

### Report of the Board of Examiners

TO THE COUNCIL OF THE AMERICAN INSTITUTE OF ACCOUNTANTS :

GENTLEMEN: At its meeting on October 8, 1930, the board of examiners organized by electing Charles B. Couchman, chairman; Andrew Stewart, treasurer, and A. P. Richardson, secretary.

During the fiscal year the board has held eight meetings and has conducted examinations with the following results:

	<i>Passed</i>	<i>Conditioned</i>	<i>Failed</i>
September, 1929:			
Number taking all subjects.....	1		
November, 1929:			
Number taking all subjects.....	2		5
Number taking one subject.....	2		3
February, 1930:			
Number taking all subjects.....	1		
April, 1930:			
Number taking all subjects.....	1		
May, 1930:			
Number taking all subjects.....		2	3
Number taking one subject.....	1		3
August, 1930:			
Number taking all subjects.....	1		

Examinations were conducted in the following cities:

<i>Written</i>		<i>Oral</i>
	SEPTEMBER, 1929	Washington, D. C.
	NOVEMBER, 1929	Chicago New York
Boston Chicago Louisville New York St. Paul	FEBRUARY, 1930	Birmingham
	APRIL, 1930	Boston
	MAY, 1930	
Boston Buffalo Chicago Louisville New York St. Louis	AUGUST, 1930	New York

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Following are the results of examinations of applicants classified by grade of membership:

	<i>Passed</i>	<i>Conditioned</i>	<i>Failed</i>
September, 1929:			
For admission as member.....	1		
November, 1929:			
For admission as members.....	2		7
For admission as associates.....	2		1
February, 1930:			
For admission as associate.....	1		
April, 1930:			
For admission as member.....	1		
May, 1930:			
For admission as members.....	1		3
For admission as associates.....		2	3
August, 1930:			
For admission as member.....	1		
Aggregate for year.....	9	2	14

During the year 35 applicants were recommended for admission as members and 3 for admission as associates on credit for other examinations; 17 applicants were recommended for membership and 7 for admission as associates, having passed the Institute's examination for a C. P. A. certificate. Twenty-four associates were recommended for advancement to membership.

One applicant for membership whose name was included in the report of the board of examiners for the year ended August 31, 1929, was elected during the fiscal year ended August 31, 1930.

In addition, examinations for C. P. A. registration were held by 34 state and territorial boards coöperating with the Institute under its standard plan, with results as follows:

	<i>Passed</i>	<i>Conditioned</i>	<i>Failed</i>
November, 1929 .....	52	69	431
May, 1930 .....	58	50	383
Aggregate for year.....	110	119	814

Following are the states and territories which used the Institute's examination questions:

November, 1929:

Alabama, Arizona, Arkansas, California, Colorado, Florida, Idaho, Indiana, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New Mexico, Nevada, North Carolina, Oregon, Rhode Island, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, West Virginia.

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Alabama, Arkansas, California, Colorado, Delaware, Florida, Hawaii, Idaho, Indiana, Iowa, Kansas, Louisiana, Maine, Massachusetts, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, Nevada, Oregon, Porto Rico, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, Wyoming.

As a result of its experience in attempting to determine the qualifications of applicants for admission to the Institute the board recommended several changes in the by-laws affecting the requirements for admission. The committee on by-laws approved the changes and they were formally proposed in the notice of annual meeting sent all members and associates under date of August 11th.

The board desires to report that the Elijah Watt Sells scholarship prize was not awarded this year. None of the applicants for admission to the Institute who passed at the May, 1930, examinations presented papers which seemed to be of sufficient merit to justify distinction.

Respectfully submitted for the board of examiners,

CHARLES B. COUCHMAN, *Chairman.*

September 15, 1930.

## Report of the Board of Examiners

TO THE COUNCIL OF THE AMERICAN INSTITUTE OF ACCOUNTANTS:

GENTLEMEN: At its meeting on October 30, 1930, the board of examiners organized by electing Elmer L. Hatter, chairman; Allan Davies, treasurer, and John L. Carey, secretary.

