

10-1922

## American Institute of Accountants. President's Report

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### Recommended Citation

Nau, Carl H. (1922) "American Institute of Accountants. President's Report," *Journal of Accountancy*. Vol. 34: Iss. 4, Article 1.

Available at: <https://egrove.olemiss.edu/jofa/vol34/iss4/1>

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# *The* JOURNAL of ACCOUNTANCY

*Official Organ of the* AMERICAN INSTITUTE of ACCOUNTANTS

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Vol. 34

OCTOBER, 1922

No. 4

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## American Institute of Accountants

### REPORT OF THE PRESIDENT \*

Another year in the life of the Institute has gone from the present forever and has been absorbed into that limitless past in which all things which make for the good or for the ill of the future have their birth and their sole origin. This is the process of history. We who are a part of the present are charged with the responsibility for shaping the future. The annual meeting of the Institute which marks the close of one fiscal year and the beginning of another is the natural point of rest when a balance-sheet can be prepared and the historical record of the profit-and-loss account can be interrogated so that those charged with the affairs of the future may work in the light of the lessons learned from the past. It is the time for taking stock, for closing the books of the past and for opening the accounts of the future.

It has been the custom for your president to make his report a review of the outstanding features of planning and accomplishment of the year which has been brought to a close by the annual meeting and to invite attention to a consideration of the problems of the immediate future. I ask your indulgence if I depart from this established custom and not only deal with the items which comprise the historical record of a year's activities but also comment upon some of the items that comprise the assets and the liabilities in our metaphorical balance-sheet which presents the present moral and intellectual position of the Institute—the result of the whole of the past rather than the result of only that brief interval of time which we call a year. With your permission therefore this report will be both historic and homiletic.

Under the historic section let me invite your attention to only a few of the outstanding events of the year and ask you to refer

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\* Presented at the annual meeting of the American Institute of Accountants, Chicago, Illinois, September 19, 1922.

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to the reports of the council and of the executive committee for a more complete review of the administration of the affairs of the Institute during the past year.

During the year your president or your secretary or both visited and conferred with groups of members in nearly every section of the country. Under instructions of the executive committee several topics were discussed and an expression of opinion was obtained at meetings held in about thirty-five cities.

One of the subjects discussed at these meetings was the question of modifying the existing requirements for admission to the Institute. As a result of these conferences and in accordance with suggestions by the council your board of examiners modified its rules so as to carry out what seemed to be a consensus of opinion in respect to the admission of possessors of C. P. A. certificates of an approved standard without an additional examination by the examining board of the Institute. To accomplish this result by means of a rule of the board seems to be a better and a more desirable method of procedure than to amend the organic law by any change in the constitution and by-laws. Such a change is both unnecessary and unwise.

Another subject discussed at these meetings was that of corporate publicity and propaganda to be undertaken by the Institute. The committee on professional advancement has now formulated plans and has addressed a circular letter to each member. Its programme can be inaugurated as soon as the requisite financial support is assured. The oral and moral support given to this programme seemed to be almost unanimous and very enthusiastic. Approval and enthusiasm, however, will not suffice to carry out this ambitious and expensive undertaking, and a minimum of \$100,000.00 a year for five years must be reasonably assured before your committee can proceed with its plans.

Regional meetings of the Institute now seem to have passed the experimental stage and have become an established feature of Institute activity in a number of sections of the country. During the past year regional meetings were held in Des Moines, Pittsburgh, Hartford, Indianapolis, Cleveland and Boston. It was my privilege and pleasure to attend and to address several of these meetings. Instructive papers were presented and discussed, and delightful social and professional relations were established. The opportunities which regional meetings afford

for bringing about closer association and coöperation between accountants are many, and I would urge other sections of the country to consider the organization of regions so as to avail themselves of the benefits and the pleasures which these meetings have been to those regions which have pioneered in this movement establishing a closer contact and a better spirit of coöperation among all practising accountants—non-members as well as members of the Institute.

