

10-1919

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Recommended Citation

American Institute of Accountants (1919) "American Institute of Accountants: Annual Meeting, Cincinnati, Ohio, September 16 and 17, 1919," *Journal of Accountancy*. Vol. 28: Iss. 4, Article 6.

Available at: <https://egrove.olemiss.edu/jofa/vol28/iss4/6>

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American Institute of Accountants

ANNUAL MEETING, CINCINNATI, OHIO, SEPTEMBER 16 AND
17, 1919

Tuesday, September 16, 1919—First Session

The regular annual meeting of the American Institute of Accountants was called to order at 10 A. M., Tuesday, September 16, 1919, at the Hotel Sinton, Cincinnati, Ohio, President Waldron H. Rand presiding.

The meeting was opened with prayer.

Addresses of welcome were delivered by Samuel W. Bell, presiding judge of the municipal court of Cincinnati, and Henry G. Frost, president of the Cincinnati Business Men's Club.

The president briefly responded to the addresses of welcome.

Minutes of the preceding meeting as published in the year-book were approved without reading.

The president then presented his report,* which was accepted.

The report † of the council, including the report of the executive committee, was read and accepted.

Robert H. Montgomery moved that an effort be made to obtain additional subscriptions to the endowment fund. This motion was unanimously adopted.

On the call for subscriptions an amount of \$11,250 was pledged by members present.

A rising vote of thanks was given to Mr. Montgomery in appreciation of the result of his efforts.

Harvey S. Chase, a member of the committee on federal legislation suggested that members should give their support to bill No. 1201 of the house of representatives introduced by Representative James W. Goode, calling for the establishment of a national budgetary system.

After consideration of the report of the committee on constitution and by-laws the following amendments to the constitution and by-laws were adopted:

Article IV, section 1 of the constitution:

In the first line omit "eleven" and insert "twelve."

After ninth line add "Ethical publicity."

Add to article VI, section 1 of the constitution the following:

"Mail ballots shall be valid and counted only if received within sixty days after date of mailing ballot forms from the office of the institute."

Add to article I, section 15 of the by-laws the following:

"Mail ballots shall be valid and counted only if received within sixty days after date of mailing ballot forms from the office of the institute."

* See page 241.

† Reports of officers, council, board of examiners, committees and auditors will appear in the *Year-book* of the American Institute of Accountants.

American Institute of Accountants

After article V, section 1 of the by-laws add a new section as follows:

"Section 2. No person whose membership shall have been forfeited for non-payment of dues or other sum due by him to the institute may be reinstated, but a member or an associate who shall resign while in good standing may be reinstated by a three-fourths vote of the members of the council present and voting at any regular or special meeting of the council, providing the person applying shall submit with his application for reinstatement the amount of dues and assessments, subscriptions, etc., not in any case to exceed \$25.00, which would have been payable by him if he had continued in membership from the time of resignation to the date of application for reinstatement. No person shall be considered to have resigned while in good standing if at the time of his resignation he was in debt to the institute for dues or other obligations."

It was resolved that members of the institute should be encouraged to use the title "Members (or Associates) of the American Institute of Accountants" when proper use could be made of that expression.

A motion that members be allowed to describe themselves as "M. A. I. A." and associates as "A. A. I. A." was lost.

Upon an informal report from the library that a complete bibliography of accounting subjects was in course of preparation and would probably be completed within the next few months, members were asked to indicate whether or not they would be willing to subscribe for such a bibliography. It was stated that the cost of production would make it necessary to charge \$10.00 a copy for the complete work.

Nearly every member present indicated his willingness to subscribe to such a work of reference.

Tuesday, September 16, 1919—Second Session

A paper entitled *Capital Stock of No Par Value* by F. H. Hurdman was read and followed by discussion.

A rising vote of thanks was accorded Mr. Hurdman for his paper.

The reports of the treasurer and auditors were presented and accepted.

The report of the special committee on subsidiary organizations was read and accepted. This report was followed by a general discussion.

The following resolution was unanimously adopted:

Resolved, that it is the sense of this meeting that audit companies and similar organizations are detrimental to the best interests of the accounting profession.

It was resolved further that this action be communicated to the committee on constitution and by-laws with the request that it formulate such amendments as in its opinion would carry out this expression.

A letter, addressed by a member of the institute to the council, suggesting that a section of the institute be formed comprising accountants who specialize in cost work, was received.

Introduction of this letter was followed by general discussion.

The Journal of Accountancy

Wednesday, September 17, 1919—First Session

The following officers and members of the council were unanimously elected:

President: Waldron H. Rand.