During the fiscal year the board has held five meetings and has conducted examinations with the following results:

	<i>Passed</i>	<i>Conditioned</i>	<i>Failed</i>
September, 1930:			
Number taking all subjects.....	2		
October, 1930:			
Number taking all subjects.....	1		1
November, 1930:			
Number taking all subjects.....	3	1	6
Number taking one subject.....			5
December, 1930:			
Number taking all subjects.....	1		
April, 1931:			
Number taking all subjects.....	1		
May, 1931:			
Number taking all subjects.....	1	3	5
Number taking one subject.....	1		5
June, 1931:			
Number taking all subjects.....			1

Examinations were conducted in the following cities:

<i>Written</i>		<i>Oral</i>
	SEPTEMBER, 1930	Colorado Springs
	OCTOBER, 1930	Chicago New York
	NOVEMBER, 1930	San Francisco
Boston Buffalo Chicago Louisville New York Philadelphia Porto Rico Seattle Shreveport, Louisiana	DECEMBER, 1930	San Francisco
	APRIL, 1931	Chicago

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<i>Written</i>	MAY, 1931	<i>Oral</i>
Boston		
Buffalo		
Chicago		
Houston		
Nashville, Tennessee		
New York		
Olympia, Washington		
	JUNE, 1931	New York

Following are the results of examinations of applicants classified by grade of membership:

	<i>Passed</i>	<i>Conditioned</i>	<i>Failed</i>
September, 1930:			
For admission as members.....	2		
October, 1930:			
For admission as members.....	1		1
November, 1930:			
For admission as members.....	1		4
For admission as associates.....	2	1	7
December, 1930:			
For admission as member.....	1		
April, 1931:			
For admission as member.....	1		
May, 1931:			
For admission as members.....		1	4
For admission as associates.....	2	2	6
June, 1931:			
For admission as member.....			1
Aggregate for year.....	10	4	23

During the year 15 applicants were recommended for admission as members and 10 for admission as associates on credit for other examinations; 15 applicants were recommended for membership and 10 for admission as associates, having passed the Institute's examination for a C. P. A. certificate. Nineteen associates were recommended for advancement to membership.

One applicant for membership whose name was included in the report of the board of examiners for the year ended August 31, 1930, was elected during the fiscal year ended August 31, 1931.

In addition, examinations for C. P. A. registration were held by 34 state and territorial boards coöperating with the Institute under its standard plan, with results as follows:

	<i>Passed</i>	<i>Conditioned</i>	<i>Failed</i>
November, 1930.....	61	80	426
May, 1931.....	57	85	363
Aggregate for year.....	118	165	789

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Following are the states and territories which used the Institute's examination questions:

November, 1930:

Alabama, Arizona, Arkansas, California, Colorado, Florida, Idaho, Indiana, Iowa, Louisiana, Maine, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New Mexico, North Dakota, Oregon, Rhode Island, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, West Virginia.

May, 1931:

Alabama, Arizona, Arkansas, California, Colorado, Delaware, Florida, Idaho, Indiana, Iowa, Kansas, Louisiana, Maine, Massachusetts, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Dakota, Oregon, Porto Rico, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, West Virginia.

Respectfully submitted for the board of examiners,

ELMER L. HATTER, *Chairman.*

September 14, 1931.

## Report of the Board of Examiners

TO THE COUNCIL OF THE AMERICAN INSTITUTE OF ACCOUNTANTS :

GENTLEMEN: The board of examiners has held 7 meetings during the past fiscal year.

In addition to the regular routine work of passing on the qualifications of applicants for admission to the Institute and the preparation and conduct of examinations, the board has given consideration to the requirements for admission. The board has suggested to the committee on by-laws that amendments be proposed providing that applicants for associateship as well as for membership must be engaged in public accounting practice at the time of application in order to be eligible for admission to the Institute. Under the present by-laws accountants who have had a few years of public accounting experience are eligible for admission as associates even though they may have been in private employment for many years. Since the Institute is an organization of practising public accountants, concerned entirely with professional affairs, it seems logical that only persons engaged in professional practice should be admitted. The committee on by-laws has reported the board's suggested amendments with a recommendation that they be adopted.

