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The American Institute of Accountants*

BY CARL H. NAU

It is a pleasure to be privileged to address this first regional meeting held under the auspices of The American Institute of Accountants of this section of the country.

The subject which has been assigned to me is *The American Institute of Accountants*; and since there are accountants in attendance upon this meeting who are not members of the American Institute, it would seem to be fitting briefly—very briefly—to sketch a history of the movement toward solidarity of the accounting profession in this country, leading up to the organization of The American Institute of Accountants which is now its chief exponent.

The men who are familiar with the early history of this movement will pardon me if I address myself for the moment especially to the men who may not be so well informed concerning the early efforts to organize and create a professional body out of the comparatively few and scattered practitioners in this country.

The American Association of Public Accountants was formed in 1887. While its membership was in part composed of practitioners in different parts of the country, it was almost, if not quite, an organization of accountants practising in New York. In 1896 the first so-called C. P. A. law was adopted by the state of New York. This pioneer piece of legislation was doubtless the result of the efforts made by the members of the original American Association of Public Accountants. The next state to adopt C. P. A. legislation was Pennsylvania in 1899. In 1900 Maryland and in 1901 California passed C. P. A. laws, and in 1903 both Illinois and Washington adopted similar legislation. These were the pioneer states in the C. P. A. movement.

In the meantime a few state societies of public accountants had been formed, and in 1904, the year of the world's fair, a congress of public accountants was called to meet in St. Louis. This meeting was attended not only by members of the profession from

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different states of this country, but by representatives from British and Canadian societies.

A short time prior to the congress of public accountants held in St. Louis in 1904 a federation of the several state societies of public accountants was formed. There were now in existence two organized bodies of professional accountants, whose membership was not confined to practitioners of a single state.

This condition, however, continued for a short time only, until it was succeeded by an amalgamation of the federation of state societies with the American Association of Public Accountants. The constitution and plan of organization of the American association was changed, and while it had a class of membership consisting of some of the original individual members, known as fellows-at-large, it nevertheless became substantially a federation of the state societies of public accountants whose qualifications for membership complied with the standards set by the American association.

It was during this period that the so-called C. P. A. movement obtained its greatest impetus, with the result that at present every state in the union but one has passed some kind of C. P. A. law. The C. P. A. laws of some states were good; there were others that were not so good; and some were so bad that the American Association of Public Accountants refused to recognize certificates granted under the laws of those states as qualifications for membership in the association.

In the course of time it became apparent that if the profession desired to achieve its proper status in the business community, it could not rely on accomplishing this result by means of state legislation alone. Doubtless the C. P. A. movement has been a powerful instrument for progress in the early development of the profession in this country, but it must be admitted that it contained some inherent weaknesses.

Accountancy is not a local profession, but is nation-wide, even world-wide, in its scope; and as time went on the need for national standards instead of local state standards became more and more apparent. With forty-seven different standards—some good; some indifferent; some positively bad—the mere designation C. P. A. became almost meaningless. In a few states, such as Illinois and New York, the machinery of examination and the

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authority for granting C. P. A. degrees was connected with or attached to the state university or other state educational authority, but in the majority of states the administration of the C. P. A. law was reposed in more or less politically appointed boards. Even though the board administering the state law of a given state, at a given time, might set a high standard, there was no assurance that a subsequent board, differently constituted, would maintain such standard. The layman and the business community cannot be expected to discriminate between C. P. A.'s and C. P. A.'s. The mere fact that a person had the right to call himself C. P. A. was not at all conclusive as to such person's professional competence or integrity. After asking: "Is this man a certified public accountant?" several other questions were necessary—"Of what state is he a C. P. A.?" Even this would not be conclusive, because a person who was not qualified to obtain the degree from the state board of a given state at any given time might meet the requirements of the Board at some earlier or some subsequent time. Not only would the state have to be known but also the year of the degree. In fact there was an entire absence of standardization and in only a comparatively few states had the degree of C. P. A. any very real meaning.

The American Institute of Accountants was not formed to supplant the various state societies of certified public accountants, nor was it formed to supplant the C. P. A. laws of the various states. It had its genesis rather in the effort to supplement both state legislation and state societies, and was a partial remedy at least for the well-recognized defects which had developed in our former programme of attempting to establish professional standards and professional solidarity by enacting statutes and conferring degrees. The formation of the institute was an attempt to nationalize the profession, with a centralized control from within itself, in place of the former scattering control which lacked uniformity both of aims and ideals and was influenced quite as much by political as by professional considerations.

In 1916 the American Association of Public Accountants authorized the incorporation of the American Institute of Accountants, membership in which is individual, is based on proper preliminary educational requirements, professional study and training, a standardized technical examination, a period of ap-

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prenticeship and practical experience and certain moral requirements.

