the Council of The Institute of Chartered Accountants in England and Wales on the question of practice rights. The Council believes that the ideal arrangement is reciprocity, in all parts of the world, of the right to practice under the professional designation which the individual has obtained by suitable training, experience and examination, without restrictions on the right to enter into partnership or agency arrangements with properly qualified accountants whatever may be their country of residence. The international nature of the profession is such as to require a liberal attitude towards world freedom of practice rights if the profession is to be able to continue to serve adequately the business interests which depend upon it. My Council believes that all forms of artificial barriers (by reference to nationality, residence, partnership association, firm names or otherwise) are detrimental to the future development of the profession and to the interests of the countries imposing such barriers.
DISCUSSION GROUPS

On Tuesday the planners of the Congress attempted an experiment which was hailed by the registrants as an unqualified success. One hundred and twenty-five discussion sessions, ranging from ten to twenty accountants in number and as wide a geographical spread as possible, were held in board and conference rooms generously donated by corporations and service organizations located in New York.

On the pages that follow is the list of corporations in which these sessions were held and the names of the leaders who conducted the sessions.

An almost unanimous opinion of these sessions was that small group discussion is something that should be continued at all future International Congresses.

Technically speaking, there was a unanimous appeal for formalization of studies leading to uniformity of international accounting principles, standards and practices under the auspices of the Congresses.
### DISCUSSION GROUPS

**Tuesday, September 25, 1962**

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<td>John N. Neumayer Wilfred G. Densmore</td>
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<td>Western Electric Company, Inc.</td>
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<td>Robert Caldwell Fred A. Ainslie</td>
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CLOSING PLENARY SESSION

On Thursday morning, September 27th, Congress registrants gathered once again in the ballroom of the Waldorf-Astoria for the final session of the technical program.

With President Foye presiding, the assembly heard a summary of the technical program by Mr. Paul Grady; an inspiring talk by Frederic G. Donner, Chairman of the Board of General Motors, in which he made a number of farsighted recommendations to world accountants for improvements in financial reporting; and a warm philosophical talk by James C. Stewart, President of the Institute of Chartered Accountants of Scotland on the future of the profession.
EIGHTH INTERNATIONAL CONGRESS OF ACCOUNTANTS
CLOSING PLENARY SESSION

September 26, 1962
Grand Ballroom, Waldorf-Astoria Hotel
New York

Mr. Foye: This is the final Plenary session of the Eighth International Congress of Accountants. It seems quite a long time since I greeted you at the opening session last Monday morning. We have seen a good deal of each other and exchanged many interesting and helpful ideas during the past few days. I hope also that you have enjoyed some of the entertainment and some of the trips that have been arranged.

This morning, we have three extremely interesting speakers. The first is one of our own distinguished members of the American Institute of Certified Public Accountants, who has bravely taken on the task of attempting to sum up the highlights of the technical papers and discussions of the past week. In this task he has, of course, reviewed all of the forty-five papers presented at the Monday afternoon sessions and has had reports from recorders at the discussion groups on Tuesday morning. He was especially qualified to do this, as he was chairman of the Technical Committee which set the whole pattern of the Congress. He is a recently retired partner of one of our distinguished accounting firms—Price Waterhouse & Co. He has been the chairman of many important committees in the American Institute and has now accepted the chairmanship of the important and new Practice Review Committee. He is a graduate of the University of Illinois and has spent his entire adult life in the practice of accounting. In 1959, he received the Institute’s Gold Medal for distinguished service to the profession. During World War II, he was Executive Assistant in the Office of the Secretary of the United States Navy. He was chairman of the Task Forces on Lending Agencies of the first and second Hoover Commission. In 1944, he received a Navy Department Distinguished Service Award. I present to you our good friend, Paul Grady.

It has been tersely stated that “a civilization may be judged by the extent to which the unenforceable is obeyed.” Much of the attractiveness of the statement rests on the image or images created. At one extreme, perhaps we might picture a docile society so burdened with regulation that all edicts of authority are implicitly obeyed regardless of the practicability of enforcement procedures. However, it seems clear that the author intended to portray a much more advanced civilization; one comprised of people having the maturity of judgement to insist, not only on maintenance of law and order and the honoring of public and private contracts, but also on the establishment of voluntary ethical standards in the conduct of affairs to assure fair treatment to all persons having bona fide interests. The latter aspect must be effected by the intelligent self-interest decisions of individuals and the force of opinion rather than by compulsion of government.

The profession represented in this Eighth International Congress of Accountants and the investor-owned enterprise system which largely comprises its clientele typify this higher type of civilization based on voluntary ethical standards of conduct. While we are on this line of thought, let us point out that there is no inconsistency in the maintenance of absolute independence in rendering accounting and auditing services to industry and
the simultaneous recognition of the fact that without an investor-owned enterprise system, there could be no profession of independent accountants. In this context, interdependence holds no conflict with independence.

Accountants need no reminder of this fact but we may not be sufficiently alert to our continuous civic responsibilities to defend this system of economic freedom against unwise encroachment by government, a tendency unfortunately endemic to our times.

During the course of the Congress some fifty papers have been presented or summarized in technical sessions with further consideration of the subjects at the discussion group meetings. I am sure that the entire Congress feels deeply indebted to the authors and speakers for the stimulating and valuable information provided for the improvement of our minds while we are here and a reservoir of food for further thought, after we return to our respective homes.

It seems fair to say that a profession may be judged by the extent to which it objectively appraises its own strengths and weaknesses and seeks ways and means to improve its usefulness in the performance of its proper functions. Analysis of the papers presented and of the tenor of the discussion meetings clearly demonstrate that, in terms of this criteria, the accounting profession of the Free World is in exceedingly sound health. It is all the more pleasing to report that the evidence of constructive robustness comes not only from members engaged in independent public accounting, but from members who are serving as officers of industrial and financial enterprises and in various echelons of government.

Please allay any fears you may have that even a highly condensed report of the many excellent papers and discussions will be attempted at this session. Such a course would unduly burden all of you and it is my understanding that a summarization will be made available later in printed form.

However, I cannot resist the tempting opportunity of using a small segment of your time to give you a few impressions and interpretations of the technical program of the Congress which I consider to be significant in the general areas of auditing, internal control, accounting and financial reporting.

Auditing

It was only fifteen years ago that the American Institute first delineated in pamphlet form the meaning and significance of the term "generally accepted auditing standards." This pronouncement emphasized the importance of the personal quality standards of proficiency, independence and due care and further explained the significance and application of these standards in the performance of field work and in the preparation of reports. Although much remains to be done, the papers presented at this meeting demonstrate an encouraging degree of understanding and acceptance of these or somewhat comparable standards. There is also recognition that, where standards are different as between countries, the auditor engaged in international work should meet the higher of the standards of his own country and those of the country whose investors will be relying on this report.

There is widespread recognition of the merits of an analytical approach to independent auditing which assigns increasing attention to the substance of business operations as a major element to substantiation of the accounting records. Closely linked to this approach is the study and evaluation of internal control in the planning and performance of examinations. This is an essential foundation to auditing by tests which permit independent examinations to be performed within reasonable limits of economic cost. Since the scope of practically all annual examinations is limited to that necessary to place the independent accountant in a position to give an opinion on the fairness of the financial statements, it follows that the accountant does not assume responsibility for discovery of fraud which does not impair the overall fairness of such statements.

The papers presented on internal auditing show that, in common with the view of the independent public accountant, the internal auditors recognize the basic importance of study and evaluation of the effectiveness of internal control in the enterprise. From the nature of their objectives, it follows that internal auditors, in most cases, will give greater attention to possible irregularities and inefficiencies in the handling of transactions as a means of assisting all members of management in the effective discharge of their responsibilities. As a part of management, the scope and program of internal auditing necessarily varies greatly depending on the wishes and needs of the particular management.

Internal control

Some years ago internal control was defined by an Institute committee as comprising all of the co-ordinate methods and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The major characteristics of a satisfactory system were also set forth. It is unnecessary for the purposes of this paper to detail such characteristics but a significant feature of this Congress has been the extent to which papers, prepared in various parts of the world, are in substantial agreement on the basic concepts of internal control.

Although its key importance is generally recognized by management and by the accounting profession, we may not yet have accorded internal control its full stature. I
submit, not as a conclusion but as a suggestion worthy of careful consideration, that in a highly developed free enterprise economy an effective system of internal control should be one of the postulates of accounting. It would seem to be a fitting corollary to the postulate of an indefinite life of the enterprise. When the attributes of an indefinite life are missing the auditor is called upon to alter his customary form of report. Similarly, if a management has not provided reasonable measures of internal control, should not the auditor substantially modify or withhold his report? I know this is now done in extreme cases, but isn't there a need for extension of the practice?

Regardless of whether internal control is ultimately accorded the stature of an accounting postulate, we should all recognize its unique position as the essential connecting link between accounting, auditing and the systems and other advisory services rendered by the accounting profession.

**Accounting**

One of the speakers at the Congress said: "The forceful instrument available for organizing, expressing and evaluating business and economic facts is accounting. It is the quantitative mean for disclosure of information, essential to the successful conduct of national and international market economies and for appraising the over-all performance of free enterprise societies. Accounting as the best available device for understanding today's complex business transactions and their interrelationships, has become accepted as the most ideal tool for measuring the performance of individual economic units or enterprises. Accounting, an instrument based on ethical regard for truth and integrity, constitutes the base for assessment of taxes based on the entity's ability to pay, measured by its income. In short, it can be said that accounting is not only the universal language for thinking and communicating about business and economic affairs, but also the most dependable device available for measuring and appraising performance of individual economic units as well as whole economies."

A primary purpose of accounting, obviously, is to supply the great quantity of dependable information needed by management for managing and operating the business. The several excellent presentations dealing with various aspects of management accounting place great emphasis on the need for close integration of long- and short-term financial and operating planning with accounting. By using co-ordinated tools of forecasts, budgets, standard costs and accounting by areas of responsibility, industry has improved its ability to plan and control what is going to happen rather than just correct past deficiencies.

The crucial concern of management is the maintenance of a satisfactory margin between the costs of producing and distributing its products or services with the revenues it may expect to receive for them in the markets served. Decision making will be seriously handicapped and perhaps even misled if the information supplied does not reflect dependable current costs of production and distribution. This basic economic fact, especially considering the impact of inflation, has caused unadjusted historical cost to become almost as outdated as yesterday's newspaper.

The accounting practices in Europe, particularly in The Netherlands, have been considerably in advance of those in the United States in the recognition of current costs, including price-level changes with respect to fixed assets. In our country we have done a lot of writing and talking about the problem but there have been only a few instances where price-level adjustments have been reflected in the accounts.

It seems clear that the price-level resolution adopted by the Accounting Principles Board of the American Institute in 1961 together with the current research project on implementation problems, will result in presentation of a considerably greater number of financial statements reflecting complete price-level adjustments in a form supplementary to historical cost statements. It is my hope that such statements will become mandatory within the next few years. Without such statements investors and management are largely in the dark as to the rate of real growth of the enterprise and its real profitability or earnings on invested capital.