During the year the board has effected several economies in the administration of its affairs, in spite of which it incurred a deficit. At the request of the executive committee the chairman of the board submitted an exhaustive analysis of its activities and its financial condition, which indicates that the expenses of the board are not excessive in view of the services which it performs. The board has been advised that the executive committee will distribute copies of the memorandum for the information of the members of the council.

It is a pleasure to report that at the May, 1932, examinations two states were added to the list of those which avail themselves of the Institute's examination service, making a total of 37 coöperating states and territories.

During the fiscal year the board has conducted examinations with the following results :

	<i>Passed</i>	<i>Conditioned</i>	<i>Failed</i>
September, 1931:			
Number taking all subjects.....	1		
November, 1931:			
Number taking all subjects.....	3	2	3
Number taking one subject.....	1		2
January, 1932:			
Number taking all subjects.....	3		
February, 1932:			
Number taking one subject.....	1		
March, 1932:			
Number taking all subjects.....	2		
April, 1932:			
Number taking all subjects.....	1		
May, 1932:			
Number taking all subjects.....	3		5
Number taking one subject.....	6		3
June, 1932:			
Number taking all subjects.....	6		

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Examinations were conducted in the following cities :

<i>Written</i>		<i>Oral</i>
	SEPTEMBER, 1931	New York
	NOVEMBER, 1931	Shreveport
Atlanta Boston Buffalo Chicago Memphis New York San Francisco Seattle	JANUARY, 1932	New York
	FEBRUARY, 1932	San Francisco
	MARCH, 1932	New York
	APRIL, 1932	Chicago
Buffalo Chicago Los Angeles Nashville New York Olympia San Francisco Tulsa	MAY, 1932	Savannah
	JUNE, 1932	New York Chicago

Following are the results of examinations of applicants classified by grade of membership :

	<i>Passed</i>	<i>Conditioned</i>	<i>Failed</i>
September, 1931 :			
For admission as member.....	1		
November, 1931 :			
For admission as members.....	2	2	3
For admission as associates.....	2		2
January, 1932 :			
For admission as members.....	3		
February, 1932 :			
For admission as member.....	1		
March, 1932 :			
For admission as members.....	2		
April, 1932 :			
For admission as member.....	1		
May, 1932 :			
For admission as members.....	5		6
For admission as associates.....	4		2
June, 1932 :			
For admission as members.....	5		
For admission as associate.....	1		
Aggregate for year.....	27	2	13

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During the year 23 applicants were recommended for admission as members and 11 for admission as associates on credit for other examinations; 8 applicants were recommended for membership and 11 for admission as associates, having passed the Institute's examination for a C. P. A. certificate. Eleven associates were recommended for advancement to membership.

One applicant for associateship whose name was included in the report of the board of examiners for the year ended August 31, 1931, was elected during the fiscal year ended August 31, 1932.

One applicant for associateship included in this report has not yet been elected by the council.

In addition, examinations for C. P. A. registration were held by 35 state and territorial boards coöperating with the Institute under its standard plan, with results as follows :

	<i>Passed</i>	<i>Conditioned</i>	<i>Failed</i>
November, 1931.....	64	72	392
May, 1932.....	<u>105</u>	<u>64</u>	<u>320</u>
Aggregate for year.....	<u>169</u>	<u>136</u>	<u>712</u>

Following are the states and territories which used the Institute's examination questions :

November, 1931 :

Alabama, Arkansas, Arizona, California, Colorado, Delaware, Florida, Idaho, Indiana, Iowa, Kansas, Louisiana, Maine, Mississippi, Missouri, Montana, Nebraska, North Dakota, Oregon, Rhode Island, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, West Virginia.