It is incorporated under the laws of the District of Columbia. An effort would have been made to obtain a national charter for the American Institute of Accountants if it had not been for the fact that, in all probability, its control would not have been vested entirely in the profession itself but would have been subject to interference by politically appointed officers. It was desirable to get as near a national charter as possible, and in the circumstances it was thought that, in view of the laws of the District of Columbia permitting the organization of corporations for educational, scientific, philanthropic and similar purposes the incorporation of the institute under such laws was as close as we could get to a national charter under the present status of the laws of this country.

It was an attempt to create entirely within the control of the profession itself an authority to regulate practitioners. There is, therefore, considerable difference between the American Institute of Accountants and any one of the several state societies of certified public accountants. I might add that, in my opinion, The American Institute of Accountants has already achieved such a standing among the better-informed business functionaries that membership therein is of greater value to the practitioner than the possession of the C. P. A. degree from most, if not any, of the states of the union. It is at present the repository of the best traditions, ideals and aspirations of the profession. Professional and ethical standards are in its keeping and concrete rules of professional conduct are being developed and formulated under its guidance and direction.

Being a member of the American Institute of Accountants is *prima facie* evidence of the professional fitness and integrity of the practitioner.

In the four years of its existence the institute has succeeded in obtaining the coöperation of thirty-two state boards in adopting the institute's examination as the examination leading to the C. P. A. degree in the coöperating states. This includes even some states whose C. P. A. degree was theretofore absolutely meaningless. The results of these examinations are on record in the office of the board of examiners of the American Institute of Ac-

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countants, and when the time shall have arrived that the applicant possesses the experience and other qualifications necessary to admission as an associate of the institute, the person who has passed the institute examination in any one of these thirty-two states can be admitted to the institute without further examination.

Accountants as a body insist that their vocation is a profession as distinguished from a commercial pursuit. No body of professional practitioners can permanently lay claim to a professional status and engage in unprofessional practices. While individual practitioners may occasionally, perhaps persistently, violate the code of ethics of their profession, the development of the ethical precepts and rules of professional conduct adopted by the organized body of any profession must be such as to distinguish it and set it apart from ordinary commercial pursuits.

The government and control of the institute is under the direction of elected representatives from among its membership and the development of its policies and rules is, therefore, subject to the control and the direction of the organized body of the profession itself.

The older professions have their quacks, their ambulance-chasers, and their general malpractitioners. It is too much to hope that similar practices will not at any time disgrace the organized body of our profession. The well-informed public has pretty well learned to distinguish between professional and unprofessional practitioners of the older professions. Already the business public is fairly well informed and daily is becoming better acquainted with what distinguishes a professional practitioner of accountancy from an unprofessional one, as well as what distinguishes a competent from an incompetent and untrustworthy one.

The institute welcomes into its membership every eligible and qualified practitioner in the country. Its ideals are in the keeping of the great body of the profession itself. Every practitioner owes a duty to the profession he loves to participate in its development, not only as a science and a skilled art, but in its ethical precepts and practices.

Every practitioner of accountancy has not only a patriotic duty in joining with his fellow practitioners in helping to shape and direct the development of his profession, but membership in

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the institute is of immediate benefit and practical value to him in the pursuit of his vocation. Time is too short to enumerate all the many advantages of membership in the American Institute of Accountants, and I will therefore refer only to one or two.

Three years ago, at the suggestion of and with a large initial donation from one of the leading members of the institute, there was established an endowment fund, the income from which is devoted exclusively to the development and maintenance of the institute's library and bureau of information. Since then the institute has accumulated a professional library of many volumes, the information in which has been thoroughly catalogued and made available for every member.

Perhaps of larger importance than the knowledge preserved upon the printed page is the special knowledge and experience buried in the files and in the memories of individual accountants throughout the country. Any member who desires information or advice upon any question which may arise in his practice can direct his inquiry to the librarian of the institute. If the information is to be found in a book he will be directed thereto. If it is not to be obtained in this manner, his question will be referred to some member or members who are entirely likely to be able to answer his question or inform him of the best practice in respect of the matter. The person answering a question will not know the identity of the questioner; neither will the questioner know who supplied the information.

The institute functions through its officers, members of its council, board of examiners and committees. Among its regular committees are the committees on professional ethics, arbitration, education, federal legislation, state legislation, publication, procedure and subsidiary organizations. I do not name all the committees but a recital of these few names must bring to your mind some of the services which the institute renders, not only to its individual members, but to the entire body of professional practitioners.

THE JOURNAL OF ACCOUNTANCY, which is published under the auspices of the institute, and the monthly and special bulletin service are the vehicles through which the entire membership is kept informed concerning the activities of the institute. The an-

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nual meeting and the recently inaugurated regional meetings give opportunity for contact with fellow professionals and furnish means for keeping abreast of the development and practice of the art.

Permit me to close by extending to every person who is not now a member of the institute an invitation to make application for membership therein if he has the necessary qualifications and can comply with the requirements for membership. If he has not yet acquired the necessary qualifications to become an associate of the institute let me urge upon him the desirability of fitting himself for membership therein at the earliest possible opportunity.