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## Report of the President

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## American Institute of Accountants

### Report of the President\*

It is hard to realize that a year has rolled by since you elected me president of the institute and that the time has come when I must give an account of my stewardship.

A year ago we decided to change the form of organization, and from being an association composed of state societies of accountants, became an institute composed of individual members. This change was unanimously agreed upon—although some of us may have had misgivings as to whether we had decided wisely—but now there is not any doubt of the wisdom of the change, and I am sure that it was made none too soon.

The year has been a very active one and the committees have been called upon to give much attention to the matters submitted for their consideration.

The council meeting held in New York on April 9 was attended by twenty-eight members out of thirty-nine—a highly satisfactory attendance, members being present from Seattle, Portland (Oregon) and San Francisco.

At this meeting, in addition to discussion of the various committees' reports submitted, there was special discussion of the report of the committee on professional ethics; and a standard of ethics was accepted and laid down, which has been printed as *Rules of Professional Conduct* and sent to all members. It is right and proper, of course, that we should have rules of professional conduct, but I cannot help thinking that each member of the

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institute should have such a pride in the profession that his own standard of ethics should be even higher than those which were adopted; and I feel sure that the time will come when, rigid as are the rules laid down at the moment, they will be revised and made still more rigid.

During the year the institute has been in close touch with the various state societies throughout the country, has done everything in its power to assist them, and has suggested to C. P. A. applicants for admission to the institute the desirability of joining the state societies.

I had the pleasure of attending the tri-state meeting of the Delaware, Maryland and Virginia societies held in Wilmington, Delaware, on April tenth and eleventh, and congratulate those societies on being able to get together so efficiently, and also on the quality of the papers and discussions.

*The Journal of Accountancy* continues to increase its circulation and has maintained the standard of efficiency which the committee on publication has set for it. It is a source of income to the institute, and we should endeavor to obtain new subscribers.

The nation's entrance into the world war on the sixth of April, after submitting to insults and indignities which only a nation desirous of maintaining neutrality would have accepted, has changed the whole trend of our national life and given us but one object as individuals and as a nation to which we are to devote ourselves—the overwhelming of the enemy.

Your executive committee on the declaration of a state of war with Germany immediately took up the discussion as to how best the institute might support President Wilson and the administration, the outcome being, as you know, the appointing of an institute defense committee, which was constituted the accountancy committee of the General Munitions Board of the Council of National Defense, and has now become the accountancy committee of the War Industries Board.

This committee, paying its own expenses and serving without any remuneration, has worked faithfully and unstintingly for the government and our profession. It has accomplished many things, and was able to obtain the services of fourteen members as divisional auditors in charge of the accounting at the cantonments which are now in course of construction.

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It also suggested other accountants to determine for the surgeon general's department what per cent. of overhead should be added in certain contracts, and has given its opinion and advice on many questions arising in connection with cost, in what are commonly known as "cost-plus contracts."

You will not expect me to go into details regarding this committee's work at this time, for there are many things that it would not be expedient to disclose and others which I would not be at liberty to mention. Before I leave the subject, however, I would say that I am convinced the institute has attained a position which will benefit all its members in the future, if not in the present, and has been able to place the profession in a position which I very much doubt could have been attained had we been organized as we were a year ago.

The response of the members to the call for service was simply splendid. At no time since the war began have individual members refused the call of the institute, but in almost every instance have placed themselves unreservedly in the hands of the defense committee and undertaken government assignments at much inconvenience to themselves. It is such loyalty as this which makes a society of professional men worth while.

The institute held its first examinations, both oral and written, on June fourteenth and fifteenth last, the result being that out of one hundred and twenty-one candidates for admission ninety-three successfully passed the examinations, twenty-four being admitted as members and sixty-nine as associates, while thirteen failed in one subject and are eligible for re-examination. This, I feel sure you will agree with me, is a satisfactory result of the first examinations, and now that the questions can be scanned by those who wish to enter the institute, I think we will have many more applicants for future examinations.

One very satisfactory condition prevails, viz., that several state boards of examiners adopted the questions set by the institute, and the examinations in their states were held simultaneously with those of the institute. I need not dwell further on this, as the matter will be dealt with in other reports.

