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The C. P. A. Bulletin

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No. 2

NATIONAL ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

December 1, 1921

THE PROFESSION FIRST

The National Association of Certified Public Accountants intends to win to the designation C. P. A. the universal acknowledgment that it represents the highest possible practical rating in Accountancy. To this end the Association will undertake to co-operate with all elements, individual or collective within the various States, to the full extent of its national influence.

The National Association, while taking this stand, will not, however yield to a divergence from the true purpose of the profession or countenance the exploitation of the profession by any element whatsoever, be it foreign, national, be it religious, or be it any other element in, or custom of, the profession itself. The Association takes the stand that the value of the "Profession of Accountancy" to the public must be maintained and assisted to express itself to the fullest and truest extent, and, that its value must not be impaired by any, nor assigned but for the benefit of all.

The National Association of Certified Public Accountants feels that there is no adequate general public or professional conception of the economic value of the "Profession of Accountancy." Such value as is generally recognized is only given in the narrow extent which is obtainable and observable from the usefulness of applied units of practice to units of affairs, which valuation does not approach the true value of the aggregate professional result, which only becomes observable and comprehensible when there comes the realization that all our methods and procedures in supplying all our wants and in regulating all our public and private affairs are based upon the story of conditions, requirements, possessions and values told by the accountant, and, that those methods, procedures and regulations are economic and beneficial just to the extent, ~~no more and no less, to which the accountant reports and makes comprehensible~~—THE TRUTH.

So that any and all engagements and commitments of the National Association of Certified Public Accountants needs must be qualified and considered upon its conception of the value of the "Profession as a Whole," and, its unalterable position that the full establishment and maintenance of that value comes first, above all else.

TO OPEN THE QUESTION

The National Association will attempt to lay before you the various aspects and conditions current in the profession of accountancy, with the single purpose of securing out of a widespread general discussion a consensus of views based upon facts out of which it may be able to formulate some comprehensive national policy and plan for the co-ordination and betterment of methods and procedure within the profession, to the end that something definite and standard in the way of general principles may be established which will be acceptable as a national basis upon which the profession of accountancy may be firmly established and that the degree of the profession may be full of meaning and worth. To this end, all members of the profession, no matter what their views may be, are invited to contribute those views to this Association, with the request that such contributions be made in the spirit in which the invitation is extended and that constructive arguments and views be presented, with permission to print.

CUT THIS OUT AND SEND TO US

Kindly send me blank application forms for (1) Membership; (2) Junior Membership in the National Association of Certified Public Accountants.

Signed

Address; Street.....

City

State

Note—C. P. A. as used refers to those licensed by the various States. Figures used are arbitrary, no attempt being made for statistical accuracy, merely to show approximate proportions.

Analysis of the Value "C. P. A." in Accountancy

To plan a campaign which will place the designation C. P. A. in the profession of accountancy in the position which such a designation should occupy, it will be necessary to carefully analyze the professional situation, its methods and practices, as it at present appears, and, to contrast the findings with other activities which may be comparable. To this end certain thoughts are presented for the consideration of the members of the profession.

INVENTORY

We have within the country, as the potential client, 110,000,000 persons, with 2,000 C. P. A.'s to do his job, or about 40,000 persons to one C. P. A.

We have within the country as potential public accountants 1,200,000 accountants, who, to get the C. P. A. designation, would have to work from one to three years, 400 accountants under one C. P. A., who object—even if it could be done.

Our financial reports and statements are signed C. P. A. but are most usually made up and prepared by others—the C. P. A. being usually unfamiliar with the work because there is so much work to be done for 110,000,000 people and only 2,000 C. P. A.'s to do it.

"48" VARIETIES

We have forty-eight administrative State Accountancy Boards under forty-eight State C. P. A. laws giving forty-eight C. P. A. Degrees (Licenses) each one representing the rating of a locality in which rating was made and each one looking more or less askance at the other.

NO C. P. A. PRIVILEGE

We have no general acknowledgment in law or practice of any special value attaching to the licenses so conferred nor any requirement for the signature upon reports or statements of C. P. A. to follow the name of the public accountant signing such reports or statements, nor can the C. P. A. practice before governmental bodies without registration.

PRIVILEGE FOR REGISTERED ACCOUNTANTS

The Federal Reserve Board, the Bureau of Internal Revenue and, so far as we know the various States and Municipalities thereof which undertake to designate accounting service in public matters, make no preference whatsoever on the basis of certification but, with all public accounting service placed on a par, the power of selection of service is reserved by a system of registration of accountants according to standing and recognized ability, regardless of certification.