The so-called Capper bill, which follows the model C. P. A. bill formulated by the Institute, has passed the senate and has been recommended for passage by the house committee and is now upon the house calendar. Everyone is familiar with the pressing legislative programme which has engaged the attention of congress during the past year and has prevented earlier action upon this bill. It is hoped that the bill will be reached during this session of congress. When it shall have been passed, every political division of continental United States except Alaska will have enacted C. P. A. legislation. All of this legislation does not measure up to Institute standards and some laws are not always efficiently administered, but when it is remembered how long it has taken the older professions to establish proper standards (if indeed such standards have yet been established) it is altogether encouraging to note the progress which accountancy has made in so short a time.

The hearings on the Capper bill and the opposition it received from representatives of the now harmless District of Columbia private corporation organized to deal in C. P. A. certificates has done more to educate Capitol Hill upon the subject of accountancy, its aims and aspirations than many years of affirmative propaganda could have done.

The last annual meeting adopted a resolution which empowered the council to formulate a rule of professional conduct dealing with the question of proper publicity for a professional accountant. Your president promised that no hasty nor ill-considered action would be taken. Now that the committee on professional advancement has formulated a plan for corporate publicity which only awaits your financial response to be put into immediate operation, I believe that the time has arrived for drastic action in respect to the scandalous practices which have threatened to bring disrepute upon the Institute and our profession as a whole.

The National Association of Certified Public Accountants was formed shortly prior to the last annual meeting. This organization caused considerable distress to a large number of our members and others. Its charter seemed to grant the right to bestow the C. P. A. designation upon all those who purchased its certificates. This attempt to commercialize the C. P. A. certificate threatened to destroy the value which the certificate had attained in many states of the union. The words "certified public accountant" seemed to be in great jeopardy of becoming entirely meaningless.

Your executive committee, however, promptly planned to combat the threatened evil and in less than a year the legal steps initiated by the Institute have resulted in a permanent injunction which has forever allayed the groundless panic caused by this unsubstantial spectre of fear conjured up by a combination of those who do not love the Institute and those timid souls who are frightened every time the wind blows above a zephyr.

With these brief references to some of the activities which have engaged your president during the past year, I will leave the historic and come to the didactic portion of the last report it is my privilege to make to you as president of the Institute. Following the unwritten law of our country, our constitution wisely provides that the president shall not be eligible to re-election for more than a second term. This address is therefore, not only the annual report of the president, but it is also his valedictory. He can only have the welfare of the Institute in mind and can not be actuated by sentiments of personal ambition or pride of opinion in taking advantage of the occasion and for the moment assuming the role of preacher and prophet.

We are sometimes prone to take a narrow and myopic view of our immediate surroundings, when we should leave the valley and climb a hill whence a broader vision may be obtained. My father used to tell me a story about an old woman who had lived her whole life in a valley entirely surrounded by hills. She had never seen the landscape which unfolded itself beyond the hills that had circumscribed her outlook. There came a time when two of her grandchildren, whom she had never seen, visited the place of birth of their ancestors. Among the points of interest it was their desire to see was the ruin of a mediæval castle on a hill beyond those which surrounded the valley in which their grandmother dwelt. An excursion was arranged and a vehicle

was engaged to take them to the historic place and they persuaded the old lady to accompany them on what to her was an adventurous and hazardous journey to strange and foreign parts. As the slow moving and deliberate farm-horses brought the wagon to the brow of the hill and what seemed to her an unlimited prospect was unfolded to her vision, her eyes filled with tears and with emotion she exclaimed, "Children, how big the world is!"

Will you permit me to invite you to abandon the narrow and circumscribed viewpoint which to our minds so often unduly magnifies the little and unimportant things of life into things of great size and importance? Let us together climb a hill whence we may obtain a broader outlook and have a larger vision of the purpose and the functions of this Institute to which we belong and which should be to each of us, not only our alma mater, but, may I say, our professional church in which we worship and which we desire to employ as an instrumentality for increasing the dignity and the usefulness of our profession.

"Rome was not built in a day," says the hackneyed proverb. The Institute was not built when its constitution was adopted, nor do I believe that it would be entirely destroyed by adoption of ill-considered amendments proposed by those for whom I pray a larger vision and a nobler attitude of mind. The Institute is a living and a growing organism. It has not reached perfection nor can it ever hope to do so. Should the time ever come when it can be said of the Institute, "It is finished," the time will also have come when its usefulness shall have passed and the breath of life shall have gone out of it. It may seem to live for a time but it will only be a living death.