In published statements and in accounting literature of The Netherlands, where current-cost accounting has probably had its widest acceptance, the term "replacement value" is commonly used in reference to fixed assets and inventories. In the United States this term would be interpreted by some people to mean estimated cost of reproduction arrived at by appraisal rather than by accounting methods. Such valuations by industry during the 1920's were severely criticized in political circles in the aftermath of the depression thirty years ago. Accordingly, any such term must be rigorously avoided here. For this reason we greatly prefer the terms "current cost" or "cost in current dollars," and adjustments undertaken would be based upon objective evidence of present cost as shown by actual transactions or upon price indices prepared by government or other independent agencies. This difference, I feel sure, is one of semantics rather than substance in our objectives to produce informative and useful financial statements, but this word of explanation may promote our mutual understanding of the matter.

**Reporting**

Reporting, of course, embraces the financial statements and related comments and explanations by which the management of an enterprise fulfills its fiduciary accountabili-
ties to stockholders, creditors, employees, customers, government and others having bona
fide interests. Such statements should include an understandable and dependable showing of
how the management has invested the capital resources entrusted to the business
entity and the results of operations attained through the utilization of these resources by
the personnel comprising the various echelons of the enterprise.

In olden days identified with the 'private locked ledgers' many companies followed
a practice of telling stockholders as little as possible. Fortunately, that attitude has largely
passed in America and in most of the countries attending this Congress. It is clear that
unwarranted areas of secrecy will continue to diminish. In this connection it was most
exhilarating to hear Dr. Otten and Mr. Watson, at our opening session, extol the
advantages which business itself gains by clear and comprehensive reporting. They
recognized that the annual report was considerably more than a story of historical results
to existing stockholders, because of its practical usefulness as a basis for present and
future decisions in the capital markets of the world.

The other important component of reporting, in addition to the financial statements,
is the report of the independent accountant. The form of this reporting varies from
country to country depending on statutory requirements and actions by our national
professional organizations. In our country we have prescribed four basic standards of
reporting as a part of generally accepted auditing standards and our rules of professional
conduct state that:

"In expressing an opinion on representations in financial statements which he has
examined, a member may be held guilty of an act discreditable to the profession if
(a) he fails to disclose a material fact known to him which is not disclosed in the
financial statements but disclosure of which is necessary to make the
financial statements not misleading; or
(b) he fails to report any material misstatement known to him to appear in the
financial statement; or
(c) he is materially negligent in the conduct of his examination or in making his
report thereon; or
(d) he fails to acquire sufficient information to warrant expression of an opinion,
or his exceptions are sufficiently material to negative the expression of an
opinion; or
(e) he fails to direct attention to any material departure from generally accepted
accounting principles or to disclose any material omission of generally
accepted auditing procedure applicable in the circumstances."

This rule of conduct is quoted, not in any sense to say that American standards are
better than those of other countries, but rather to convey to nonaccountants, who may
take notice of our search for improvement, that our profession has exercised a high degree
of voluntary self-discipline by establishing standards of conduct and by providing
adequate means of enforcement.

**NEED FOR INTERNATIONAL STANDARDS**

Many of the papers presented to the Congress urge that steps be taken to hasten the
further development, understanding and acceptance of standards of auditing, accounting
and reporting on an international basis. This theme has been inherent to an increasing
degree in the successive Congresses. An effective and definitive presentation of this subject
was made, in *The Journal of Accountancy* for January 1960, by Jacob Kraayenhof,
president of the Seventh International Congress, and his recommendations were repeated
at the opening session of this Congress. Alvin R. Jennings has also presented a timely and
excellent article on the need for international standards in the September 1962 issue of
*The Journal*. All of the authors recognize that the key to progress is organized research
by the profession, both at the national and international levels.

The theme of the technical program of this Congress may be briefly stated in three
interrelated premises:

1. The world economy is dependent on flow of capital, international trade and
management skilled in the organization of personnel and use of tools to produce
goods and services wanted by the people.

2. The flow of capital is stimulated by opportunity of profit and confidence
in the political and economic stability of the countries comprising the free world.

3. The primary function of the independent public accountant in the economy,
whether world or national, is the part he plays in maintenance of the mutual
confidence which is necessary in business relationships.

If we are in agreement on these premises, it would be difficult to see how there can be
disagreement on the necessity for international standards of auditing, accounting and
reporting as a means of improving the mutual confidence in business relationships which
is our particular responsibility. It has been the consensus of the discussion meetings that
agreement on auditing standards should not be a very difficult undertaking since this
is entirely a professional matter. In the case of accounting and reporting standards
considerably greater difficulties are presented and it will be necessary, through our research efforts, to reach a clearer status nationally as a condition precedent to the development of international standards.

It is certain that the excellent technical papers and stimulating discussions we have heard during this International Congress will contribute substantially to the attainment of these objectives, but it would be a mistake to let the problem rest on this generality. Therefore, I should like to conclude my summarization by conveying to the official delegates from the sixty-two nations attending this Congress an important mandate from the discussion meetings. The mandate is this—that each delegation specifically charge itself with the responsibility of initiating the necessary research work to develop clear cut statements of your own national auditing, accounting and reporting standards and that this work be completed in advance of the Ninth International Congress in 1967. Out of this foundation material it will be possible for our profession, on an international basis, to continue the evolutionary process of promoting the highest and soundest of these standards whenever they may exist.

Mr. Foye: Thank you very much, Mr. Grady, for this brilliant summary of our technical discussions of recent days. Your paper will be very helpful in reporting to those who were unable to be here.

We are now about to have the privilege of hearing from the head of the largest industrial corporation in the United States. After graduating from the University of Michigan, he started his career as an accountant on the staff of an accounting firm in Chicago, Ernest Reckett & Co. After only a few years, he was recommended for a position in the accounting department of General Motors Corporation, and his rise was rapid. He became assistant treasurer in 1934, financial vice president in 1941, with the Accounting Policies, the Auditing and the Financial Reporting of General Motors in his charge. He became executive vice president and chairman of the Financial Policy Committee in 1956 and Chairman of the Board and Chief Executive Officer of General Motors in 1958. He has continued to have a deep interest in accounting and is better informed than many of us on accounting matters. The far-flung operations of his company have brought him into touch with the citizens of many countries, and he has often visited the countries in which General Motors has plants, having just returned from one of these trips to the Continent. I have the honor to present to you Mr. Frederic G. Donner.

Thank you, Mr. Foye . . .
Delegates to the Eighth International Accounting Congress:
Ladies and Gentlemen:

I am greatly honored to be asked to speak to this world assembly of professional accountants. It is a real privilege for me, particularly as I began my business career as an accountant. While it has been some time since I have had the opportunity of practicing our profession, I like to think that my thought processes and working habits still give evidence of early training and discipline in the careful and accurate use of facts and figures.

I should like to begin this morning by extending congratulations, first, to this Eighth International Accounting Congress for its substantial accomplishments and, second, to the entire accounting profession for its continued and valued contributions to business and commercial enterprise.

The growing complexity of business and commerce and the increasingly urgent need for prompt and accurate accounting data have presented the accounting profession with
a major challenge. That challenge is being met. The progress you are making in solving problems and in simplifying the complex and the technical speaks eloquently for your professional skill. Accountants directly employed by business as well as those in public practice are today not only concerned with reports to stockholders, creditors and the public but are also supplying management with better data and more useful analyses than ever before.

The theme of your conference—"Accounting, Auditing and Financial Reporting in a World Economy"—is most timely. It reflects the broad vision and widening interests of a profession whose responsibilities today transcend national boundaries.

Accounting is the language of business. In order to serve successfully in the field of international business, accounting must, of course, become more nearly an international language. This Congress and its predecessors have provided a forum for discussing accounting principles and practices as well as differences in auditing standards. I am sure that we all share the hope that, out of these discussions, will come, over the years, the improved understanding that is fundamental to the orderly advancement of international commercial relations.

What I have to say this morning derives in large part, naturally, from our own experience in General Motors as an enterprise participating actively over the past fifty years in the growing and highly competitive world market. Specifically, I should like to consider some aspects of the backdrop of the swift pace of economic change, the role of the world-wide corporation with manufacturing and distribution operations in many countries. Our experience convinces me that the industrial corporation engaged in business on an international scale is in an excellent position to contribute to the economic development of free nations throughout the world.

The extent of this contribution, in my opinion, will depend, for one thing, on the degree to which opportunities for ownership participation in world-wide corporations are broadened. This morning I would like to give particular importance to this important question. First, however, it may be appropriate to examine the general framework of international economic relations that is evolving today since it is within this framework that the potential contribution of the international corporation will be determined.

International economic policies—and let me stress the word economic because I intend to confine my talk to this area—have undergone substantial change over the past 500 years. The Mercantilists, whose views so largely dominated European economic thought in the sixteenth, seventeenth and eighteenth centuries, were concerned with the ways in which foreign trade could be manipulated and directed in order to increase national wealth as measured by the amount of gold and other precious metals possessed by a country. Some two hundred years ago, the emphasis began to shift from the acquisition of gold to the ownership of useful goods and the means for producing them. Adam Smith in The Wealth of Nations was among the first to set down the principles of a market economy and free competition. It is possibly more than a coincidence that his work was published in the same year that the American Declaration of Independence was signed. The one a statement of economic freedom, the other one of political freedom.

In recent years the principles of free trade set forth by Adam Smith have won increasing acceptance. Today, countries which continue to impose restrictions on trade justify them on the grounds of special short-term conditions or circumstances. For example, all nations must consider their vital defense requirements. Also, many new industries which ultimately can be expected to reach high levels of competitive efficiency may require temporary protection in their early development stages. Finally, we are all aware of the many combinations of conditions that may preclude an abrupt shift from tariff protection to free trade.

Nevertheless, with these exceptions in mind, there is growing agreement today on the mutual benefits of trade, and the resulting progressive reduction of impediments to trade is well illustrated by the experience of the United States. The passage of the Reciprocal Trade Act in 1934 brought about our first reduction in tariffs. The trend has continued, and today U.S. tariffs are only one-quarter of the level of the early thirties. Pending legislation is expected to open the way to still further reductions, as well as to the lowering of other barriers to free competition in world markets.

On the other side of the Atlantic, the Common Market, through the reduction of tariffs, has added a new stimulus to the economies of its six participating nations. This progress has stirred the admiration of the Free World and the envy of the countries behind the Iron and Bamboo curtains.

The European Free Trade Association has also made important progress in tariff reduction, and there is the prospect now that some of these nations may join the Common Market. Still another group in process of development is the Latin American Free Trade Association.

While free trade has been receiving steadily increasing attention over the years, there has been less recognition given to the parallel role played by the international flow of private investment funds and of its potential for welding the Free World into an efficient economic whole. For example, there has been surprisingly little comment about the Common Market provisions for the progressive reduction of internal restrictions on the movement of capital. Yet, in my view, these provisions are as necessary to the Common Market's long-term economic strength as the more publicized tariff reductions.
The experience of the United States—the first great common market—provides a dramatic example of what can be accomplished when investment funds are permitted to move freely over a wide area as well as into and out of that area.

Between the establishment capital which flowed into the United States in the nineteenth century and, in numerous instances, the "seed corn" from which grew many of our industries and much of our transportation. This capital moved freely to those places and those industries where it could be most profitably employed with the result that the economy grew rapidly and our standard of living began to rise.

After the turn of the century, the United States began to generate funds for investment in other countries. In the fifteen years prior to World War I our direct business investments throughout the world rose by $2 billion to a total of $2.7 billion. Over the next fifteen years they increased another $4.8 billion so that by 1929 the total stood at $7.5 billion.