May, 1932 :

Alabama, Arkansas, Arizona, California, Colorado, Delaware, Florida, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Massachusetts, Mississippi, Missouri, Nebraska, Nevada, New Hampshire, Oklahoma, Oregon, Puerto Rico, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, West Virginia.

One state and one territory which regularly coöperate with the Institute did not hold examinations last year.

Respectfully submitted for the board of examiners,

ELMER L. HATTER, *Chairman.*

October 5, 1932.

## Report of the Board of Examiners

TO THE COUNCIL OF THE AMERICAN INSTITUTE OF ACCOUNTANTS :

GENTLEMEN: The board of examiners has held seven meetings during the fiscal year 1932-1933. In the same period it has received and considered three hundred and nineteen applications for membership and associateship in the Institute.

The remarkable increase in the number of applications in comparison with recent years is believed to be largely attributable to the refund of initiation fees authorized by the council at the 1932 annual meeting. The board has found unacceptable only a few of the applications submitted last year and has no hesitation in stating that the applicants whom it has recommended for election conform wholly to the high standards which have always been maintained by the Institute.

The large number of applications has brought a corresponding increase in the amount of examination fees paid to the board, and, consequently, the board ended the year in the best financial condition which it has been able to report for some time. The recurring deficit occasioned by the loss involved in the plan of coöperation with state boards of accountancy in the conduct of examinations has been reduced by the increase in examination fees filed with applications for admission to the Institute.

If the council sees fit to continue refund of initiation fees during the current year, the board believes that a large number of applications can be expected again. Accordingly, the board may not require the substantial contribution from the general fund which the council has appropriated for the purposes of the board during the past few years, and the board has advised the committee on budget and finance that a contribution of \$500 rather than \$1,000 should be adequate for the year 1933-1934.

Under a resolution of council authorizing change in conditions governing the award of the Elijah Watt Sells Scholarship prize, the board made the award for the past year to Dick D. Quin of Jackson, Mississippi, who obtained the highest grades during the year among all candidates sitting for the Institute's examinations.

Thirty-two states and one territory held examinations in coöperation with the Institute during the past year in which an approximate total of 1,400 candidates sat for the Institute's examinations.

The following is a statistical analysis of the work of the board during the year :

Results of examinations held:		<i>Passed</i>	<i>Conditioned</i>	<i>Failed</i>
September, 1932:				
	Number taking all subjects.....			1
October, 1932:				
	Number taking all subjects.....	2		
November, 1932:				
	Number taking all subjects.....	1		
	Number taking one subject.....	3		1
December, 1932:				
	Number taking all subjects.....	1		

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	<i>Passed</i>	<i>Conditioned</i>	<i>Failed</i>
February, 1933:			
Number taking all subjects.....	2		
April, 1933:			
Number taking all subjects.....	1		
May, 1933:			
Number taking all subjects.....	9	1	2
Number taking one subject.....	1		
June, 1933:			
Number taking all subjects.....	1		
July, 1933:			
Number taking all subjects.....			1
August, 1933:			
Number taking all subjects.....	2		

Examinations were conducted in the following cities :

<i>Written</i>		<i>Oral</i>
	SEPTEMBER, 1932	
		New York
	OCTOBER, 1932	
		Kansas City, Mo.
	NOVEMBER, 1932	
Boston		
Los Angeles		
New York		
San Francisco		
	DECEMBER, 1932	
		New York
	FEBRUARY, 1933	
		New York
	APRIL, 1933	
		Washington, D. C.
	MAY, 1933	
Buenos Aires		Atlanta
Chicago		Detroit
New York		New York
	JUNE, 1933	
		Chicago
	JULY, 1933	
		New York
	AUGUST, 1933	
		Chicago

Following are the results of examinations of applicants classified by grade of membership :