BUSINESS VALUE

With banking and business institutions the most that can be said of their attitude toward the designation C. P. A. is that, all things being equal, it is desirable and preferable, but non-essential.

ECONOMIC PRESENTATION

According to the 1920 census the total number of those engaged in professional occupations within the United States is 2,152,464. From the census classification, it would appear that all of this number of persons possess degrees within their professions, although the Bureau of the Census has not segregated the items in order that it may be determined just what classes of professional service are included therein.

It is our understanding that there are only approximately in the profession of accountancy within the United States two thousand persons who have a license or degree. In order that our readers may consider what should be the meaning of and the use of C. P. A. the following schedule is presented for them to draw the line and value what this designation should mean in the profession:

Supply Accountants	Rating	Demand Accountants
C.P.A. Licensed	per cent	Estimated
Estimated		Estimated
250	100	500
500	90	1,000
1,250	85	5,000
000	80	50,000
000	75	200,000
000	70	945,500
2,000		1,202,000

Should C. P. A. be 250 at 100 per cent? If not, what should it be?

POLITICAL VALUE

As a political power Certified Public Accountants have been and are at present helpless. The only following they can win to themselves or for themselves and to and for their purposes is just their own small strength within the States and, in the Nation, the strength of about two thousand individuals as modified by forty-eight State divisions and differences in standard and opinion. This lack of power has been witnessed time after time in the abortive efforts of Certified Public Accountants, organized and unorganized, to gain for the profession and the public the desirable public regulation and direction of accounting procedure and practice and to win a public acknowledgment of the necessity and importance of such regulation in the affairs of public and private business and finance. What measure of success that has been obtained in this direction has been obtained through the operations and strength of business organizations with the accounting profession, which has been the inspiration and driving force in the background, left unrecognized as a factor of any importance then or thereafter.

SUMMARY—WHAT DOES C. P. A. MEAN?—WHAT IS ITS VALUE INTERSTATE VALUE

It would appear that the C. P. A. outside of a State has little value above the mere public accountant—in New York State the C. P. A. of New Hampshire, Texas, North Carolina, California, etc., would mean no more and no less to the New York C. P. A. than being merely a New Hampshire, Texas, North Carolina, California, accountant, good enough possibly to be in his own particular State a publicly acknowledged public accountant but not at all fitted to be so acknowledged according to the New York standard. The designation generally has thus professionally, forty-eight different meanings and values. There is of course a more or less general recognition of the value of public accountants of certain States, which recognition, however, comes more from the quality of the practice of the accountants of the States so favored by general recognition, than through the designation itself.

WAIVER VALUE—EXAMINATION VALUE

The general meaning and valuation of certification is not only modified as to locality but also as to the manner in which it was obtained, namely, by waiver or by examination. To those who have received their certification by waiver it amounts to nothing more than a professional "hand-out." To those who have sweated and toiled through scholastic examinations it amounts to the Croix de Guerre of accountancy. To the public it means merely a title to which no public value is given over that of publicly recognized standing and proficiency in the profession.

THOUGHTS FOR STATE BOARDS

The question of policy as to the licensing of certified public accountants is one which we feel should be earnestly considered by the Accountancy Boards of the various States, together with, at the same time, the form and method of examination for certification.

Is the degree to continue to be a costly decoration or will it be made a useful official token of rated value on the basis of what is generally accepted as standard high-grade practical professional capability? Is it to continue to be a reward for scholastic proficiency or will a successful practicing public accountant, publicly honest and publicly honored as such, eventually be officially recognized by certification on the basis of his actual works and public standing?

Will accountants of highest rating by the National Government be considered—

Will high-class instructors of accounting be considered—

Will accountants accepted by the Federal Reserve Board or by the Bureau of Internal Revenue be considered—

Will accountants registered by the States themselves as being worthy and qualified for public service, be finally considered by the Accountancy Boards of the registering States—

— Will such as these eventually be considered on some other than a basis of schoolboy tests?

