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Secretary's Report

American Association of Public Accountants

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American Association of Public Accountants

Secretary's Report

TO THE BOARD OF TRUSTEES OF THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS

GENTLEMEN—I have the honor to submit herewith the secretary's report for the fiscal year ended August 31, 1914.

Before discussing in detail the principal branches of activity which have engaged the attention of the secretary during the past year it may be permissible to draw attention to a few abstract questions which, although not directly concerned with secretarial duty, seem to be of sufficient importance to merit the consideration of the trustees of this association.

GROWTH OF THE ASSOCIATION

During the first few years of the association's existence after the amalgamation in 1905, the membership increased with considerable rapidity, owing to the admission of one or more state societies each year; but the time has now come when the number of new societies to be admitted is necessarily small and made even less than it might otherwise be by that provision of the constitution of the association which restricts membership to certified public accountants. There are now twenty-six state societies (Delaware having been admitted during the year), and there are thirty-three states which have enacted certified public accountant laws. Three of our present societies are in states in which there is no C. P. A. legislation. Consequently on the present basis of state laws there remain only ten states in which societies could be formed with the immediate prospect of being admitted to the association. These states are Florida, Maine, Nebraska, Nevada, North Carolina, North Dakota, Utah, Vermont, West Virginia, and Wyoming. Movements have been started in some of these states with the idea of creating societies, but in the majority of the ten states mentioned the number of accountants is so small that there seems to be little likelihood of the early creation of societies.

In the state societies which now exist the rate of increase in membership is comparatively slow, owing partly to the small number of new degrees granted and also to the fact that many accountants, chiefly among the less prominent in the profession, have not been convinced of the advantages which membership will bring to them.

Because of these facts it seems that a special effort should be made to induce all certified public accountants presently in practice, whose qualifications are satisfactory, to become affiliated with one of the state societies. This is a work which naturally must devolve upon the societies themselves, but I believe that the membership might be increased by at least twenty-five per cent without in any way lowering the standards or sacrificing the ideals of the association. Inasmuch as

a steady growth is the best indication of corporate health, it appears that one of the most important things to be done by the association and its members is to stimulate interest in the association and to induce the incoming of new members.

STATUS OF ACCOUNTANCY

During visits to state societies your secretary has been convinced that many society members are inclined to take a narrow view of their professional responsibilities and to overlook the national aspects of their vocation. This is due in large measure to the fact that such reciprocity as exists between states is more or less nominal and in some cases there is no attempt and apparently no desire to enter into reciprocal relations with accountants in neighboring states. This fact has long been recognized by the leaders of the association and sporadic efforts have been made to bring about some sort of nationalization of the profession which would result in the obliteration of state lines and in the creation of national accounting sentiment. As time goes on this need becomes more evident, and I feel strongly that the association should make another and a whole-hearted effort to bring about some sort of reform which will place the profession on a firm foundation throughout the country. It is certain that some of our states are not likely to enact C. P. A. legislation for many years to come. In some places accountancy is almost unknown, and if legislation were to be enacted it would probably be as the result of not altogether disinterested individual effort and would lead to possible bitterness among the few accountants practising in those states. If, on the other hand, the profession could be placed upon a national basis the jealousies between states and the chance of undesirable legislation would be reduced to a minimum. I think many accountants will agree that it would not be desirable to do anything which would place the profession under governmental or bureaucratic control. It might be desirable to seek a charter for the American Association whereby it would have authority to conduct examinations and to issue certificates whose recognition would be country-wide. Or it might be more desirable that the issuance of certificates should rest with a professional board, provided it were unhampered by any governmental department. These are details, however, which must be settled later. The great point as it appears to me now is to take steps so to adjust the regulation of the profession as to avoid the antagonism which exists between many of the states and which in turn involves the individual accountants practising under the several state laws. Naturally it will be a matter of difficulty to change the existing conditions, but I firmly believe that something should be done to bring about a more harmonious national feeling among practising public accountants.