The psychology of the present is the psychology of the aftermath of war. It is a period of unrest and neurosis in all departments of human activity. This spirit of unrest pervades the social and the political atmosphere. Is it surprising that it should also infect the Institute and its membership in their personal and professional relations? This is a time when men need sane and unselfish leadership that the things which have been so slowly and laboriously achieved shall not be lost and the light of the present be succeeded by the darkness which enveloped a former uplift of man in his struggle from chaos into consciousness. We, each of us, have a duty to participate in movements for the general well-being, but we have a

more immediate duty to concern ourselves with the welfare and the improvement of our own profession.

When the children of Israel returned from captivity to re-establish their city of Jerusalem and to rebuild its walls, the injunction was given them that each man should rebuild the wall in front of his own house. It is the more immediate concern of each of us to help solve the problems of our own profession than it is to concern ourselves with the general problems of our common civilization. If each of us gives the best that is in him for his own profession or vocation, the aggregate result must be the best for mankind in general.

In order to obtain a proper perspective of our problem let me again refer to our metaphorical balance-sheet so that we may see what assets have been acquired, what liabilities have been discharged or are in process of liquidation and for what liabilities we must yet provide. This will give us a better understanding of the efficiency and usefulness of our present plan of organization. It will enable us better to decide whether or not it should be reorganized and the present structure abandoned for one which some would have us believe to be more habitable and better adapted to our needs.

In the process of the evolution of the organized profession, the centralized and responsible authority of the Institute succeeded the diffused and irresponsible authority of the old American Association. This evolutionary process was analogous to the one by which our present national union succeeded the federation of states which ended with the adoption of the constitution of 1789.

The organization of the American Institute of Accountants was an attempt to supplement political legislation, which had not always been for the best good of the profession, by the creation of a national body which should control and regulate the practice of the profession from within the profession itself. This can be done far better by precept and example than by passing statutes. Effectually to accomplish this result it was necessary to give the Institute a thoroughly democratic form of organization—one which would prevent the government of the Institute from becoming irresponsive to the majority opinion formed after full discussion and careful deliberation. But it was also necessary that it should have continuity and that it should avoid the proven dangers which are inherent in applying town-meeting methods

of government to any organization other than one of such small geographical dimensions that every member personally knows every other member and his problems.

The present plan of organization has accomplished the desired result; and suggestion to change it does not make for more democracy but for irresponsibility and leads toward anarchy.

Let me urge upon you to take a national and not a local or provincial view of your profession. It is my firm belief that but for the Institute the C. P. A. certificate for which we have worked so hard would today be nearly meaningless in most of the states of the union. The creation of the Institute with the opportunity thus given to the Institute's board of examiners to evolve a plan of coöperation with state boards of accountancy has not only gone far toward the standardization of C. P. A. certificates but it has been the means of preserving in many states what was so laboriously gained only to be threatened by a condition which was worse than to have had no C. P. A. law whatever.

The accomplishments of the Institute have been many. I would like to enlarge upon some of them but, in view of the demands which this meeting will make upon the time at our disposal, it will be impossible to do so. To those who have carefully followed the Institute's course it will be unnecessary. A mere mention of the library and the helpfulness of its bureau of information; of the dignified and scholarly character of its increasing number of publications; of the standing and reputation it has achieved among government officers and among eminent bankers and business functionaries; of the ever-widening force and power it is becoming in establishing standards and affecting the professional conduct of practitioners; of the still greater opportunities yet before us to make our beloved Institute an instrument of influence and power in upbuilding and increasing the usefulness and the dignity of our calling—a mere mention of these should suffice to convince you that if the Institute stands by its present policies it will accomplish far more than if it is blown about by every false wind of doctrine.

I have the greater part of my life behind me and I do not believe that the observations which I have made and the experiences which I have had of men and of movements have been altogether without profit in enabling me to have some vision of the things which make for the greater good of man. I would feel myself to have been false to a sacred trust did I

not as my last official act call upon you not to heed the preachers of discontent and did I not exhort you to stand firm and not be stampeded by the spirit of unrest which is sweeping over the world and is of the kind that has always followed in the wake of a great calamity.

CARL H. NAU.