PROFESSIONAL PRACTICE

Professional practice is one that is generally considered to give a very considerable personal service. It can be engaged in to a very limited extent by proxy. If one engages the services of a surgeon to perform an operation, one expects to have that surgeon render the service, and not some employee in his office. A business man who expects to have an operation on his business and finances expects to have the professional services required in the operation and not those of an employee of the profession. A patient would not be content with a certificate of the professional in lieu of his actual service. Those who engage the professional accountant should receive the professional accounting service of the quality they are led to believe that they have received by the certificate rendered to them.

LEGAL STATUS

The statutes under which accountants are certified, are, generally, statutes which provide for the creation of boards of accountancy created for the purpose of limiting certification to certain public accountants possessing in the estimation of those boards certain specified qualifications, and who have passed examinations which these boards prescribe; to designate such persons C. P. A.; to provide payment of boards for the certificate and fees; and to estop other public and certified public accountants from practicing as certified public accountants and to penalize them when they so practice.

IN FAVOR

There are many accountants who favor and believe in this class of legislation and there are many others who absolutely oppose and object to it. A typical bill of the above described character, embodying the general features of State legislation upon this subject accompanies this issue of the Bulletin, in order that members of the National Association, if not having already done so, may familiarize themselves with this form of legislation, and to more clearly set out the above summary description. This enclosed bill is one which has been presented to Congress to enable the certification of public accountants within the District of Columbia and is sponsored and approved of, without change of any sort by American Institute of Accountants, through its official organ.

IN OPPOSITION

The basis for such objection as exists to general C. P. A. legislation seems to be that it serves no general public purpose and it is claimed that it merely copies after the by-laws of the English Association of Chartered Accountants, not the English law, which is more regulatory than any we have. The opposition to this bill in particular, which may indicate somewhat the feeling of certain accountants toward general C. P. A. laws, is well reflected in a brief filed with the District Commissioners of the District of Columbia, by a committee of accountants, appointed at a public meeting of accountants, held within the District of Columbia, which brief the Bulletin prints below in order that its readers may have both sides fully presented to them.

Analysis of the Value "C. P. A." in Accountancy—Continued.

The Brief

Washington, D. C.,
November 8, 1921.

To the Honorable Commissioners of the District of Columbia, Washington, D. C.:

Sirs:—On behalf of the accounting profession at large, in the District of Columbia, we, the undersigned, being a committee appointed by the accountants in the District of Columbia for this purpose at a public meeting, respectfully call your attention to certain deficiencies and inequalities which exist in Senate Bill 2531, and in a similar bill known as H. R. 8522, now pending before the Congress of the United States and which have, we are informed, been referred to you for investigation and report.

The principal objectionable features of this bill are that it is too broad in certain respects and too limited in others, as shown hereinafter, to wit:

TITLE DEFECTIVE

First—The title of this bill is defective in that it does not state its real purpose, which is to license certain public accountants to practice accountancy under a certain designation and to estop certain others from practicing under such designation, through the medium of a board of accountancy which is created by the provisions of the bill to accomplish this purpose. It is, therefore, suggested that an appropriate name for such a bill would be "To regulate the practice of public accountants within the District of Columbia and to create a board of accountancy for the purpose of administering the provisions thereof."

AMENDED DEFINITION—"PUBLIC ACCOUNTANT"

Second—The definition of a public accountant as given in Section 2 of this bill is too restricted. It is, therefore, suggested that the following definition would, in our opinion, be more comprehensive: "That for the purpose of this act accountancy is hereby defined as a profession, and a public accountant is defined as a member of that profession who is skilled in the science and knowledge of accounts; who is skilled in the proper methods of preparing and presenting financial statements as disclosed by books and accounts, thereby showing actual financial conditions; who is skilled in the proper methods of preparing balance sheets and analyses of costs of manufacturing and other accounts, and in other matters pertaining to accounts or books of accounts within the ordinary definition of the term."

COMPARISON WITH OTHER LICENSED PROFESSIONS

Third—This bill is, superficially, a bill to license certain accountants to practice publicly as "certified" accountants. On any correct theory and practice of license all of those persons engaged in any activity, profession, or calling (when such activity, profession or calling is of such a nature as to require public regulation or control in the public interest by license) should be and are licensed.

The theory of license and the Constitution upon which our laws are based would not permit an attempt to license a part of those engaged in an activity and to allow another part engaged in the same activity to go unlicensed. It would be ridiculous, for instance, to license a skilled doctor, lawyer, or pharmacist to practice and to allow the malpractitioner to practice with freedom from restriction or control; or to say that a skillful taxicab driver is to be licensed as a "certified" taxicab driver, and that a drunken, reckless, irresponsible driver, who is a menace to the public, shall be allowed to drive, unrestricted, uncontrolled, and unaccountable to any one. That is what this bill says of public accountants.