Vice-presidents: Arthur W. Teele and H. Ivor Thomas.

Treasurer: J. E. Sterrett.

Council for five years:

Hamilton S. Corwin

Edward E. Gore

Charles S. Ludlam

Overton S. Meldrum

Charles Neville

Adam A. Ross

C. M. Williams

For three years:

W. Ernest Seatree

For one year:

E. G. Shorrock

Auditors:

C. E. Iszard

Wm. R. Tolleth

A paper entitled *Consolidated Accounts* by George R. Webster was read and followed by discussion.

A rising vote of thanks was accorded Mr. Webster.

At the suggestion of members of the board of examiners of the Institute who were present an informal meeting of representatives of state boards of accountancy was called to convene immediately following the adjournment of the session.

Wednesday, September 17, 1919—Second Session

At the request of Edward E. Gore, chairman of the special committee on increased membership, Fayette H. Elwell, president of the American Association of University Instructors in Accounting, presented a brief suggesting that instructors in accounting be encouraged to take the examinations of the American Institute of Accountants.

The matter was referred to the appropriate committee.

A paper entitled *Relation Between Invested Capital and Excess Profits* by Stephen G. Rusk was read and followed by discussion.

A rising vote of thanks was accorded Mr. Rusk.

A vote of thanks and appreciation to the committee on meetings was unanimously carried by a rising vote.

The meeting adjourned.

COUNCIL

Regular Meeting, Monday, September 15, 1919

The regular annual meeting of the council of the American Institute of Accountants was called to order at 10 A. M., Monday, September 15, 1919, at the Hotel Sinton, Cincinnati, Ohio.

American Institute of Accountants

The following were present:

Waldron H. Rand, president, in the chair

E. G. Shorrock, vice-president

A. P. Richardson, secretary

Harvey S. Chase

J. D. M. Crockett

W. Sanders Davies

John F. Forbes

Edward E. Gore

Elmer L. Hatter

William P. Hilton

J. Porter Joplin

Page Lawrence

W. R. Mackenzie

J. E. Masters

James S. Matteson

Overton S. Meldrum

Robert H. Montgomery

Carl H. Nau

Charles Neville

John B. Niven

Ernest Reckitt

W. A. Smith

Edward L. Suffern

Frederic A. Tilton

William F. Weiss

F. F. White

C. M. Williams

The meeting was opened with prayer.

The minutes of the preceding meeting as printed were approved.

Record of mail ballot No. 9 on admission of members and associates was read and approved as part of the minutes.

In view of protests made against the election of two members the council resolved to give further consideration to the election of the two members concerned.

After consideration the council resolved to reject the application of one applicant against whom protest had been made, and to refer to the board of examiners the protest against another applicant with a request that the board report to the executive committee after consideration of the information which had been presented.

The report of the treasurer was received and referred to the auditors.

The report of the secretary was received and ordered printed.

It was resolved that the recommendation in the secretary's report that members of the institute should be encouraged to describe themselves as such was referred to the general meeting.

It was resolved that subscribers to the endowment fund whose subscriptions were overdue should be notified that these subscriptions will be considered due at the date of the next spring meeting of the council, Monday, April 12, 1920, and that attention be drawn to the fact that under article V of the constitution those in arrears will forfeit membership in the institute unless payment be made within five months thereafter.

It was resolved that in view of the high cost of printing and paper the 1919 *Year-book* be produced in condensed form following the style of the 1918 publication.

The report of the board of examiners was read and accepted.

The recommendations contained in the report relative to the importance of having a quorum of the board always available were referred to the incoming council.

The Journal of Accountancy

It was resolved that the committee on education be instructed to collaborate with the board of examiners in the preparation of a list of textbooks for study preparatory to the examinations, and further that the committee be requested to present such report to the executive committee by December 1, 1919.

The meeting adjourned until 2 P. M.

Upon resumption of business at 2 P. M. a member of the institute appeared voluntarily to explain his connection with an audit company concerning which complaint had been made. There were no charges under consideration. A vote of thanks was accorded the member in question for his attendance.

The report of the executive committee was read and approved.

The opinion expressed by the executive committee that in the case of a vacancy in the board of examiners it could be filled by the executive committee was ratified.

Recommendation of the executive committee that members seventy years of age should be exempt from payment of dues after being ten years in membership was referred to the committee on constitution and by-laws.

The report of the committee on constitution and by-laws was referred to the general meeting.

