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American Institute of Accountants. Trial Board

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taste of readers who confine their attention to the editorial section of this magazine, we must admonish them that,

as this instance shows, they risk failure to acquire important information if they overlook the pages which follow.

American Institute of Accountants

TRIAL BOARD

COUNCIL of the American Institute of Accountants, sitting as a trial board at New York, May 13, 1940, suspended, for a period of one year, a member of the Institute whom the trial board had found guilty of an act discreditable to the profession within the meaning of article V, section 4 (e), of the by-laws, and of violation of rule No. 2 of the rules of professional conduct of the Institute, which provides for discipline of a member who certifies statements containing an essential misstatement of fact or omission therefrom of such a fact as would amount to an essential misstatement, on proper presentation of proof that such misstatement was either wilful or the result of such gross negligence as to be inexcusable.

The formal complaint, on which the trial board acted, included an allegation that the respondent had certified financial statements which to his knowl-

edge understated liabilities of material amounts by failure to disclose the fact that proceeds of a bank loan to the company, evidenced by its promissory note, were improperly credited to an account receivable due from one of its officers.

The complaint also alleged that the respondent had failed to take exception to an overvaluation of inventory of a material amount, which might have been detected by reference to quoted market prices of the commodity in question.

After presentation of the complaint by the committee on professional ethics; a presentation of his side of the case by the respondent; and extensive questioning by members of the trial board in order to bring out the facts and their significance, the trial board found the respondent guilty as charged and inflicted the penalty of suspension for a period of one year.