ACTUAL REGULATION SUGGESTED

Fourth—In the opinion of this committee any accountant who lends his name to a misstatement or misrepresentation of facts through reports of financial conditions which are not true statements should be subject to penalties and forever thereafter be debarred

from practicing as a public accountant. Such penalties would have the effect of eliminating from the profession of accountancy any person who might certify to such a statement and have a deterrent effect on those persons who might be inclined, otherwise, to misrepresent facts. It is, therefore, suggested that such a bill as this should contain the following provisions:

"Any accountant, who has been certified under the provisions of this act, who shall make or cause to be made a false entry in any book, or who shall make any report or reports of the conditions of the accounts of any association, company, body politic or corporate, or any individual person, so as to misrepresent the actual financial condition of such association, company, body politic or corporate, or individual person, for the purpose of obtaining credit or other financial gain, or who shall misrepresent such financial condition to others, or who shall sign any report or reports, statement or statements which do not reflect the true status of the account or accounts under investigation, and which contain false entry or entries, shall be deemed guilty of a misdemeanor and shall be imprisoned for a term of not less than one year nor more than five years, at the discretion of the court having jurisdiction."

Fifth—This bill should contain a clause providing "That the board of accountancy created under the provisions of this act shall advertise in the public press the name, number, and cause for revocation of any certificate by it."

Sixth—As it is not desirable to permit accountants, who have not been licensed under the provisions of this act, to practice as public accountants, it is suggested that the following clause be inserted in the bill: "That any person who professes to be a public accountant and who has not been licensed under the provisions of this act, shall be guilty of a misdemeanor and shall be liable to a fine of not less than fifty (\$50) dollars nor more than five hundred (\$500) dollars for each day or fractional part of a day in which such person shall practice the profession of accountancy, within the District of Columbia, at the discretion of the court having jurisdiction."

SUNDRY SUGGESTED CHANGES

Seventh—Section one of this bill provides that no person who has not received a certificate of his qualifications from the board of accountancy created under Section three of this bill shall be known as a "certified accountant" or as a "certified public accountant."

Sections four and six provide that this board shall issue such certificates to certain persons falling within the classifications enumerated below, and to no others:

Class 1. Those who have successfully passed examinations in the theory and practice of accounting and such related subjects as the board may deem advisable.

Class 2. Those who possess certain qualifications mentioned in Section four and who hold certificates as certified public accountants issued under the laws of any state or territory within certain specified limitations.

With respect to Class one we find that, in order to be eligible to procure a certificate from this board the applicant must, in addition to passing the examination successfully, have certain qualifications and have met with certain other requirements.

The necessary qualifications are:

(a) The person must be a citizen of the United States or have declared his or her intention of becoming such citizen.

(b) The person must be over the age of twenty-one years.

(c) The person must be of good moral character.

(d) The person must be a graduate of a high school with a four years' course or must have had an equivalent education.

This committee has no objections to the above mentioned qualifications. But, in addition to these, the person must have done certain things, to wit:

(e) (1) The person must have received a diploma from some recognized school of accountancy and, in addition thereto, the person must have had one year's experience in the employment of a practicing certified public accountant.

Or, (2) in lieu of having received the diploma and having had one year's experience as specified above, the person must have had three years' experience in the employment of a practicing certified public accountant. However, the board may waive the accounting experience mentioned in (e) and hold the certificate in abeyance to certain other classes of persons, to wit:

(1) Those who have qualified otherwise until they shall have served two years in the employment of a practicing certified public accountant; or,

(2) Those who have had not less than five years' actual and continuous experience in auditing the books and accounts of other persons in three or more distinct lines of commercial business; provided such persons also hold diplomas from some recognized schools of accountancy.

An analysis of Section four, clauses (e) and (f), discloses the fact that a person, in order to procure a certificate of his qualifications as a public accountant under the provisions of this bill, must be the holder of a diploma from some recognized school of accountancy and have had at least five years' continuous experience in auditing, or the person must be the holder of a degree from some recognized school of accountancy and have served from one to two years in the employment of a practicing certified public accountant, or if the person does not hold a diploma from some recognized school of accountancy, he or she must have served at least three years in the employment of a practicing certified public accountant.