I take this opportunity to thank the members of the board of examiners, on behalf of myself and the institute, for the vast amount of time which they have devoted to their work, and to

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assure them that had I realized how much work would devolve on them I might have hesitated to ask any member to give up so much of his time.

In February last Mr. George O. May made the splendid offer on behalf of himself and partners to start an endowment fund to provide permanent headquarters, statistical department, etc., for the institute, with the details of which you are all familiar.

I wish, however, to bring before you the main thoughts connected with the establishing of this endowment fund:

1. The intention is to raise a fund of \$150,000, the interest from which would, together with an amount equal to the rent at present paid, pay the rent of more desirable headquarters and the salaries of a librarian and a statistician.
2. That at headquarters we should have a library available to the members.
3. That in the library should be available such statistics bearing on accounts, accountancy and related subjects as may be obtainable. Beyond this, several of the larger firms of accountants which now have statistical departments have placed them at the service of the institute, withholding only matters which might be of a private or confidential nature.
4. That at headquarters should be a meeting room and rooms available for out-of-town members at which to meet their clients or otherwise make use of when in New York.
5. That through the statistician or the secretary of the institute any members might submit questions confronting them in their practice on which they desired professional opinions other than their own. These opinions would be obtained and transmitted without the name of the inquirer or that of the member answering the inquiry being disclosed.
6. Generally to make the members of the institute feel that, having desirable quarters, the profession was one in which every member had more than a passing interest.

You all know how our meeting with each other at the conventions from time to time has brought us to a greater regard for

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one another than when we only knew each other by seeing our names listed as members of the institute. You will all agree with me that our profession and the institute are making rapid strides, and I am convinced that the carrying out of the proposed project will make for still greater advancement.

Unfortunately the war came on us and we were in a quandary as to how the matter should proceed. After careful consideration the executive committee, in consultation with the chairman of the committee on endowment and the chairman of the committee on collection of the endowment fund, decided to leave the matter in abeyance until October, when definite action looking to the establishing of the endowment fund will be taken and a way devised to meet the objection of certain members who, while absolutely in accord with the proposition, do not think the time propitious.

As you are aware, for several years the American Association of Public Accountants had a federal legislation committee which was working in conjunction with the Federal Trade Commission, of which the Hon. Edward N. Hurley was chairman. This committee continued in office after the organization of the institute. It gave its advice and opinions on several of the retail cost systems which the Federal Trade Commission had under consideration and discussed the question of audits and accountants' certificates on balance-sheets in connection with loans by banks to borrowers. At Mr. Hurley's request, the committee submitted an exhaustive report on balance-sheet audits, which was very fully discussed with him and his assistants. About the time this was rounded out Mr. Hurley resigned as chairman of the Federal Trade Commission and turned the matter over to the Federal Reserve Board. After several discussions with Mr. Delano and other members of the Federal Reserve Board, in which Mr. Hurley participated, the treatise known as *Uniform Accounting* was issued, printed in the April issue of the *Federal Reserve Bulletin*, and reprinted and distributed in pamphlet form, a copy of which has been furnished to all the members.

Many other matters have been decided in the ordinary routine of the institute's business, all making, as I see it, for the advancement of the profession and the firm establishing of the institute as the pivotal point where the activities of the profession will be centered.

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To all the committeemen who have served during the year my thanks are extended, especially to the executive committee, which has had many pressing matters to consider and has consequently had far more meetings than an ordinary year necessitates.

Much has been accomplished by the education committee, but there is much ahead of it, for it seems to me that in order to popularize the institute examinations it should lay down a curriculum for accounting schools and colleges to follow, which would be acceptable to the board of examiners and the council, so that a student taking the course would have reasonable assurance of his ability to pass the institute examinations.

I wish to thank you for your deep interest in the institute and loyalty to me and to express again the hope that you will do all in your power to bring the institute to the notice of those intending to follow the profession and induce men to take the necessary steps to become members. Remember that the profession will outlive us, and our duty in the present is to do the best that is in us to make the profession respected and to build up for those who follow us.

I cannot conclude without thanking the secretary, Mr. A. P. Richardson, for the admirable way in which he and his staff have conducted the institute's business during the past year and for the valuable advice and assistance he has given me during my term of office.

W. SANDERS DAVIES, *President.*

New York, September 1, 1917.