These investments declined during the next decade, but after World War II began to rise again. In the years from 1946 to 1950 they increased by $4.6 billion to a total of $12 billion. By 1955 they had reached almost $20 billion; by 1959, almost $30 billion, and by the end of 1961 approximately $35 billion. In addition, U.S. investors have been buying the securities of foreign companies and making long-term loans to foreign borrowers. These portfolio investments totaled about $15 billion at the end of last year. Thus, private investors in the United States have a $50 billion stake in other countries.

It is important to recognize that the flow of investment has not been in one direction. With the economic advance of the industrialized nations, there are many places where capital is available for investment. This has led to a vigorous cross-flow of funds. For example, direct investments in the United States by the rest of the Free World since the war have increased from $2.5 billion to $7.4 billion as of the end of 1961. Adding portfolio investments, brings this total to $21.5 billion.

Since 1914, the rates of increase in U.S. foreign investments and in U.S. exports of goods have not been far apart. The value of merchandise exports has increased from $2 billion to more than $20 billion a year, or ten times. The rate of increase in the amount of direct foreign investments by U.S. companies during the same period was somewhat higher—from $2.7 billion to about $35 billion. In recent years other industrial nations such as West Germany, England, France and Italy have also experienced a rapid expansion of trade and investment throughout the world. Much of this has resulted from the manufacturing activities of what I shall call for convenience the international industrial corporation.

The international industrial corporation in the sense in which I am using the phrase engages in manufacturing operations on an international scale—that is, has plants in many countries—and also carries on a world-wide export business both from its home plant and from these subsidiary plants. Under the definition I am using, it is not a trading corporation nor is it engaged in the public utility or extractive industries.

To indicate how the international industrial corporation contributes to international business, consider the record of this country. Just before the turn of the century, U.S. manufacturing firms had less than $100 million invested in foreign facilities. By 1929 this figure had climbed to $1.8 billion. Over the next thirty years it continued to grow rapidly, and by 1961 it totaled $12 billion, or about one-third of all U.S. direct investment abroad.

It is my conviction that the international industrial corporation performs an important service that should be encouraged. Advantages accrue to all countries in which it operates no matter where the parent organization may reside.

From the standpoint of the countries in which subsidiary operations are set up, the result is an investment of capital that in many instances would not be available locally. Technical and managerial skills that, in many cases, could not be otherwise obtained and centers for teaching these skills are also supplied.

Foreign investments bring together human and material resources in the recipient countries. They create good jobs for people who might otherwise be less productively employed and produce goods which might otherwise not be available. Our own experience demonstrates that the development of a managerial group staffed by that country's citizens is often a by-product of great value. These companies also create new demand for materials, components, supplies and services, and produce tax revenues for local and national governments. And they increase the capacity to export from the countries in which the investments are made.

From the standpoint of the investing country, once a manufacturing operation is established abroad, a part of the investment is often spent for capital goods and services in the home country. Additional exports from the investing country are also generated in the form of materials, parts and services required to support the new activity. And, most important, the increased level of economic activity in the recipient country supports and requires a higher level of imports.

It is sometimes argued in this country that the activities of the international industrial corporation are detrimental to our export trade. The assumption is that if a product is manufactured abroad it replaces one that could have been manufactured here and sold abroad. Quite often, however, the fact is that the foreign market demands a product of special design tailored to local needs and tastes. Thus, if the product is not produced
abroad by the international corporation in this country, it may be produced by a corpo-
ration from another country or quite possibly it may go unproduced. For example, if
automobile manufacturers in this country did not produce abroad, they would lose the
market rather than increase their exports.

There are many other reasons why an enterprise may need to produce abroad in order
to compete effectively. One such factor is the distance to market and its effect on trans-
portation costs. Another is the existence of barriers to imports in the form of duties,
special fees, quotas or exchange restrictions. Then, there is the matter of natural local
pride—the ever-present desire to buy goods made by one's own countrymen. These are
some of the economic facts of life to which the international corporation must adjust as
a matter of necessity.

I have made the point that through its plants, the international business has a stake
in many countries, and, conversely, that these countries have a continuing stake in the
business as it affects their interests. There is thus, and of necessity, a close relationship
between the business and the citizens of these countries. This relationship takes many
forms—producer to customer, employer to employee, purchaser to supplier, and so on.
Thus, can we not now visualize the extension of these relationships in many cases to
include the relationship of corporation to stockholder? Hasn't the time come when
thought should be given to making the ownership of these international corporations
also truly international? In other words, should it not be possible for investors in the
countries in which international corporations operate plants to participate directly in the
ownership of these international corporations?

This is, to me, an idea that holds great opportunity to investors throughout the world
as industrial corporations widen their horizons and operate on an international scale.
It is, you might say, a dream that I would like to share with you today.

While such an evolution appears to be a logical next step, it is not necessarily the
only practical approach for every international industrial corporation. Direct local par-
ticipation in the ownership and earnings of the local subsidiary in some cases may have
advantages over participation in the ownership of the parent international corporation.
This approach is consistent with local pride in national development, and, in the case
of some types of world-wide businesses, is the most efficient kind of operation.

In the case of other world-wide corporations, however, direct local ownership
participation in the individual foreign subsidiary, and the resulting fragmentation of
ownership interest, is not consistent, either from a manufacturing or a marketing point
of view, with efficient service to the customer. It is not possible, of course, to lay down
precise generalizations. In general, however, the need for unified ownership interest is
strongest in those situations where there is a close business relationship between the parent
corporation and its subsidiaries as well as between the subsidiaries themselves. Such relations-
ships involve, for example, the movement of product as well as the interchange of design
and manufacturing information. When the international corporation must make deci-
sions consistent with world market trends as well as with those in each of the domestic
markets it serves, the need for a unified ownership interest is often compelling. These
problems of intercorporate relationships which would arise without unified ownership
are analogous to those which would be faced by a corporation operating in only a single
country if it had plants in various parts of the country in which local investors had a
minority interest.

Even a corporation whose operations are as decentralized as General Motors, must
operate with a co-ordinated control of policies if it is to serve its markets efficiently. Sub-
dsidiary companies and the regions or countries in which they are located benefit directly
from such co-ordinated control because of the more successful operation of the business
as a whole.

From the standpoint of the local investor, an interest in the over-all results of these
world-wide corporations could be expected to have important advantages over an owner-
ship interest that was limited to the local operation within his own country. While each
local investor would, in effect, benefit from the earnings of the local subsidiary, the over-
all earnings results of the parent corporation would provide a cushion against any short-
term decline in any single local operation. The individual investor would have the advan-
tages of the stability provided by the broader markets and larger financial resources
of the parent company.

The facilities to make possible wider ownership participation in international corpo-
inations already exist in varying stages of development in many countries and these should
be able to be expanded as the opportunities warrant. Throughout the Free World there
are over one hundred organized markets for the purchase and sale of corporate securities.
Most of these are small by comparison with the stock exchanges in London, Paris, Am-
sterdam, Brussels, and New York. But even the smallest provide a nucleus for the
operation of some technical facilities and understanding required for intelligent investment
and for efficient distribution of the shares of the world-wide corporation.

However, the existence of these facilities does not mean that the goal of true world-
wide ownership is easy of achievement. There still exist many obstacles, both economic
and political, and I would like this morning to call attention to a few of the more
important economic ones.

A paramount consideration today is the tax barriers that exist—both in the investor's
own country and in the home country of the corporation. For example, dividends paid by a company in one country to a shareholder in another country today are generally subject to a withholding tax in the country of origin. This is generally true even when the recipient is a tax-free institution. For other local investors, the amount withheld by the source country may be higher than the income tax they are normally required to pay in their own country. Some countries permit investors in twenty-one countries which have organized markets for trading in corporate securities. However, fifteen of these countries impose either direct or indirect limitations on their nationals owning shares of U.S. companies.

In many countries there are restrictions on trading in foreign securities. These restrictions, of course, act as a barrier to the free flow of capital and prevent local investors from acquiring securities of foreign companies. In our own case, we have operations in twenty-one countries which have organized markets for trading in corporate securities. However, fifteen of these countries impose either direct or indirect limitations on their nationals owning shares of U.S. companies.

In a few countries acquisition of foreign securities is considered to have "unpatriotic" connotations. This view apparently derives from a belief that local capital can be put to better use at home where it will provide jobs for local workers and orders for local industries. The fact that the international corporation performs exactly the same functions often seems to be overlooked.

A major obstacle to investment in foreign companies is lack of information about their securities. Many investors hesitate to purchase shares in a company based outside their own country, about whose operations they have little information. And their uncertainty may be increased when the stock certificate itself is written in a language and valued in a currency different from their own. Even in those countries which have active security markets, little effective effort has been made to bring the advantages of such investments to the attention of potential individual investors.

Are such obstacles as I have cited insurmountable? If agreement could be secured on the goal we desire to attain, might not a start be made now looking to their gradual removal over a period of years?

As matters stand now, the world-wide corporation is often committing its funds, sometimes on a fairly large scale, to the expansion of subsidiaries which contribute directly to local development and which are responsive to the local concern and desire, often stimulated by government action, for such development. How can it be made more clear to a local investor in the world-wide corporation that his investment is contributing directly to this expansion and benefiting his country? As one possibility, should consideration be given to ways and means by which the corporation's stock might be made available locally when the expansion of facilities is planned, the proceeds from the sale to be retained by the subsidiary to meet the capital needs of the expansion?

Wouldn't it also be possible to make some relatively simple mechanical changes? For example, present practice is to have all the shares of the international corporation printed in the same language. Is there any reason why these shares could not be printed in the language of each country in which the corporation operates? A change such as this is undoubtedly an unnecessary one for the sophisticated investor but, if our goal is to extend and broaden the base of stock ownership, even such a minor change could be helpful. And, toward the same end, the publication of corporate annual reports in a number of languages would appear to be most worth while.

To offer one further suggestion which is in quite a different area but which might further this goal, perhaps international corporations could give more attention to the possibilities of placing stock in the hands of local employees through savings or supplemental compensation or other benefit plans.

Dealing with the problem more fundamentally, could we begin to come to grips with some of the tangible economic obstacles that stand in the way of world-wide ownership of international corporations? What are the possibilities, for example, for having dividends paid directly to the local stockholder in a world-wide corporation out of funds made available through the operation of the local subsidiary, in local currency and in amounts equivalent to the parent corporation's dividends?

If the corporation were to become able to move more effectively in these directions, some relaxation of the many restrictions preventing local security markets from trading in the shares of the international corporation would be required. However, moves which stimulate stock ownership through clarifying the relation of the international corporation to the local economy, might in themselves encourage a relaxation.

Were these changes to take place, it is also possible that the taxation of dividends on such shares could be adjusted so that the local stockholder would not be discriminated against. Let's take for example the case of a U.S. international corporation. The earnings of the local subsidiary, to the extent necessary to pay the local dividends on the international company's stock, would not be remitted to the United States. Therefore, would there not be good reason to exempt from U.S. withholding taxes the dividends accruing to a stockholder located in another country, at least to the extent covered by the subsidiary's earnings? Similarly, there would be every reason for a nondiscriminating tax policy in the stockholder's own country.
What I am suggesting is a possible long-range approach predicated on greater knowledge of common stocks by the public everywhere and on a greater desire to own them coupled with improved facilities for their purchase and sale and enlightened tax and foreign exchange policies by individual governments.

