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THE PROFESSIONAL GOALS OF THE INSTITUTE

By

Leonard M. Savoie

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Phoenix, Arizona

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In a throwback to another era, Richard Nixon, in his successful presidential election campaign, made a whistle stop tour through Ohio, speaking from the rear platform of a train in each community along the railroad line. At one small village, he was impressed by a sign carried by a young girl in the crowd. The sign read "Bring us together."

Much has been made of that sign and president-elect Nixon has pledged his intention to devote great energy to bringing together a nation that is badly divided and a world that is badly divided. This simple plea, "Bring us together", may well become a rallying slogan for the new administration.

And in a different sense, it is an appropriate capsule summary of the professional goals of the American Institute of CPAs. For a major objective of the Institute is to bring together a profession that is badly divided in many ways and to bring together broader segments of the public which are badly divided on the matter of corporate financial reporting standards.

I no longer feel constrained to speak on subjects suggested by titles appearing on programs. But on this occasion, I am more than pleased to speak about the professional goals of the Institute. The most significant goal is to bring us together in our efforts to improve

accounting and reporting standards.

Recent accomplishments of the Institute have been very great, but they have been achieved in a manner that is often painful and that has not always pleased many segments of the membership. The profession has become strong because of its emphasis on high technical and ethical standards. Yet as the profession gains more stature and more visibility, there are divisive forces evidenced from within which, unless checked and reconciled, could lead to a decline in the profession's status.

Bear in mind that I am speaking of a potential decline in status, not in prosperity. For the public demand for accounting services seems to be growing steadily. A good living from accounting services is probably assured for most aggressive, well-run accounting firms. But members of the Institute must decide whether public accounting is to become a highly competitive service business or a highly principled service profession. I believe that we cannot have it both ways.

One schism dividing the profession is the broad gulf between small firms and large firms. Perhaps such divisiveness is inevitable in fields of endeavor which permit the side by side conduct of a function by both large and small organizations. But a gulf so broad that it breeds distrust on one side and disdain on the other may well lead to dismay on the part of those trying to

unite the two. I'll spend no time developing this point as I am sure there are men in this room who have been on both sides of the issue and who understand it far better than I.

It is not healthy for a substantial segment of the profession to be envious and distrustful of another segment. Often members in small firms believe that large firms compete unfairly with them and violate professional ethics with impunity. On the other hand, some members of large firms have the impression that those in smaller firms do not adhere to technical standards and are frequently lacking in independence in mental attitude.

Whether there is justification in either of these views I am not prepared to say. But there is official concern about the unhealthiness of the division between large and small firms. The new president of the Institute is meeting in two weeks with a few Institute leaders to discuss causes and possible corrective measures. Free and frank discussions of differences will lead to a better understanding throughout the profession. And understanding is essential to bringing together opposing groups.

Competition is a pervasive source of divisiveness well beyond the small firm-large firm differences. And this is not all bad. Competition is a highly regarded feature of our private enterprise system. It is healthy in commercial endeavors. In a way, it is healthy in professional activities too. For pride in quality of performance and quality

of professional firm is bound to be good for the profession and the public it serves.

But competition to obtain a client for the lowest fee or to obtain or retain a client at the expense of technical standards is debilitating. It will weaken and, if unchecked, destroy the profession.

Competition for a client based on accounting principles must be stopped. It is not difficult to get evidence that this kind of competition exists. At last spring's Council meeting, I cited four real cases of questionable accounting and reporting and competitive reasons can be proved in two of them. If firms could agree to stick together for the highest reporting standard when a client is shopping, the profession would be greatly strengthened. I think this can be done.

Some cynics have told me that competition based on accounting principles cannot be eliminated until the principles are uniform and comprehensive. And they go on to say that principles cannot be made sufficiently uniform and comprehensive to prevent client pressures from creating competitive situations.

I do not share this dismal view. But I am concerned over the continuing need to extend the pronouncements of the Accounting Principles Board to cover more situations. Much progress has been made, but much more progress is needed. The Board is working together

more harmoniously now than it has before. Yet there are deepseated philosophical differences among members which sometimes make progress slow and difficult.

In mentioning these differences, I am not questioning the motives or the dedication of any individual or group of individuals. I am pointing out how hard it is to get a two-thirds vote on controversial issues. And all issues facing the Board today are controversial. It is almost impossible to get a unanimous vote on any issue. But the Board is working together.

Last month, the Board met down the road a piece at Mountain Shadows. One evening in a spontaneous burst of camaraderie, Board members held a birthday party for Donald Bevis. He was presented with a warm black wig and other appropriate gifts, and finally the Board wished him a happy birthday. And that was by a vote of 12 to 6!

I'll say no more about the Accounting Principles Board as Ken Axelsen will report on its activities. The Board is the major effort in the Institute in bringing us together.

It is not the only one. Auditing procedures are moving into the limelight. Many observers believe that elevation of auditing standards is just as important as raising accounting principles. The committee on auditing procedure has not had as much staff assistance as the APB.

Consequently its progress too has been slow. But its production must be increased. The executive committee has been discussing ways of doing this.

The need for greater productivity of auditing standards arises from the widening legal responsibilities of accountants. Each lawsuit involving accountants focuses on an area of practice where standards should be set or raised. It is not flattering to a profession to have these obvious needs pointed out by a judge, or a jury, or the financial press. The Institute's legal council has advised that we should move rapidly to set standards where court decisions are reached. If the Institute disagrees with a requirement that appears in a court decision the Institute's own pronouncement may overcome the effect of the court decision in a similar case in the future.

The committee on auditing procedure has sub-committees working on problems which arose in the cases of Yale Express, Bar Chris, and Continental Vending. It is just a bit saddening to think that this committee, which was created 30 years ago to do something about the McKesson & Robbins case, still has as a major part of its workload post mortems on other major scandals. A potential obstacle to quick and appropriate action on these cases is the fact that they involve matters of disclosure as well as matters of inquiry. We are de-

terminated, however, that jurisdictional issues between APB and committee on auditing procedures will not be permitted to impede progress.

A very real obstacle to progress in dealing with these cases is that they are not settled finally. The Institute will undoubtedly enter another amicus curiae brief in the Continental Vending Co. case at the appellate level.