THE PROFESSION AT LARGE

Acting under instructions of the executive committee, your secretary has made another tour of the state societies. During the year he has visited the following state organizations: Colorado, Delaware, Illinois, Kansas City chapter of Missouri, Louisiana, Michigan, Minnesota, New York, Ohio, Oregon, Pennsylvania, San Francisco and Los Angeles chapters of California, Texas and Washington.

Engagements to visit Georgia, Kentucky, St. Louis chapter of Missouri and Tennessee had to be cancelled owing to the necessity of being in Washington at the times arranged for these meetings. The secretary also attended a meeting of accountants in Jacksonville, Florida, where the formation of a state society was discussed. This society has not yet been formally organized, but accountants in Florida are agreed that there should be a society and its formation is probable in the near future.

In the course of his tour the secretary also attended and addressed several accounting classes and commercial clubs, rotary clubs and similar bodies.

This second tour of the secretary was productive of more satisfactory results than that made in the preceding year, owing to the possibility of getting into closer touch with individual accountants and thus gaining a better conception of the ideas and desires of accountants as a whole. Speaking generally, it may be said that there is a distinct tendency to raise the standards and to make more rigid the regulation of the profession. Nine out of ten of the accountants in the association are animated by the highest ideals, and the principles which have been inculcated by the association are being readily adopted by the great majority of its members. There is far less competition and far more good fellowship among members of the various state societies than existed a few years ago, and the effect of this must be to increase the power of the association and to render more valuable the accountant's service to the public.

It is gratifying also to report that bankers and business men generally are much better acquainted than they were with what accounting is and should be, and the extent of practice of the average accountant is advancing at a rate which is entirely satisfactory.

EDUCATION

Without attempting to encroach upon the field of the committee on education, the secretary desires to draw attention to the fact that in nearly every state where accountancy is known there is a hopeful readiness on the part of accountants to participate in the labor of accountancy education. Accounting classes are conducted in many parts of the country, and in nearly every case a great portion of the educational work is undertaken without thought of compensation other than the betterment of professional training. Business men also are beginning to recognize the need for encouragement of technical education, and the enormous number of men attending schools of commerce, finance, business administration and the like throughout the country is conclusive evidence of the interest which the younger men are taking in the chances now offered them to prepare in the best way for their business and professional careers.

ADVERTISING

The subject most discussed at meetings of state societies which your secretary has attended has been that of professional ethics, with particular reference to the question of advertising. During the year several complaints concerning the methods of personal advertisement adopted by some of the accounting firms have been received and placed before the committee on ethics.

It is instructive to consider how widespread is the interest which is being taken by accountants generally in this vital question of bringing before the public the value of accountancy and doing so without in any way jeopardizing the professional status. Following the example set by the association, some of the state societies have adopted the principle of issuing pamphlets showing what accountancy may do in certain specific kinds of work. Some of the individual firms have followed the same line of endeavor and without undue prominence given to their own firm names have distributed literature which probably will have a beneficial effect, particularly in the smaller cities. Other accountants have adopted methods which have led to the complaints already mentioned. So diverse has been the manner of approaching the public that it is difficult to draw the line between what is good and what is evil, but no one who has considered the question

will deny that the class of advertising emanating from accountants during the past year has been on the whole much better than some of the earlier efforts of practitioners to present their claims to public attention.

Many members of the association feel that the national organization itself should do more than it has done in advertising accountancy and several valuable suggestions have been received and transmitted to the committee charged with that department of association activities.