By making possible a broader base of ownership participation in international corporations, the flow of investment funds generally would be stimulated and directed to those countries where they can be of greater use, thereby contributing most effectively to the economic growth we so earnestly seek. It is a natural complement to the rapidly widening acceptance of free world trade.

In proposing that we give thought along these lines to increasing world-wide participation in the ownership of international industrial corporations, I am not suggesting that it is the only way to achieve economic progress nor do I have any illusions that the task is an easy one. A great many details, some of them very complex, would have to be worked out almost on a country-by-country basis.

I do believe that the approach I have visualized—true international ownership of the world-wide corporation—merits the most serious consideration. It is logically a part of the other great efforts now being made to reduce the restrictions on trade and on investment. And, as in the case of both of these, it is an effort which must call forth our highest technical and professional skills.

It is, above all, an effort which will depend for its success on a deeper understanding of the role of the international industrial corporation in the world of tomorrow. This will call for the education of investors, and through them, governments throughout the world—a responsibility which must be shared by the corporation, and more importantly, by the individuals who have knowledge of developing investment opportunities and the respect and confidence of local investor groups.

More specifically, it will demand the special competence of accountants like you who are here today, with your knowledge of international accounting practice, your understanding of the complex questions of international money flows, your familiarity with tax laws and tax principles and, above all, your awareness of the business and economic implications of policies which can make free private enterprise a more effective servant of us all.

In mentioning several practical aspects of international ownership it has not been my intention to stress the means, for I am not attempting to present a finished plan. Rather I have wanted to call attention to a development which in some ways is creating a new kind of capitalism. It is the emergence of the modern industrial corporation as an institution that is transcending national boundaries. These great concerns of the Free World both here and abroad, are no longer adequately described as Dutch, German, French, Italian, British or U.S. corporations. We may be approaching a stage where we will not think of them primarily in terms of a single country nor will we think of their benefits as flowing especially to any one country. In interests and ambitions, in investments, in employees, in customers, they are an international resource. Their benefits should be regarded as flowing to workers and customers—and to owners as well—without regard to any individual nationality.

When and to the degree that this concept of ownership is realized, the vision of true freedom of trade and investment which inspired the great philosophers of economic freedom in the past will be closer to realization.

The Free World markets of the future, I am convinced, hold out tremendous promise. Economic growth in the industrialized nations throughout the world will be vigorous during the decade ahead. I think we can also safely look forward to an even more rapid rate of growth in many of the other parts of the Free World now just on the threshold of industrialization. These are markets which the world-wide corporation is uniquely fitted to serve.

The opportunities that lie ahead are limited only by the degree of our determination to master old problems with bold, new efforts. To the extent that we achieve success, the beneficiaries will be the economies and—more importantly—the people of the Free World.

Mr. Foye: Thank you very much, Mr. Donner. What you have said will enrich the record of this meeting. You have given us much food for thought.

The final address of this Congress will be presented by the president of the accounting organization in the country where our profession began. He has labored long and faithfully in his Institute, having been a member of the Council, a member of the Examining Board, and a vice president. He is a partner of an accounting firm in Glasgow and a director of the Glasgow Chamber of Commerce. He has served on a government committee on prescribing costs in the National Health Service. It is a great pleasure to present to you Mr. James C. Stewart, President of the Institute of Chartered Accountants of Scotland, who will speak to us on “The Future of the Accounting Profession.”

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Mr. President, Ladies and Gentlemen,

I well appreciate that, unlike other earlier speakers, it is not because of any personal merit but as a compliment to the Institute, of which for the moment I have the honour to be president, that I have the honour and privilege of now addressing this Congress. This is a responsibility which has cast for me a shadow over the whole prior proceedings of the Congress—knowing, as you will now learn, that the worst was yet to come.

I am instructed to waste no time on meaningless courtesies, but I cannot embark on the theme allotted to me without first offering, through you, sir, to our hosts some few words of thanks and congratulation. To bring together in one place, at one time, and with one objective, such a number of people from so many countries is itself a major achievement, even though our globe has now been reduced by your countrymen and others to a mere launching pad for rockets. To organise all the details and to procure so much cooperation and provoke so much discussion with so little discord is an even greater achievement and reflects the greatest credit on all who, under your leadership and that of the Secretary, Mr. Carey, have carried the responsibility of organising the Congress with such happy results for all of us. I tender to you and to them on behalf of all participants this sincere but quite inadequate expression of congratulation and gratitude.

I have been asked to say something this morning about the future of the Accountancy Profession as I see it. This is possibly because the Scottish Institute has the longest past and, therefore, if time be regarded as finite rather than infinite, relatively, the shortest and most easily foreseeable future of all the organized bodies of accountants. Even so, the rate of technical change that one cannot hope to imagine, much less to describe with any accuracy, the changes which may yet occur in one’s own lifetime. Since preparing my paper, I have been somewhat encouraged to find that some of my thoughts and ideas have their counterparts in others of the papers presented to the Congress even though this means that you have to bear with a certain amount of repetition.

One of the immediate difficulties in speaking of the future is to describe, in terms which will be generally understood and accepted, where we stand now. At this Congress there has been one official language, but even in this so-called common language the same words mean different things to different people. I recall that at the Seventh International Congress in Amsterdam in 1957, the late Marquis G. Eaton remarked: “In Texas and in England we speak the same language only at scattered points; and as to our cousins in Scotland we only pray to the same God.” I apologise in advance, therefore, for any apparent failure of my Institute to comply with the request that speakers and delegates should be familiar with the English language—in either its English or American dialects.

Accountants have hitherto been criticised, and perhaps justifiably, because their efforts have been thought to be too exclusively directed to ensuring accurate recording of present happenings and then getting out, for the information of others, records of past results. But this was often all that was expected of them by a business community which was then left to draw its own deductions as to the future. The restrictions thus imposed on the services it could render were too readily accepted both by the profession and its clients. When I was an apprentice it was always impressed on me that an accountant’s concern was with the material profits of the past and not with those who were prophets of the future. Historical accounting statements, however much of estimate and opinion about the past they might reflect, were regarded as factual, but estimate and opinion about the future were regarded as merely baseless prophecy or wishful thinking.

This attitude implied an apparently deliberate rejection by accountants of the role of guides and leaders and the acceptance of a lower and purely mechanical role as purveyors of figures. Attempts to foresee the future, although obviously necessary in all but the most primitive economic activity, were left by accountants to others who presumably least understood the records of the past. Fortunately for the profession some of its members had a more progressive outlook; for it is surely better that like Moses we should look towards a promised land we may never enjoy, than like Lot’s wife back to a past which, however enjoyable, is better forgotten.
Accountants must become more conscious that it is the future that matters, and their concern with the past must increasingly be only as a basis for forecasting the future. Adequate records of past events and transactions can—and indeed must for obvious control purposes—be maintained. As these records are incorporated into historical accounting statements they tend to lose their quality of precision. There must be constant effort to secure the greatest possible accuracy in all accountancy, whether historical or prophetic, but in historical statements designed to serve as a basis for planning the future, it is unnecessary to strive for any greater standard of accuracy than is required to support such forecasting as is possible.

The change in emphasis from past to future may thus be expected to lead to an apparent diminution in the arithmetical precision of accounting statements and to an increase in the importance of skilled judgment and the formation of right opinions. This need not be a matter for dismay. Accountancy, as distinct from bookkeeping, never has been an exact science, and ability always to add two to two with the industrial or commercial analyst to make a man an accountant. As in other sciences, the methods and apparatus used are not in themselves significant, though more significant results may be produced by more elaborate means. Computers, machinery, elaborate systems of any kind, are merely tools. It is the way in which the results produced are interpreted that is important. The complexity of the data may be increased by the size and scope of a business enterprise, but the fundamental accounting principles are not affected, though no doubt they will be progressively the subject of clearer definition and refinement. We are likely to find that as the French say, "plus c'est la même chose." In spite of the changes in his tools and methods, the functions of the professional accountant as interpreter and independent assessor of financial and economic data will remain his most important functions, and a sound judgment his most important attribute.

There are some current problems which may be expected to remain with us for some time yet.

Fluctuations in the value of monetary units have raised many problems both for accountants and economists. The solution of these problems is not made easier by the fact that most accountants know too little about economics and at least some economists seem to know nothing of accountancy at all. This is a matter to which our programmes of professional education must give greater attention as the accountant becomes increasingly concerned with economics and forward planning. Linked with this are problems relating to depreciation and obsolescence and to the proper spread of long-term expenditure. The ever-increasing pace of technical change makes at once more difficult and more necessary the accurate prediction of the useful life of assets, as affected by wear and tear, by technical change in methods and equipment, and by changes in consumer demand, so that accountants may make a more realistic spread of capital costs.

I do not propose to indulge in any prophecy about the way in which accounting thought on these subjects will develop. History provides too many instances of learned men making pronouncements which have made them seem ridiculous in the eyes of posterity, for a canny Scot like me to take such a risk. I am content to leave with you the suggestion that the problems mentioned will continue to engage the attention of accountants and economists for some time. New tools may help towards the theoretical solution of these problems, but there will still remain the necessity to exercise a trained and unbiased judgment in the application of theory to practical commercial ends.

I spoke earlier of the difficulty of formulating a generally acceptable definition of the accountancy profession as it now exists. The part played by the professional accountant in the business life of the community varies from country to country. For instance, we in the Scottish Institute regard our members in the employment of industrial or commercial concerns as still being professional accountants, but they would not be regarded in the same way in several European countries. People are always attempting definitions of accountancy. Examination of some of these definitions may help to clarify some problems and provide pointers to some future developments.

The American Institute's Accounting Research Bulletin No. 7, defines Accounting as "the art of recording, classifying and summarizing, in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the results thereof," whereas Mr. Cannon added: "It needs to have some elements of science grafted on to it"—a statement with which I do not entirely agree, but on which I shall not pause to argue. I still like to think of accountancy as an art rather than a science.

Again, in the foreword to his Financial Accounting published in 1943 the late George O. May wrote: "Financial accounting is now generally recognized as being primarily his-
torical in character and as having for its most important function the extraction and presentation of the essence of the financial experience of businesses so that decisions affecting the present and future may be taken in the light of the past.” While the stress in this definition is more on the historical aspect it is clear that already twenty years ago the past was regarded as important primarily as a guide to decisions affecting the future. This use of historical account statements as a guide to future action is not of course restricted to the management accounting field. but is just as important in the accounting in which, as Mr. May wrote in his last published article, “the real client is the investing public.” Sometimes it may seem that all this class of client wants to know is the rate of dividend, but some also wish to know what reasonable deductions as to the future may be drawn from an account of past stewardship.

From each of the foregoing quotations, it is clear that accountancy involves communication and that the object of the communication is to induce or influence action. Obviously, therefore, the future is involved as well as the past. It is axiomatic that if communication is to be effective it must be significant. It must succeed in getting the desired message across so that not only is it clearly understood by the recipient but the same idea as originated in the one mind is re-created in the other. To achieve this, a set of conventions, a jargon if you will, is necessary, and it has been a failing of the profession hitherto that, while there has been lots of jargon, there has been no standard jargon.