SERVICE AND SCHOOLING

It is, therefore, clear that this bill has been drawn neither for the purpose of elevating the profession of accountancy nor for the purpose of protecting the business world from the operation of unscrupulous accountants, but for the purpose of bettering certain recognized schools of accountancy, and for the purpose of enabling certain practicing certified accountants to procure the services of junior accountants at a nominal salary. Section four of this bill, as drawn, will encourage the members of the board to interest themselves either actively or passively, for pecuniary reasons, in such school or schools of accountancy in the District of Columbia, as they may see fit to recognize. Section four of this bill, as drawn, will enable a limited number of practicing certified public accountants, in the District of Columbia, to hire skilled accountants at a nominal salary for terms of from one to three years while such practicing certified public accountants receive fees of from \$10 to \$50 or more a day for the services of junior accountants during their apprenticeship.

PRESENT METHODS OPPOSED

Why, we ask, should an accountant be compelled to attend some recognized school or be compelled to work for starvation wages in order to procure a certificate of his or her qualifications as a public accountant? Are the lawyers, doctors, pharmacists, and other professional men and women compelled to do such things in order to procure licenses to practice their professions? In answer to the first question, we will say: "It is because certain persons who are identified with schools of accountancy and certain practicing accountants have drafted this bill to suit their own particular interests."

In answer to the second question we say: "No."

The United States Government has in its employment, in the District of Columbia, thousands of accountants who are fully qualified in every respect to become certified public accountants and who would be glad to avail themselves of an opportunity to take an examination for the purpose of procuring certificates of their qualifications as public accountants. These accountants are debarred from this privilege for the reason that neither they nor the United States Government can afford a separation in order that such employees may qualify under the provisions of this bill. There are in the employment of the United States Government, in the District of Columbia, hundreds of persons who have never received a diploma from a recognized

school of accountancy and who have never served the requisite period in the employ of a practicing certified public accountant, but who have risen high in their chosen profession and enjoy the confidence and esteem of their superiors. These persons are drawing salaries of \$2,000 to \$5,000 per annum.

This bill provides that, despite the knowledge and experience in accounting which these employees possess, the United States Government will not permit them to receive a certificate of their qualifications from this board, created by it, unless they relinquish their positions and work for some practicing certified accountant.

By means of this bill, the United States Government apparently says to its employees: "You can audit the books and accounts of any one whom I may designate, and I will accept your report on such an investigation, as I have full faith and confidence in your ability and integrity; but you cannot audit such books and accounts and certify to the audit for any one else because you have not received a diploma from some school recognized by my board of accountancy, and because you have not served an apprenticeship under Bill Smith, who procured a certificate as a public accountant in Hawaii under the waiver clause."

This committee is convinced that, if for no other reasons than those pointed out to you in our interpretation of Sections four and six of this bill, you will see fit to render an adverse report to the Senate.

CONSTITUTIONALITY QUESTIONED

Eighth—This bill, as drawn, distorts all proper ideas of license and sets the Constitution of the United States aside in attempting to legislate in behalf of a certain class and not in the public interest. If the public practice of accounting is to be regulated it cannot be done unconstitutionally by seeking to set a designation of preference upon a certain small class of public accountants and by allowing the large majority to practice uncontrolled. Such procedure would acknowledge one of two things—first, that the profession of accountancy is not a profession which should be within the public control; or, second, that it is desirable to aggrandize a certain few, at the expense of the many, by means of the conference of a designation or title.

In conclusion, gentlemen, it has been the privilege of this committee to attempt to point out to you that the profession of accountancy is of sufficient public importance to warrant legislative enactment upon which the public interest may be protected, but the provisions of this bill furnish no such basis.

Respectfully,

(Signed)

D. O'HAIRE,
Chairman.
CECIL W. TAYLOR,
Secretary.
For the Committee.

OUR FIRST EXAMINATION

Our first examination has been held—the questionnaire will accompany this issue of the Bulletin. In effect, this examination asks just three big questions:

1. Do you remember your Accounting Primer? (Questions: Theory, Auditing, Commercial Law, Practical Work.)

2. Do you know business and finance and if so, demonstrate that you can render the accounting service which they require. (Business and Finance Thesis.)

3. Can you in person demonstrate your fitness for certification? (Oral Examination.)

The form of the examination proved highly satisfactory.

The detail can and will be improved upon.