The recommendation of the committee on professional ethics that the following rule of conduct be adopted was unanimously approved:

(11) "No member shall render professional service, the anticipated fee for which shall be contingent upon his findings and consequent results thereof.

"This rule shall be construed as inhibiting only service in which the accountant's findings or expert opinion might be influenced by considerations of personal financial interest in alternative findings or opinions."

The following amendment of rule I was adopted:

(1) "A firm or partnership, all the individual members of which are members of the institute (or in part members and in part associates, provided all of the members of the firm are either members or associates) may describe itself as "Members of the American Institute of Accountants," but a firm or partnership, all the individual members of which are not members of the institute (or in part members and in part associates) or an individual practising under a style denoting a partnership when in fact there be no partner or partners, or a corporation or an individual or individuals practising under a style denoting a corporate organization shall not describe themselves as "Members of the American Institute of Accountants."

Upon motion by the chairman of the committee on arbitration it was resolved that the committee on ethics be requested to consider the question—

First, whether a member of the institute employing an accountant in the employ of another member of the institute, in the absence of a definite contract specifying the amount of his compensation, may dispute the

American Institute of Accountants

amount charged for his services when such charge is within the amount ordinarily received by accountants for the services of their employees.

Second, whether any obligation rests upon an accountant who has furnished the services of an employee to a fellow accountant to await the collection of the account rendered against the client of the accountant to whom the accommodation has been extended, or whether he may reasonably expect the amount due him to be paid upon ordinary commercial terms.

The report of the committee on budget and finance was read and adopted.

It was resolved that the report of the committee on education should be accepted after expunging certain clauses.

The report of the committee on publication was read and accepted. The suggestions contained therein were approved.

In addition to the written report of the committee on increased membership the chairman briefly outlined the activities of the committee.

The report of the committee on subsidiary organizations was referred to the general meeting for consideration.

A communication from C. B. Williams suggesting the creation of a cost accounting section of the institute was referred for consideration to the general meeting.

It was resolved that the committee on federal legislation be requested to take action as soon as possible to obtain the same extension for the filing of corporation income tax returns in 1920 that was granted in 1919.

The meeting adjourned.

Regular Meeting, Thursday, September 18, 1919

The regular meeting of the council of the American Institute of Accountants was called to order at 10 A. M., Thursday, September 18, 1919, at the Hotel Sinton, Cincinnati, Ohio.

The following were present:

Waldron H. Rand, *president*, in the chair

A. P. Richardson, *secretary*

Harvey S. Chase
J. D. M. Crockett
W. Sanders Davies
John F. Forbes
J. S. M. Goodloe
Edward E. Gore
Elmer L. Hatter
William P. Hilton
J. Porter Joplin
Page Lawrence
W. R. Mackenzie
J. E. Masters

James S. Matteson
Overton S. Meldrum
Robert H. Montgomery
Carl H. Nau
John B. Niven
Ernest Reckitt
E. G. Shorrock
W. A. Smith
Edward L. Suffern
Frederic A. Tilton
F. F. White
C. M. Williams

The Journal of Accountancy

A. P. Richardson was re-elected secretary at the rate of compensation provided in the budget.

The following were elected members of the executive committee for the ensuing year:

H. S. Corwin
W. Sanders Davies
J. E. Masters
John B. Niven
E. W. Sells

The following were elected to the board of examiners for the term of three years:

F. H. Hurdman
J. C. Scobie
Arthur W. Teele

It was resolved that any member of the board of examiners who shall fail to attend all meetings of the board of examiners during a period of six months shall cease to be a member of the board.

It was resolved that hereafter at annual meetings of the American Institute of Accountants arrangements should be made to hold meetings of representatives of state boards of accountancy and that notices of such meetings should be distributed prior to the date of the meeting.

The following were elected to the committee on professional ethics for the ensuing year:

Carl H. Nau, *Chairman*
J. D. M. Crockett
J. Porter Joplin
T. Edward Ross
Charles H. Tuttle

A supplementary report of the auditors was referred to the executive committee with power.

Upon suggestion by the chairman of the committee on professional ethics the following language was substituted for the present language of rule 9:

"For a period not exceeding two years after notice by the committee on ethical publicity no member or associate shall be permitted to distribute circulars or other instruments of publicity without the consent and approval of said committee."

The chairman of the committee on state legislation recommended that the Alabama law be accepted by the institute as satisfactory. The suggestion was approved.

It was resolved that the committee on professional ethics should be empowered to make changes in the language in the rules of professional conduct in order to simplify the phraseology without changing the meaning or purpose of any rule.

The meeting adjourned.