Many accounting conventions have arisen from the use of accounts purely as a periodic historical report of stewardship to absentee owners, who it seems were presumed to be interested only in the past. Reports and statements based on such conventions may tell them what has been done, though in days of fluctuating monetary values even that is doubtful. Proprietors, absentee or otherwise, should be more interested in what is likely to happen in the future, so that they may take effective action to safeguard their property. There is really no distinction, except perhaps in the extent of detail desirable in between what the shareholder and the manager the other to know. Both wish to know the result of past decisions, the latter in order to adjust his future course, the former to assess how the management, whose decisions have produced the reported results, will react to these results, and what future results that reaction will produce. Both are entitled to look for all the help which a skilled and independent accountant can provide by way of financial reports based on realistic conventions. As a result of growth in the size and complexity of business units, top management is now sometimes so remote from the actual day to day operations as almost to be called absentee management. If the conventions of the past do not give the absentee proprietor the information he needs, still less do they give this absentee management the information required for the making of right decisions as to future action. It must be one of the continuing tasks of the accounting profession to develop new conventions which will more adequately convey the underlying economic facts to those concerned as owners or managers.

It has been a great disadvantage that, for communication involving measurement of values, the only units of measurement hitherto available, the monetary ones, have been elastic units, and the same garter can fit many legs. As Adam Smith wrote nearly two hundred years ago, “a commodity which is itself continually varying its own value can never be an accurate measure of the value of other commodities.” Is it too much to hope that with the aid of modern and still developing technical apparatus used under the direction of accountants and economists in collaboration, some more stable unit of measurement of value may be found? There is great scope here for constructive thought by accountants. There must also be standardisation of definition, and work on this is going on an international basis a notable example being the publication last year of the U.E.C. Lexicon by Union Européenne des Experts Comptables, Économiques et Financiers. This work may be expected to continue, and to diminish progressively the difficulties of communication both between accountants of different countries and between accountants and other users of accounting statements. Standardisation of definitions must not, however, be allowed to lead to the formulation of rigidly standardised conventions, codes of procedure and forms of presentation. There is no point in getting rid of one outworn set of conventions merely to substitute another from which the glitter will quickly fade. We must always be alive and forward-looking and avoid the dead hand of inviolable precedent which has laid so heavily on our elder brothers of the Law.

The ability to communicate in an intelligent and intelligible manner is, however, not the end of the matter. If the information conveyed is to be of real value, it must be known to be reliable and not affected by any bias on the part of the reporter. It must also be relevant to the needs of the recipient. There is a distinction between selectivity which stems from the desire to please or to induce a particular reaction, and selectivity directed to the elimination of what is irrelevant to the purpose in hand. The former results from bias, and is a breach of the complete integrity which should be the mark of the professional accountant. The latter is the proper and desirable result of the exercise of the accountant’s professional skill. It is thus possible for a professional accountant, without loss of integrity to present information about the same series of transactions in a variety of forms designed for the service of different users, so long as he makes it clear what he is doing.

Three functions of the professional accountant may at this point be distinguished.
First, and most important in the professional activities of the accountant in public practice, is the attest function. This has recently been considered by the Long-range Objectives Committee of the American Institute and has been dealt with in illuminating detail in an article by Mr. Herman W. Bevis in The Journal of Accountancy in February of this year. The exercise of this function results in the expression of an opinion by an independent expert, the value of which is that it is an independent unbiased opinion and as such lends credibility to the statements which are its subject, and which have a wide range of use, covering reports to or for proprietors, creditors, governments and other regulatory authorities and to what I have earlier referred to as absentee management—in short, to all having an interest in the financial condition and progress of a business enterprise. There is also, I feel certain, increasing scope for the exercise of this function by the professional accountant operating as a full-time officer of a company or other body, and reporting to higher management.

The other two functions might almost be regarded as special aspects of the attest function, in that if responsibly exercised they produce results of the maximum credibility and impartiality on which management and other executive decisions may be based. The first of these is the analytical function. This fails to a much greater extent within the sphere of the accountant in industry or commerce. The need for independence and integrity is no less in the exercise of this function than of the attest function proper. Too close involvement in management and in the decisions to be taken on the basis of any financial or economic analysis can subtly diminish both independence and integrity. Analysis is influenced by the line of approach, and, even without conscious distortion, can be so made as to support a preconceived conclusion instead of providing a solid basis for the formation of fresh conclusions. It is important, therefore, that in discharging his function the accountant in industry should approach his task with the same professional attitude and be guided by the same standards of integrity and independence as his brother in public practice. The other function, and one which is becoming of increasing importance, is the comparative function. The professional accountant is, by reason of his professional skill and independence, well qualified to develop significant comparisons between businesses or sections of businesses. He is aware that direct comparisons are seldom possible, but he is also aware of the areas in which comparison is possible, of the areas of most difficulty, and of the lines of enquiry pursued of which may make some useful comparison possible.

I would like now to consider for a moment or two some observable trends from which some conclusions about the future structure of the profession may perhaps be drawn.

First, there is a trend in most countries towards the formation of larger accounting firms by the merger of existing smaller units. The reasons usually advanced for such mergers are that the increasing range of work demands for its proper coverage a firm large enough to embrace partners skilled in all the specialized fields; that the increasing size and spread of client firms requires to be matched by a corresponding increase in the size and spread of the public accountancy firms employed; and that increasing size provides opportunities for better staff training and for the acquisition by partners of a wider range of knowledge and information, thus enabling a better service to be offered to clients. This trend will, I think, may almost say fear, inevitably continue. It is also true, I think, that as the structure of accountancy practice becomes more complex the more the time of skilled accountants at top level must be devoted to problems of organisation and method, leaving less time for the direct exercise of their professional skill. The advantages arising possibly outweigh the disadvantages which result from some loss of personal contact and personal approach because of standardisation of methods, but there will I feel, always remain a role for the really competent individual practitioner, provided he is able as occasion demands to obtain access through the professional Institutes or otherwise to specialised information within his normal scope.

The second trend I would note is the extension of the first to the international field, as more and more stocks and shares of companies are quoted on the Stock Exchanges of countries other than the country in which the company is incorporated; branch manufacturing units are set up by large companies in different countries; and finance is provided for developments in newly industrialised countries.

As a concomitant of the international trend there are movements to provide education in accountancy in the less developed countries. It is important here that what should be provided is education in the fullest sense and not mere technical training. The aim must be to enable these professional accountants not only our technical skill, but our ethical approach and accept the same moral obligations. For our part, we in the United Kingdom are seeking to help through the operations of a Joint Committee of the three Chartered Institutes known as the Overseas Accountancy Examinations Advisory Board, of which I am privileged to be a member. I am sure also that gatherings such as this present Congress materially assist the spread of knowledge and the establishment of proper standards wherever the accountancy profession exists. Some mention must be made of the technical trends may be noted. In addition to developments in electronic data processing and other mechanical devices, there are developments of new auditing techniques such as statistical sampling, and a movement to extend the auditor’s responsibilities so that he should report not only on the accounts but on the management whose deeds or misdeeds are reflected in these accounts.
To ensure that it is able to cope with all these trends, the profession must constantly subject itself to examination, in fact to a process of continuous audit. Particularly, when considering present educational programmes, regard must be had to the future developments which are foreseen. As accountants we must not lay ourselves open to the charge which in the past was often made against military men, that they are always in a state of complete readiness to fight the last war.

This is a charge I feel sure we shall avoid. The profession has always been more forward-looking than its critics have admitted. But technical developments are surely not the most important factors for the future of the profession. New recording devices will undoubtedly be invented and developed; new auditing techniques devised; and a common terminology and symbolism brought into use. I have no doubt too that through regional and international congresses greater common understanding will be developed and the standing of the profession in the business world may be enhanced. What, however, is absolutely essential if the profession is to have any future worthy of its past is that as my distinguished predecessor in office, James Dowling, affirmed at the Seventh Congress in Amsterdam, we should place first that “The accountant must always bring to the performance of his functions integrity and independence.”

In his work the accountant is concerned with the material and often the selfish or even predatory aspects of human activity. If he can find ways of employing his technical skill to ascertain and measure the sum of human good likely to result from any economic decision, rather than merely the financial profit, and if he can then use his position of acknowledged independence and integrity to influence decisions towards securing the greatest good of the greatest number, the profession will grow in stature. The accountant could then leave behind the menial role of a short-sighted recorder of the gettings and spendings of others, working in some dim back-room of business and emerge to the sunlight summits as the clear-eyed prophet of human welfare.

The functions may change; the methods of discharging them will undoubtedly change; but in the maintenance of our integrity and independence lies the whole future of our profession.

Mr. Foyle: Thank you, Mr. Stewart, for this splendid closing address, which ends our program on a high and inspiring note. Let me thank you also for your gracious remarks about our efforts in arranging this Congress.

I should announce at this time that at a meeting of the Heads of Delegations on Tuesday afternoon, a number of invitations were received for the Ninth International Congress. These were from Australia, Canada, France, India, Italy, Mexico, and Spain. It has been the custom in the past, and we intend to continue it, to send a written communication to all the participating organizations, listing the invitations which have been presented, and asking for their preferences. The Organizing Committee of this Congress will then have the responsibility of weighting all opinions and announcing the final selection.

The Congress Book, when it is published will contain among other things the speeches at the Plenary meetings, a summary of the technical papers presented on Monday, and the essence of the Tuesday meetings.

I once more wish to express the thanks of the sponsoring bodies and the organizing committee to the technical, entertainment, and hospitality committees who have made the Congress possible. Especially at this time do I wish to recognize the liaison officer of the organizing committee, David H. Lamman, Jr. With high skill in organization and administrative matters, with superbly intelligent planning and direction of the Congress affairs, he added untiring effort and warm cooperation with the committees. To him more than anyone else is due whatever success the Congress has achieved.

As you know, the Grand Ball will take place in this room, and in the other rooms on this floor of the hotel, beginning at 9:30 o’clock this evening. There will be dancing, entertainment, and refreshments, and best of all—a chance to chat with one another informally before we have to say goodbye.

I cannot refrain from one personal word in conclusion. This has been a thrilling and rewarding experience for me. Your friendly response to our program and your complete cooperation in making the arrangements run smoothly, has done so much to make the Congress enjoyable and effective. All my associates join me in offering our warmest thanks. We look forward to renewing our friendships as opportunity offers during the next five years, but, in any event, to seeing you all again at the Ninth Congress in 1967.
More than five hundred official delegates, selected by their organizations, attended the formal delegates' dinner. After a pleasant reception and dinner, Harold F. Linder, Chairman of the Export-Import Bank of Washington, delivered the principal address of the evening.
PROGRAM

PRESIDING
Arthur B. Foye

Remarks By Regional Representatives
Don Roberto Casas Alatriste
of Mexico for the Western Hemisphere area
Shri Naval R. Mody
of India for the Asian-Pacific area
Percy F. Carpenter
of England for the European-African area

GUEST SPEAKER
Harold F. Linder
President and Chairman of
The Export-Import Bank of Washington
Meursault Perrieres 1959
Volnay
Lanson Champagne
Liqueurs

MENU

Potage Germiny
Mousse of English Sole with Crevettes and Mushrooms
Newburg Orta
Filet of Beef Santé Rossini
Braised Celery au Jus
Belgian Carrots
Loose Leaves of Kentucky Bibb Lettuce
Cheese
Bombe Vesuvienne
Petits Fours
Demi Tasse

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Mr. Foye: May I have your attention, please. During this interval between courses, I should like to take the opportunity to welcome you all to this Delegates Dinner of the Eighth International Congress of Accountants.