INCOME TAX

Shortly after the beginning of the fiscal year now ended the income tax bill became law, not altogether in the form which accountants would desire, but in a form so infinitely preferable to that of its predecessor, the federal excise tax, that there is small cause for complaint. As soon as the administration of the new law began it became apparent that an enormous amount of work would be thrown upon public accountants. In many parts of the country this work was sufficiently heavy to render it almost impossible for accountants to handle it competently. Although the relief afforded by the permission to adopt a natural fiscal year in the case of corporations has been gratefully recognized by accountants, it nevertheless remains true that the great bulk of the work is condensed within the first two months of the calendar year. As time goes on this congestion will become even worse, and it is therefore hoped that congress may be induced so to amend the income tax law as to extend to firms and individuals the privileges which now are given to corporations only. The work which was thrown upon accountants at the beginning of this year, heavy as it was, will certainly be exceeded in coming years. Many people who endeavored to avoid the employment of accountants have seen the error of their ways and will call for assistance when the time for their next reports arrives.

Not the least valuable feature of the accountant's relation to the income tax law is the increasing prestige which he obtains among the business community. The monetary return is naturally large, but of greater importance is the fact that the accountant is necessarily recognized as the one man to whom the taxpayer may look for efficient advice and aid.

FEDERAL LEGISLATION

During the year there has been comparatively little need for activity in Washington. After the passage of the income tax law few measures were introduced which had an intimate relation to accountancy. In the urgent deficiency bill last March there was an unfortunate provision inimical to the employment of public accountants in the government service. All efforts to eliminate this clause were unavailing.

The interstate trade commission bill and the federal reserve bank act will have a direct bearing upon public accountancy, but it has been felt that the best way in which to encourage close relations between the government and accountants in these matters will be to deal directly with the commissions and boards concerned with the administration of the laws in question.

JOURNAL OF ACCOUNTANCY

Once more it is possible to report that THE JOURNAL OF ACCOUNTANCY continues to progress. Its circulation is increasing steadily and the class of articles submitted for publication is excellent. In all parts of the country your secretary has been informed that THE JOURNAL is

considered one of the most valuable contributions to accountancy and it now appears as though it were at last permanently on the highroad to success. There is need, however, for constant attention and for a continuance of general interest in THE JOURNAL's welfare. As editor, I take this opportunity to renew my earnest plea for articles from members of the association. We have set a high standard during the past year. I trust that there will be no necessity to lower that standard, but rather that during the year now beginning THE JOURNAL will not only maintain its position but greatly enhance its influence and widen its scope.

The business management of THE JOURNAL is still in the hands of the Ronald Press Company and the long-discussed contract for publication is finally a fact. With the execution of a contract THE JOURNAL is placed in a more stable position, and it may be expected that during the coming year the circulation and advertising will show as great an increase as in the year now past.

YEAR BOOK

The 1913 YEAR BOOK of the association was published on December 20th. Under agreement with the publishers, one half of the profit from publication is the property of the association. The profit is naturally small, but it is well that the year book is at least self-supporting. The number of copies printed this year was nine hundred and eighty, of which practically all have now been sold. There are still many members of the association who do not purchase the year book, and I therefore take the liberty of urging again that members signify their interest in association work by obtaining the year books as they appear.

CERTIFIED PUBLIC ACCOUNTANTS

I regret that it is necessary to report again that some of our state boards of accountancy do not supply this office with data relative to degrees granted and revoked in their states. The card index containing the names of certified public accountants is growing slowly but is still far from complete. The lack of full information as to all certified public accountant certificates issued is a handicap in the work of the office which might easily be overcome if members of accountancy boards would remember the requests which have been made to them for details.

KINDRED ORGANIZATIONS

In conclusion I desire to draw attention to the probable value of establishing closer relations with other organizations of somewhat similar character. I believe that wherever possible members of the association should seek to cooperate with such bodies as the American Bankers' Association, the National Association of Credit Men and others of a like nature. All these organizations are working for the betterment of commercial and financial conditions and are ready to welcome the assistance which this association can render.

By the personal effort of members of the association it should be possible to work harmoniously with individual members of kindred associations, and it cannot be disputed that the greater the accountants' service to the cause of business progress the greater will be the benefit to accountants themselves.

Respectfully submitted,

A. P. RICHARDSON,

Secretary.

NEW YORK.

September 1, 1914.