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Genesis, Growth and Aims of the Institute*

BY W. SANDERS DAVIES

The subject assigned to me for this paper, "The genesis, growth and aims of the Institute," is one full of interest to our profession at large and of still greater interest, I am sure, to the members and associates of the Institute themselves.

We must go back some fifty years when the practice of accountancy as a profession in this country was almost, if not entirely, unknown, although it is more than likely that some men were earning a livelihood by doing some of the things which now fall to the lot of accountants. However, accountancy as a profession in the United States was virtually unknown in 1876. (In Great Britain the practice of accountancy had risen to the height of a profession in the middle of the nineteenth century.) Some years prior to 1887 there were certain men in practice as public accountants in America, notably John Heins of Philadelphia; Walter H. P. Vesey, New York; Barrow, Wade, Guthrie & Co., New York; Deloitte, Dever & Griffiths, New York; Jones, Caesar & Co., New York, and others whose names I do not recall, but to whom we owe a debt of gratitude as being the pioneers of our profession in the United States.

In 1887 these men of vision realized that if their calling was to be raised to the dignity of a profession it was incumbent on them to bring together in a body the men who were holding themselves out to the public as practising public accountants. So they met in conference and as a result there was founded the American Association of Public Accountants, which was granted a charter under the laws of the state of New York in September, 1887, its aim being "to associate into a society or guild for their mutual benefit and advantage the best and most capable public accountants practising in the United States; and through such association to elevate the profession of public accountants as a whole, and to promote the efficiency and usefulness of members of such society by the observance of strict rules of conduct as a condition of membership and by establishing a high standard of professional

* Address delivered at a regional meeting of the American Institute of Accountants, Cleveland, Ohio, May 22, 1926.

attainments through general education and knowledge and otherwise."

The association was a society of individual members at first, and its membership grew slowly because the profession itself grew slowly. Accountancy had not taken a definite place in the business world of the day, although the pioneers were slowly but surely proving to the financial and business interests that accountants have a very definite place in the commercial community. So the profession struggled along until about 1888, when there was a vast influx of foreign capital into this country. With it came the English and Scottish accountants to examine and report on the financial condition of the individual firms and corporations which were desirous of either borrowing funds from foreign sources or of taking advantage of the foreigners' offers to purchase their business. So came the awakening of the bankers and business men of the country to the fact that Great Britain had a band of trained men known as chartered accountants, whose reputation as men skilled in the science of accounts and whose integrity and broad knowledge of business affairs had established their calling as a profession of which the business and financial men of their country were taking full advantage. Business men were relying on accountants' reports and certified accounts to determine whether these, in conjunction with such other information as they had gathered, would justify investment. In my opinion, from this time may be dated the acceptance of the profession and acknowledgment of the need of accountants in the financial affairs of the United States. Naturally the ranks of the profession began to fill and the American Association of Public Accountants began to increase its membership and its usefulness.

In 1895 the profession had so grown in numbers that a movement was afoot to obtain its recognition by the various states, and in the year 1896 the American Association of Public Accountants effected the passage of the first certified public accountant law in the United States, that of the state of New York. Other states followed in comparatively quick succession, the whole movement being fathered by the American Association of Public Accountants. Then came the need of bringing the practising accountants in the various states into closer association with each other, and this was followed by the formation of state societies, which led the American Association of Public Accountants to change its constitution and by-laws so that members were admitted not

only directly, but also as members of state societies. For many years the association continued to carry on its affairs under these conditions, members being either members at large voting individually or society members voting through accredited delegates of the societies. This dual classification of membership continued for many years. The American Association of Public Accountants prospered and membership in it began to be an open sesame to the banking and business world, because it was known that its members were men of integrity and proven practice, and that the association sought to admit only those in whom the business world might place full confidence as to their ability to carry out any accounting work which might be entrusted to them.

About 1905 the American Association of Public Accountants felt the need of a means of disseminating information regarding the profession through which the many technical papers read at the annual meetings of the association or at the meetings of the state societies might be made available to the public in general, as well as to its members who, owing to geographical situation and other causes, were unable to attend its meetings and so to benefit by the papers read. This was not undertaken directly by the association, but several of its members undertook to publish such a journal as was desired. The Accountancy Publishing Company was formed for this purpose, and in 1905 the first number of *THE JOURNAL OF ACCOUNTANCY* was issued as the official organ of the association.

During all these years the association had been trying to bring its members to a realization of the necessity of being ethical in their activities, and especially to restrict advertising, which had become most objectionable and many times contained statements which were very far from the truth. This caused some dissension and irritation, but finally the greater number of the members saw the difference between a profession and a commercial undertaking, and advertising eventually become taboo.

The American Association of Public Accountants was always endeavoring to better the profession, and to aid its members. In 1912, coöperating with the Ronald Press Company, the association took over the control of *THE JOURNAL OF ACCOUNTANCY*. In January, 1921, the Institute assumed the sole responsibility of publication.