It seemed to us that it might be appropriate during our dinner to have a few words from several distinguished members of our profession from different parts of the world.

First, I would like to present one of the outstanding accountants of Latin America, who was designated Accountant Emeritus of America at the Second Inter-American Conference on Accounting in Mexico in 1951. He has been president of the Instituto Mexicano de Contadores Publicos. He has labored indefatigably for the advancement of the accounting profession in his country. He is Professor Emeritus of the School of Commerce of the National University of Mexico. He has been a member of its Board of Trustees. He has written many articles and presented many addresses at professional meetings. He is the senior partner of a distinguished accounting firm in Mexico. He has headed the Mexican delegations to the International Congresses in London and at Amsterdam, as well as this one. He has served on governmental commissions and as a member of the Federal Congress. You will enjoy, I am sure, hearing from our friend Don Roberto Casas Alattriste.

Mr. President, Ladies and Gentlemen:

It is an honor I do not deserve, but which I accept as a tribute to my country, to bring to you, accountants from all over the world, in the name of our Latin American and Canadian colleagues, some words of cordial greeting at this congress which, like the previous ones, marks another milestone in the development of a profession that, notwithstanding its relative youth, has grown extraordinarily thanks to the service it has rendered to the economic development of the world.

These meetings are an example of co-operation and friendship. Their purpose is not only to obtain the benefit of the experience of the leaders of our profession, both in conduct and practice; but also to seek solutions to problems which confront us every day and which each one of us has been studying separately. Our observations might be compared with those of colleagues from different parts of the world. If this unselfish spirit of co-operation, such as we have in this meeting, could be observed in all aspects of the political and social life of different countries, without a purpose of predominance, the world might live free from the anxiety with which it has been struggling in recent years and might be able to look for a peaceful solution of the urgent problems which afflict the whole of mankind.

I am sure of the success of this Eighth International Congress of Accountants which is taking place concurrently with the celebration of the seventy-fifth anniversary of the American Institute of Certified Public Accountants which has also grown so remarkably since its foundation, always ready to help the profession in keeping pace with the requirements, ever more complex, of an economy that has developed in these three-fourths of a century at a pace never dreamed of before.

I want to express my thanks in the name of all my colleagues from Canada and Latin America to the American Institute of Certified Public Accountants for their efforts in these seventy-five years of its life and for the co-operation that American accountants have rendered to us.

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As an old attendant at these events since many years ago, I want to mention as a symbol, three great North American accountants who were presidents of International Congresses and whom I have had the honor and fortune to meet and know personally. I am referring to Mr. Joseph E. Sterrett, with whom I collaborated in some special work in Mexico about thirty years ago; to Colonel Robert H. Montgomery, President of the Third Congress, the first one to which I attended in this very same city in 1929, and to the President of this Congress, Mr. Arthur B. Foye.

I mention here only these three names because it is impossible to mention all the others to whom our profession is in debt for their advice, counsel and example; and mentioning them, I would like to express to all the accountants of the United States the gratitude and affection of the Canadians and Latin Americans who have been so cordially treated here on the occasion of this congress which is, as all of you can see, a great success.

Thank You.

Mr. Foye: May I have your attention, please. We now have an opportunity to hear from another of our colleagues who comes from a far-off land. He holds degrees from the University of Bombay, and also from the University of London. He has been president of the Institute of Chartered Accountants of India. He is also a member of the Institute of Chartered Accountants in England and Wales, and has served on his country's Accountancy Board, and as a director of financial institutions in India. He, too, has attended previous International Congresses, and we have had the privilege of having him as a guest at meetings of the American Institute. I take pleasure in presenting to you Mr. Naval R. Mody.

Mr. President, Mr. Linder and Fellow Delegates:

We have met at this Congress under an aura of international thinking, and the concept of internationalism is the message which has been spread through the Congress. This is indeed a happy augury for the future of the profession. If this kind of thinking spreads in other fields, I dare say that this sick world would be a much happier place to live in. I am not suggesting that accountants of the free world can cure all the ills with which we are beset today, but organized thoughts from our side can lead others to follow our example, whether the bodies concerned are professional or political.

The countries of the Asian Pacific area, which I have the honour to represent this evening, constitute a very large mass of humanity, with unfortunately perhaps the barest standards of subsistence. It is in the well-being of such densely populated areas that the future of the world depends. And here I cannot but gratefully acknowledge the large and unstinted assistance which has come from the countries of the Free World, in particular the United States of America and the United Kingdom.

The question is: "What can accountants do?" Having risen from the earlier and narrow field of a keeper of records, historical in character, the role of the accountant in the body economic has spread far and wide, and the well-being of a nation today springs from the success of its economy. This is where the importance of the profession lies in a much larger area. How concepts have changed in the last fifteen years. Accountancy is no longer the subject described to me when I had my initial lesson, as being very easy, where every debit had a credit. The accountant is more like a doctor—present during the birth of a business, during its life and sometimes, unfortunately, during the administration of the last rites. But it is his role during the life of the business which ensures, like a doctor, that the patient enjoys excellent health.

The extension of such a role internationally can lead to many new developments. The Institute of Chartered Accountants in England and Wales, of which I have been a proud member for the last twenty-seven years, has consistently advanced the philosophy
of free practice rights. Uniformity in the field of professional ethics is yet something else which can be achieved. When the Institute of Chartered Accountants of India was established in 1949, we drew inspiration in large doses from the English and the American Institutes. If members of the American Institute were to read our schedule of professional conduct, they would find much familiarity with theirs. Something can also be done in the field of developing within broad boundaries generally accepted accounting principles.

I submit, Mr. President, that from such foundations the profession can rise to internationally common levels, commensurate with high standards, because basically most of us speak the same accountancy language. And if this philosophy permeates into other fields, the accountancy profession will have fulfilled its destiny and justified its existence for the benefit of mankind.

Mr. Foyle: May I have your attention again, please. I would like to take this opportunity to present to you a third colleague from a different part of the world—that part where our profession as we know it today had its origins. He is the President of the Institute of Chartered Accountants in England and Wales. Apart from a life of service to his profession, he has been adviser to a number of public bodies. He is a Fellow of the Institute of Arbitrators, and of the Royal Statistical Society. He is a Freeman of the City of London, a Warden of the Guild of Freemen, and a Governor of the City of London College. I am very happy to be able to present to you Mr. Percy F. Carpenter.

Mr. President, Mr. Linder, Members of the Organising Committee and fellow delegates.

My first attendance at an International Congress was in London in 1933 when as a very young man I was present at Grosvenor House under the Presidency of Lord Plender.

At that time it did not enter into my calculations that at a subsequent International Congress I should have the honour not only of leading the delegation from the Institute of Chartered Accountants in England and Wales, but also of addressing this audience on behalf of the representatives present from the Accounting Organisations in the European-African area.

I understand that being called on to make a few remarks implies that I am not expected to make a speech or to deliver an address.

This is very fortunate for me and perhaps even more fortunate for you.

In my country we have a great respect for brevity and not long ago shortly before his death I heard Lord Birkett, one of our famous judges tell the story of the judge who was renowned for his brevity. He had a man before him one day who had been sued for the price of goods sold and delivered. The man went into the witness box, and, very dramatically said—"As God is my judge, I do not owe the money!" the judge said "He's not—I am—you do!"

This summer our Institute held a Summer Course at Cambridge, England, in Emanuel College one of whose famous sons was John Harvard. We were told that part of the College buildings were unaltered from John Harvard's time and if I had been told that the bed I was going to sleep in was the original which John Harvard occupied, I would have believed them. I was reminded of the story of the English visiting professor to Harvard University where he gave an address to the students. I gather he had taken the word HARVARD and he had taken each letter of it, you know, H for HONOUR, A for AMBITION, R for REWARD, and V for VIRTUE, and so on, and he wearied them to extinction. As the undergraduates went out, one young man said to another—"Well thank God it was not the MASSACHUSETTS INSTITUTE OF TECHNOLOGY!"

As however I am speaking on behalf of thirty-four organisations in twenty different countries I must not be too brief.
It is impossible to refer to each and all of these countries, but in the European-African area we find not only some of the countries in which Western culture as we know it was born, Greece and Italy, but also some of the new countries such as Ghana and East Africa whose contribution in the centuries to come may be equally memorable.

We also find some of the oldest organizations of accountancy and some of the newest.

As was said at our opening Plenary Session on these occasions we may have to transgress our fundamental rules and I am going to express an opinion without having first made my independent external verification of the facts. However, I am prepared to risk it and to report that on behalf of all the organisations for whom I speak we have been overwhelmed by the hospitality, impressed by the vigour and friendliness of our hosts and filled with admiration for the arrangements made for this Congress.

The keynote of many of the speeches we have heard has been the opportunities we have as accountants to serve our fellow men and the communities in which we live.

Although I can only speak with knowledge of my own country, I think it would be universally acknowledged that in recent years there have at least been signs of a deterioration in standards both in public and in private life. It is my view that the professions generally, including in particular the accountancy profession, have a duty to give all the help in their power to the maintenance of standards, not only in the world of business, but in the wider circle of human affairs in general.

Mr. President, I would like if I may, to pay tribute to you in the words of W. S. Gilbert. I believe the Gilbert & Sullivan operas have their admirers in the United States as well as in my country.

Some of you may recall the lines from The Gondoliers sung by the Kings of Barataria which I will quote and slightly adapt. Have no fear, I do not propose to break into song.

"Oh, Philosophers may sing of the troubles of a King (for "King" substitute "President")

But of pleasures there are many and of worries there are none and the culminating pleasure that we treasure beyond measure is the gratifying feeling that our duty has been done."

I am sure that it is the wish of the whole company present that you and your colleagues should have that gratifying feeling which you so richly deserve.

**Mr. Foye:** I should like to propose a toast to the heads of state of all nations represented here tonight.

(A pause in the proceedings ensued during which all present rose to drink the toast proposed by Mr. Foye.)

Our speaker this evening is a man whose interests closely parallel our own. For many years he has been concerned with international finance. He has been a partner in a well-known banking firm in this country. He has been Assistant Secretary of State for Economic Affairs. He is a Trustee of the Institute for Advanced Study at Princeton, and of the Institute for Philosophical Research in San Francisco. He was Vice Chairman of the American Joint Distribution Committee. He held the rank of Commander in the United States Naval Reserve during World War II. He is a member and Director of the Foreign Policy Association. At present he is the Chairman of the Export-Import Bank. We look forward with keen interest to the remarks of Mr. Harold F. Linder.
Mr. President, Distinguished Delegates, Ladies and Gentlemen:

My thanks, Mr. President, for your gracious introduction. I confess that I have some concern about addressing you tonight. I'm not an after-dinner speaker; rather one is more likely to find me on a platform reading a paper or ad-libbing in reply to questions relating to my job. So if your chairman had the light touch and humor of the finished post-prandial speaker in mind, and you shared his expectation, I'm afraid I shall disappoint you.

But it is an honor to appear before so eminent an international audience. Indeed, my slight participation in this Eighth International Congress has personal significance because some aspects of accountancy have been and are now so much a part of my career.

Let me assure you at the outset that my title, "The Day of Accounting," does not carry any connotation of Doom's Day! On the contrary, I am optimistic about the future for world affairs (we all have to be), for accounting, and for the contribution accounting can make in the evolution of our world.

How old and venerable is your profession! An accountant must have been auditing Noah as he checked the animals aboard the Ark, and think of the trouble which would have ensued had an extra female slipped in! Certainly the money lenders of Babylon back in 2,000 B.C. must have had accountants at their side.

Since those early beginnings accountancy has come a long way. Its growth has paralleled and complemented our increasing technology so that today it retains little semblance of elementary routine bookkeeping. It has evolved into a vital science upon which the art of business management greatly depends. Yet the golden day of accountancy lies in the future and your organization can do much to bring clear that day.

At your last International Conference in Amsterdam in 1957 Mr. Eaton, then the President of the American Institute of Certified Public Accountants, commented on the connection between accounting and the development of international trade and investment. He referred to accountancy as the universal language of business and observed that "until accounting began to take on the principles of its present form, commerce was limited to small concerns and to restricted geographical areas."

Since Mr. Eaton's apt remarks we have witnessed an accelerated appreciation of the need for co-operative effort in solving the international problems of which he speaks. Never in history have so many new independent states been established in so short a period. At the same time, profound changes have occurred in the relations between countries of the Free World. The Organization for Economic Cooperation and Development (OECD), the European Economic Community and its relationship to Africa, hopefully to the Commonwealth, to the other producers of primary products—notably Latin America—and to the United States, all of these reflect the increasing interdependence of nations.

These new associations are a result of the powerful economic and political forces which are tending to unite the economies of the Free World in common effort to achieve more rapid growth in a reasonable period of time while preserving the values which all of us cherish. The traditional barriers impeding trade between nations are being reduced, if not yet demolished. An impetus is being given to the free movement of capital, of services, and of persons. We can already sense the benefits, and further gains are in sight in the area covered by the General Agreement on Tariffs and Trade (GATT) and the Trade Expansion Act by the U.S. Congress.

It is in this context and as a universal language that the importance of accountancy grows apace. The implications are clear. This language of business must continue to be refined, further standardized, and adapted to meet the needs for common understanding. And significant encouragement to the international flow of capital, through both direct and portfolio investments, will result from more uniform accounting terminology and higher standards of disclosure.

The emerging nations as well as many older nations, if they are to remain free, need external capital assistance to cope with the problems posed by an almost universal desire for accelerated economic development. Unfortunately, the capability of the more affluent nations to provide this assistance has been limited by the huge diversions of capital necessary to maintain the defense and thus the safety of our world.

The enormous magnitude of our efforts has made it necessary to guard against the erosion of our economic strength and free institutions. All of us, whether in business, government, or the professions, whether in this country or elsewhere, have a common stake in maintaining this strength and its corollary—a stable international payments system.

A stable Free World monetary system rests inescapably upon confidence that the value of the dollar will be maintained and this, of course, because the dollar is the principal supplement to gold as the backing for innumerable currencies.

It follows that continued international financial stability rests importantly upon reduction and elimination in a reasonable time of the deficit in my country's balance of payments. The United States is taking many steps toward ending this deficit. The net dollar cost of defense and foreign aid is being reduced without in any way impairing the commitment of the U.S. Government to defend and contribute to the progress of the Free World. The reserves of the International Monetary Fund are about to be effectively increased, and a number of arrangements have been made with foreign governments and central banks. For some time to come liquid resources are assured in sufficient amount to finance our ever growing trade and development.
Meanwhile, international and national monetary authorities, as President Kennedy's speech assured, will not have closed minds to new constructive ideas. Our own domestic economic and financial policies have been designed to meet both the need for a more rapidly growing economy and the requirement that confidence in the dollar be maintained. Finally, a co-ordinated program, aimed at increasing the level of American exports and the size of our trade surplus, has been undertaken.

This multi-faceted approach to the U.S. balance of payments problem is bearing fruit. The deficit, which reached $3.7 billion in 1960, was reduced to $2.5 billion last year, and is now running at an annual rate of about $1.5 billion; and we are very hopeful that another year will see us in balance. All that you have read and heard indicates that we are not complacent, though confident that our efforts will continue to bear fruit.

However, equilibrium in our balance of payments is not in any sense solely an American concern or an American problem. Our friends and allies recognize this and have contributed in a number of ways to our success in reducing the deficit—by prepayments of debts and by arrangements which will lessen the dollar cost of our common defense.

Of course we could go on a long way toward eliminating our payments deficit were we to cut out our foreign aid. To such a program this Administration and its predecessors alike have been unalterably opposed. Instead, during the past couple of years there has been considerable progress in co-ordinating and increasing the flow of assistance from our allies to the less-developed countries. Economic aid to the under-developed areas from other Free World sources is now around $2.5 billion per year as compared with assistance from the United States of about $3.4 billion outside the long-term loans made by the Export-Import Bank. A number of countries have substantially liberalized their loan terms recently. Germany, France, Belgium, and Canada have established new aid agencies while the United Kingdom and Japan have also made changes evidencing their assumption of greater responsibilities. These countries have made funds available either bilaterally or through international consortia frequently under the aegis of the World Bank.

Short though capital is, good and effective management is in even shorter supply. To be effective, management must have proper tools, and good accounting is among the most important. Whether in assigning priorities to particular investment projects in the public sector or in the creation of new private business or the expansion of old ones, intelligent economic decisions can only be made if they are based on adequate accounting information. Good accounting and sound financial controls and audits are essential to the effective conduct of any business, private or government owned.

I assume that, having asked me to speak, you will wish to hear something about the institution which I have the honor to head.

The Export-Import Bank has served for more than 28 years as the Government's only agency dedicated solely to the financing of the foreign trade of the United States. In its early years the Bank also was the only agency, Government or international, able to provide financial assistance for developing countries. Today it continues to play a major role in development lending where credits for the purchase of United States equipment can be extended on a bankable basis.

In performing its function of aiding and facilitating the foreign trade of the United States, the Bank makes long-term loans to finance the purchase of United States equipment, goods, and related services for projects undertaken by private enterprises or governments. Railroads, roads, ports, mining, power, steel, and every basic industry in which men engage are included in our lists of projects. Of comparable importance, through its lending the Bank has aided substantially in the economic development of foreign countries. In addition, the Bank finances or guarantees the payment of medium-term commercial export credits extended by exporters, and in partnership with private insurance companies, offers short-and medium-term export credit insurance.

In full accord with the American emphasis on private enterprise, the Bank avoids competition with private capital and welcomes private participation in its loans. The Bank is a Government-owned corporation with capital of $1 billion paid in by the United States Treasury. It may borrow from the Treasury on a revolving basis an additional $6 billion as required.

Since its formation in 1934, authorizations by the Bank, net of amounts cancelled, unused, or taken over by others, have totaled about $12 billion. Out of its income, the Bank has paid interest to the Treasury of $406 million to reimburse it for the cost of money, and dividends of $306 million on the Treasury's investment. The balance of almost $750 million of undivided profits has been placed in a reserve for future contingencies.

Now, while I am always delighted to talk about the Export-Import Bank, I would like to endeavor in the few moments remaining to relate its activities to development, to trade, to the balance of payments problem, and to your profession.

Five hundred and fifty million dollars of project credits in fiscal 1962 speak for themselves as a bank's contribution to development. If in the subsequent years to the development credits there is added $800 million of Exporter credits, Guaranties and Insurance, you have some measure of the Bank's contribution to the balance of payments position of the United States. In addition there were Emergency Foreign Trade stand-by credits of some $500 million which were made to friendly countries and without which trade
would have been seriously threatened. Let me illustrate by mentioning that our Bank stood by to the extent of some $400 million toward the end of last June when the crisis in Canada—a very large U. S. trading partner—occurred. As I have already pointed out, there are important political considerations involved in all of these programs, but it is my firm conviction that our economic objectives will in the end prove to have been the more important. If these emerging and developing countries can be put on their feet economically, not only my country but all of us will eventually share a volume of world trade which will not only sustain those countries and improve their lot enormously, but will add substantially to the well-being of the richer nations, as well.

Now as to the significance of accounting in the business of our institution, and particularly in the traditionally most important facet of our operation—project lending. This is essentially investment banking. We are distinguishable from private investment bankers primarily by the fact that we, for the most part, do not resell the securities we buy; instead we are the long-term investors. I need not point out the great extent to which our initial decisions to lend depend upon sound accounting, and how essential it is that the continuing position of the project be disclosed adequately over the ten, fifteen, or twenty years during which our loans are outstanding. When I say that our Bank has current commitments in over 100 countries and is lending or guaranteeing loans in every area here represented, and that it is fundamental to our operation that we lend on a business basis, you will realize the importance that we attach to your profession.

The conduct of our operations in so many different areas can be greatly facilitated or made extremely difficult, depending upon the reliability, comprehensiveness, and intelligibility of the financial and operational information which is submitted to us. Moreover, the success of the particular enterprises which we finance—which means with their ability to repay our loans and make a contribution to their economies—will be significantly influenced by the adequacy of the accounting controls available.

Accordingly, we have a special interest in this International Congress and appreciate it as it seeks further clarification of accounting concepts and stimulates all who participate to raise the level of accounting practices throughout the world. Your work is hard; the work is complex; but the contribution you can make in this fast moving world is worthy of your continued and best efforts.

Thank you.

Mr. Foye: Mr. Linder, we thank you most sincerely for coming here tonight and giving us these thoughtful observations. We have enjoyed listening to you, and we are greatly in your debt.

Ladies and Gentlemen: For me this has been a great evening; a nourishing evening both physically and intellectually. I hope that you have enjoyed it as well. This concludes our program, and I trust that you will all repair promptly to your hotels so as to have a complete rest before the adventures of tomorrow.

I wish you goodnight!
CONGRESS
SPECIAL EVENTS

CHURCH SERVICES:

The proper spiritual atmosphere for an international gathering of this type was provided for the majority of registrants by arranging for them to attend services at local New York churches on Sunday September 23rd.

Protestant Services were held at St. Bartholomew's Church where the Rector, The Reverend Terence J. Finlay, D.D., arranged a special service at 4:00 P. M. for those attending the Congress.

Through the efforts of the Catholic Accountants Guild of New York, Congress registrants were given special seating at the 10:00 A. M. Mass at St. Patrick's Cathedral.

A special service of religious music was presented at Temple Emanu-El for Congress registrants at 4:30 P. M.

ENTERTAINMENT

Efforts to entertain delegates and visitors to the Congress were almost limitless. There was, of course, a wide choice of events throughout the period, or one could ignore, if he or she chose to do so, the formal program in favor of private entertainment. Informal hospitality for official delegates was arranged with the generous aid of members of the American Institute of CPAs and other sponsoring organizations. All in all, it was a busy but pleasant week for registrants at the Congress.
The opening reception, occupying the entire ballroom floor of the Waldorf-Astoria on Sunday evening gave the Congress a fine send-off. Officers and members of the organizing committee were assigned as hosts in the various rooms of the ballroom suite. Delegates, alternates and visitors were assigned to the several rooms where they were greeted by the official hosts aided by other couples selected from the AICPA members in attendance. Cocktails were served and a sumptuous buffet in the Waldorf-Astoria tradition followed.
**MONDAY**

*Ladies’ Luncheon*

The new Americana Hotel, which had opened to the public the previous Saturday, was the scene of a luncheon for the wives of accountants on September 24th. About twelve hundred of them gathered to dine and to hear a few words from six American women prominent in the world of the arts, literature, stage, fashion, opera and business.