About the year 1916, it was becoming more and more evident that the dual membership, i. e., members at large and member-

ship through state societies, was not satisfactory, especially if members were to be disciplined for acts of omission or commission which brought the profession into disrepute. It was evident also that the profession should set its own standard of ability and hold its own examinations.

The questions of change in form of membership, holding examinations for admission, professional ethics, etc., were much discussed in 1916, and at the meeting held on September 19, 1916, the American Association of Public Accountants was merged into the American Institute of Accountants, a society of individual membership, its objects, as stated in article I of the constitution, being: ". . . to unite the accountancy profession of the United States; to promote and maintain high professional and moral standards; to safeguard the interests of public accountants; to advance the science of accountancy; to develop and improve accountancy education; to provide for the examination of candidates for membership, and to encourage cordial intercourse among accountants practising in the United States of America."

About this time George O. May discussed with certain members of the Institute the question of founding a library and bureau of information to which members might submit questions confronting them and obtain, without the disclosure of names on either side, opinions from other members who were qualified to give them, and where general information on accountancy publications, pamphlets, etc., might be obtained. At this meeting Mr. May offered a subscription for this purpose. The splendid work then undertaken resulted in an endowment fund in excess of \$200,000, an accounting library of great value, and a bureau obtaining and sending out answers to questions submitted by the members.

The growth of the Institute none can deny. In 1916, at its inception, it inherited 1,115 members and 64 associates from the American Association of Public Accountants; today, after a period of less than ten years, it has 1,647 members and 394 associates. But as you know, it is not numbers that count in a profession such as ours, but rather the steady influx of well qualified men. Then, too, growth does not consist merely in number of members, but in what has been attained since the Institute was formed in 1916, and became a society of individual members. What has the Institute accomplished?

Genesis, Growth and Aims of the Institute

- (1) It has an accounting library second to none in the country.
- (2) It has a board of examiners which sets the papers for the Institute examinations held twice a year. These examinations are used by a majority of the state boards of accountancy.
- (3) It publishes a technical paper, *THE JOURNAL OF ACCOUNTANCY*, which is a valuable addition to any library.
- (4) It has published three books:
Audit Working Papers,
Duties of the Junior Accountant,
Introduction to Actuarial Science.
The copyrights of these books have been donated to the Institute by the authors.
It has also published the *Accountants' Index*, one of the most valuable accountancy books ever produced.
- (5) It furnished the federal reserve board with the content matter of *Approved Methods for the Preparation of Balance-sheet Statements.*
- (6) It has kept in touch with all legislation affecting the profession, supporting that which was good and opposing that which was bad, and has been a prime mover in almost all C. P. A. legislation.
- (7) It has coöperated with the treasury department with regard to income-tax regulations, practice before the board of tax appeals, simplification of tax-return blanks, and in anything the department has asked of it.
- (8) It has a special committee on public affairs which has issued five letter-bulletins:
 1. Arbitration,
 2. The crime tendency,
 3. Credit frauds,
 4. Federal tax simplification,
 5. Arbitration.
- (9) It has taken much interest in the development of regional meetings and has assisted in the preparation of programmes. These regional meetings are held in various parts of the country and are doing much to bring the accountant to the attention of the business public.
- (10) Through a special committee it has had close relations with bankers represented by the Robert Morris Associates.

- (11) It has encouraged the formation of local chapters of the Institute.
- (12) It has adopted a most rigid code of ethics (rules of professional conduct) and has a committee on professional ethics which receives, investigates and reports upon complaints against members. This committee has had some arduous duties to perform and in several cases it has reported prima-facie evidence of a breach of one or another of the rules of professional conduct. The members held to be in error have appeared before the council sitting as a trial board, and such punishment has been meted out as the facts disclosed warranted, varying from reprimand and suspension to expulsion.
- (13) In short, the Institute has worked unceasingly for the good of the profession, the upholding of standards of ability and ethics, and for the protection of the public by endeavoring to stamp out everything in accountancy which bordered on chicanery and deceit.

Much more might be said in detail but I have endeavored to touch on some of the more important things.

So much, then, for the growth of the Institute, and now as to its aim. In speaking of its being and its growth, its aim has necessarily been disclosed, but to summarize I would say that the aim of the Institute is :

- To be a society setting the highest ideals to be followed by the profession;
- To embrace in its membership all practising accountants who can qualify and are willing to live up to the standard of ethics governing its members;
- To expand the usefulness of the library and especially the circulating feature of it; to extend the field of the bureau of information and to conduct a research laboratory;
- To bring before university and college authorities the desirability, where the curriculum permits, of preparing men to enter the profession;
- To place before the public information on accounting, arbitration, taxation and kindred matters which will show the thought that accountants give to matters of finance and taxation and the desirability and necessity of the employment of accountants by the financial and business world as advisors,

Genesis, Growth and Aims of the Institute

auditors and arbitrators, for all of which they are eminently fitted by their training and education.

Finally, I see as in a vision, and at no great distance, the day when our profession will be held by the public in as high esteem as are law, medicine, or engineering, and the American Institute of Accountants will be universally accepted in relation to accountancy as the bar association, the medical association or the engineering societies are to the other professions.