- Miss Eleanor Steber, *star of the Metropolitan Opera.*
- Mrs. Albert D. Lasker, *cofounder of the Albert and Mary Lasker Foundation.*
- Miss Jean Dalrymple, *publicist, concert manager and theatrical producer.*
- Miss Lilly Daché, *millinery designer and author.*
- Miss Fannie Hurst, *author of novels and short stories known the world over.*
- Mrs. Mary G. Roebling, *President and Chairman of the Board of the Trenton (New Jersey) Trust Company.*

These ladies graciously and amusingly portrayed for our visitors from abroad the emancipated role of the woman in the life of the United States. The program was thoroughly enjoyed by the visiting wives.

*Carnegie Hall Concert*

That nonpareil of symphony orchestras, the Philadelphia Orchestra, under the brilliant leadership of Eugene Ormandy played a special performance for the Congress at Carnegie Hall. Featured in the program was a contemporary work, “The Eagles,” by composer Ned Rohrem, who graciously consented to attend the concert.
**Town Hall**

In contrast to the symphony, Duke Ellington and his orchestra with Joya Sherrill as guest vocalist, presented an interesting program of modern and near-modern jazz in the style that is unique to Mr. Ellington and which has become famous the world over as the finest in this medium.

**Radio City Music Hall**

For those not musically inclined, seats were reserved for one complete show at the Radio City Music Hall.
Fashion Show

In the ballroom of the Waldorf-Astoria wives of accountants had an opportunity to lunch and to see a parade of fashions by American designers that enchanted our visitors.

Metropolitan Museum

In the evening arrangements were made for those who were not attending the Dinner for Official Delegates at the Pierre or who were not otherwise occupied to visit the Great Hall, the Renaissance Art Gallery and the American Wing of the Metropolitan.

About a thousand guests attended this special showing where after dinner coffee and liqueurs were served as they browsed through the halls of this magnificent museum.
Roosevelt Raceway

A great number of Congress visitors elected to go to the harness races at Roosevelt Raceway. Some dined at the Cloud Casino where one can view the track in comfort from the dinner table. Others had reserved seats in the club-house grandstand. Buses picked up the racing enthusiasts at the Waldorf and returned them there after the races ended. Everyone enjoyed this opportunity to see America's finest harness horses and to make a few wagers at the most modern race course in the United States.
WEDNESDAY

Tours

Wednesday was a day of rest for those who needed it or a day for sightseeing in and around New York. Special tours included the fascinating boat tour of New York Harbor and around the island of Manhattan; another was by bus around New York ending with a tour of the United Nations; and the third was a tour to Sterling Forest or to Westbury Gardens outside of the city.

In the evening nothing was planned and our visitors were given welcome relief from the fast pace of the first three days.
Grand Ball

On Thursday evening to the skirl of bag-pipes, the music of three dance orchestras and the tinkling of champagne glasses the Congress drew to a close. Again the entire ballroom suite of the Waldorf was used and the crowd overflowed into the Sert room at the lobby level. In some of the rooms there were such incidental attractions as puppet shows, magicians and sleight of hand experts who entertained those who wished to rest their dancing feet. After midnight a light buffet supper was served and the Congress ended as it started on a note of international and professional harmony and good will.
No amount of planning, organizing or arranging for a meeting like the Congress is of value unless people attend it. The lists on the following pages present the names of those who through loyalty to the cause of accounting came from all parts of the world to make the Eighth International Congress a success. We are grateful to them for coming and hope that they took back with them something of value.

STATISTICS

<p>| | |</p>
<table>
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EIGHTH INTERNATIONAL CONGRESS OF ACCOUNTANTS

LIST OF REGISTRANTS

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<thead>
<tr>
<th>CD—Chairman of Delegation</th>
<th>VCD—Vice Chairman of Delegation</th>
<th>AD—Alternate Delegate</th>
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ARGENTINA

Federacion Argentina de Colegios de Graduados en Ciencias Economicas

<table>
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<tr>
<td>BARROS, Rogelio</td>
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<td>BARSKY, David</td>
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<td>BLANCO, Dr. Eugenio M.</td>
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<td>DÍAZ NICOLAU, Luis</td>
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<td>GONZALEZ LACANNA, Abel</td>
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<td>VIERA ALONSO, Luis E.</td>
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<td>WYNVELDT, Mr. &amp; Mrs. Andrés</td>
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</table>

Registrants who did not indicate organizational affiliation

RISUENO, Manuel M.

AUSTRALIA

The Australasian Institute of Cost Accountants

<table>
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<tr>
<td>MOFFATT, Mr. &amp; Mrs. Alexander</td>
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<td>THOMAS, Mr. &amp; Mrs. Harold L.</td>
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<td>Australian Society of Accountants</td>
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<td>ANDERSEN, Clifford W.</td>
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<td>BRADDOCK, Mr. &amp; Mrs. Lyall A.</td>
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<td>YORSTON, Mr. &amp; Mrs. Keith</td>
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The Institute of Chartered Accountants in Australia

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<tr>
<td>CHAPMAN, Maxwell G.</td>
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<td>ROBERTS, Mr. &amp; Mrs. M. G.</td>
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AUSTRIA

Kammer der Wirtschaftstreuhänder

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BELGIUM

Collège National des Experts Comptables de Belgique

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<td>HENRY, André</td>
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DENMARK

Foreningen of Statautoriserede Revisorer
ANDERSEN, Tage D
ASKGARD OLSEN, Mr. & Mrs. Carl E. V
HOLM, Mr. & Mrs. Gunnar V
JENSEN, Mr. & Mrs. K. G. CD
JESPERSEN, Jørgen VCD
SPANG-HOMSEN, V.

EAST AFRICA

The Association of Accountants in East Africa
HIGHWOOD, Mr. & Mrs. John G., D
JOHNSON, Mr. & Mrs. E. P. CD
JOHNSON, Corinne

ECUADOR

Federacion Nacional de Contadores del Ecuador
ABDO-TOUMA, Angel R. D
DELGADO-ALAVA, Fausto VCD
SALVADOR-MORAL, Francisco CD

EGYPT

The Egyptian Society of Accountants and Auditors
MANSOUR, Mr. & Mrs. Farid D

FRANCE

Compagnie Nationale des Experts Comptables
MOURET, Mr. & Mrs. Emilien V

 Ordre des Experts Comptables et des Comptables Agrès
ANGLEV, Mr. & Mrs. Ferdinand V
BEAUDHUN, Mr. & Mrs. Alfred V
CHRIST, Ernest V
DALAIÈRE, Mr. & Mrs. Robert V
DECURY, Guillaume V
DIERE, Robert V
DUPUIS, Henri V
EVEZARD, Mr. & Mrs. Paul V
GENIAUX, Mr. & Mrs. Roger AD
GIET, Mr. V
LEPAGNEZ, Mlle., Régine V
LINDERME, Mr. & Mrs. Daniel V
MAZARS, Robert D
MEHAUT, Mr. & Mrs. Daniel D
MOLLIER, Mr. & Mrs. Paul V
PESEUX, Mr. & Mrs. Marcel V
PETRES, Daniel V

FINLAND

K. H. T.—Philytrum—Foreningen C. G. R.
AALTONEN, Keijo V
COLERUS, Veli D
COLLIANDER, Stig V
FORSSTRÖM, Mr. and Mrs. Börje D
GRANDELL, Prof. & Mrs. Axel D
IDMAN, Mr. & Mrs. C. VCD
KIHLMAN, Mr. & Mrs. Svante CD
KULMANNER, Mr. & Mrs. Trygve V
LONQVIST, Mr. & Mrs. Uno V
MORBERG, Edmond V
ÖSTERMAN, Mr. & Mrs. Bruno V
SANDMAN, Einar V

GERMANY

Institut der Wirtschaftsprüfer in Deutschland e. V.
ADLER, Dr., Dr. h.c., Hans V
BAIER, Dr. & Mrs. Karl V
BAUER, Dr. Josef V
BEICHERT, Dr. & Mrs. Helmut V
BORGES, Mrs. Johanna V
BORGES, Werner V
BRUNS, Dr. & Mrs. Hans-Dieter V
BUCH, Walter V
BUSCH, Mr. & Mrs. Friedrich C. J. D
CJAPSEI, Dr. Hans V
DIEFIRICH, Dr. Wilhelm D
ELMENDORFF, Dr. & Mrs. Wilhelm CD
FRANKEL, Georg V
GELBERT, Dr. Kurt V
HARTMANN, Dr. Wolfgang V
HEIDRICH, Joachim V
HERLANT, Hans V
HESSE, Christian V
HINTZEN, Dr. Wilhelm V
HOGAUSt, Dr. Walter V
HUPPERTZ, Dr. Hubert V
HINE, Willi V
JÄGER, Dr. Alfred V
JUNG, Wilhelm V
KALENDER, Dr. Hans V
KNORS, Prof. Dr., Ernst V
KRAMER, Dr. & Mrs. Friedrich V
KRUPINSKI, Dr. & Mrs. Kurt V
KRUSCHWITZ, Mr. & Mrs. Helmut V
LINK, Mr. & Mrs. Helmich J. V
LIPPFERT, Dr. & Mrs. Franz D

COSTA RICA

Colegio de Contadores Publicos de Costa Rica
GARNIER, Emilio CD
IBARRA, Mr. & Mrs. Adonal D

COLOMBIA

Instituto Nacional de Contadores Públicos
AZEVEDO-RODRIGUEZ, Luis V
ANGEL-TELLO, Mr. & Mrs. Alonso V
BARRERA-SARMIENTO, Jorge V
BECERRA DE ARCO, José R. CD
BLANCO-MARTINEZ, Mr. & Mrs. Arturo V
BOADA, Mr. & Mrs. Luis A. V
CARDONA S., Carlos A.
CARRILLO-ROZO, Mr. & Mrs. Flavio CD
CUELLAR CASTAÑEDA, Louis Eduardo V
DANNA O., Charles V
ESGUERRA-GOMEZ, Hernando V
JIMÉNEZ, Dionisio, E., Jr. V
MORALES FIGUEROA, Felipe S. V
MUTIS ARENAS, Mr. & Mrs. Edmundo D
MUTIS ARENAS, Miss Lucila D
NICHOLS, Francisco de P. V
POSADA TORRES, Rafael V
RODRIGUEZ R., Jaime E. V
SUAREZ, Eduardo Olan V
ZULUAGA MACHADO, Tulla V
ZULUAGA, Mrs. Leonor V
ZULUAGA, Horacio V
ZULUAGA, Mrs. Roxana V

PHILIPPION, R. V
RICHARD, François-Maurice CD
SAMPSON, Fernand V
SAUQUEs, Mrs. Y. V
SIMON, Mr. & Mrs. Philippe V
SITAAS, Yvette V
VEYRENC, Mr. & Mrs. Albert V
VEYRENC, Michelle V

Société des Experts Comptables Français
NOCLAIN, Mr. & Mrs. Maurice V

Union Professionnelle des Sociétés Fiduciaires d'Expertise Comptable
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