	<i>Passed</i>	<i>Conditioned</i>	<i>Failed</i>
September, 1932:			
For admission as member.....			1
October, 1932:			
For admission as members.....	2		
November, 1932:			
For admission as members.....	3		1
For admission as associate.....	1		
December, 1932:			
For admission as associate.....	1		
February, 1933:			
For admission as members.....	2		
April, 1933:			
For admission as member.....	1		

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	<i>Passed</i>	<i>Conditioned</i>	<i>Failed</i>
May, 1933:			
For admission as members.....	8	1	2
For admission as associates.....	2		
June, 1933:			
For admission as member.....	1		
July, 1933:			
For admission as member.....			1
August, 1933:			
For admission as members.....	2		
Aggregate for year.....	23	1	5

During the year 50 applicants were recommended for admission as members and 13 for admission as associates on credit for other examinations; 40 applicants were recommended for membership and 6 for associateship having passed the Institute's examination for a C. P. A. certificate. Seventeen associates were recommended for advancement to membership. One member was reinstated.

Two applicants for membership and one applicant for associateship whose names were included in the report of the board of examiners for the year ended August 31, 1932, were elected during the fiscal year ended August 31, 1933.

Three applicants for membership included in this report have not yet been elected by the council.

Following are the results of the examinations, according to grades of the Institute's examiners, held in 31 states and territories coöperating with the Institute under its standard plan:

	<i>Passed</i>	<i>Conditioned</i>	<i>Failed</i>
November, 1932.....	54	88	319
May, 1933.....	110	81	228
	164	169	547

Following are the states and territory which used the Institute's examination questions:

November, 1932:

Alabama, Arizona, Arkansas, California, Colorado, Delaware, Florida, Hawaii, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Dakota, Oklahoma, Oregon, Rhode Island, South Dakota, Texas, Utah, Vermont, Washington, West Virginia.

May, 1933:

Alabama, Arkansas, California, Colorado, Florida, Hawaii, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Dakota, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, West Virginia.

Thirty-six states and territories are on the list of those ordinarily using the Institute's examinations.

Respectfully submitted for the board of examiners,

ELMER L. HATTER, *Chairman.*

October 3, 1933.

## Report of the Committee on Nominations

TO THE AMERICAN INSTITUTE OF ACCOUNTANTS:

GENTLEMEN: Your committee on nominations submits the following list of nominees for your consideration and respectfully recommends their election at the annual meeting to be held in October, 1933:

*President:*

John F. Forbes, California

*Vice-presidents:*

P. W. R. Glover, New York  
Elmer L. Hatter, Maryland

*Treasurer:*

Allan Davies, New York

*Council for five years:*

Lewis Ashman, Illinois  
Eustace Le Master, Washington  
Herbert M. Temple, Minnesota  
Will-A. Clader, Pennsylvania  
Philip N. Miller, New York  
George Armistead, Houston  
Robert L. Bright, Knoxville

*Council for two years: (To fill a vacancy)*

Carl Penner, Wisconsin

*Council for one year: (To fill a vacancy)*

Archie M. Smith, Louisiana

*Auditors:*

Charles H. Towns, New York  
Theodore Krohn, New Jersey

Each of the above nominees has expressed his willingness to serve if elected.

Respectfully submitted,

W. SANDERS DAVIES, *Chairman*,  
J. P. GODDARD,  
JAMES J. HASTINGS,  
H. W. HENNEGIN,  
W. P. HILTON,  
ALFRED P. WARD,  
T. DWIGHT WILLIAMS.

June 9, 1933.

## Report of the Committee on Professional Ethics

[NOTE.—The following report of the committee on professional ethics contains certain recommendations which were considered by the council at its meetings of October 16 and 19, 1933. The resolutions referring to rule No. 2 were referred to the special committee on accounting procedure for consideration in consultation with the committee on professional ethics. The remainder of the report was referred by council to the incoming committee on professional ethics for further consideration in the light of suggestions made by members of the council. The report is printed here only for information, and it is not to be considered in any way as an official expression of the council or of the Institute.]

## Report of the Board of Examiners

TO THE COUNCIL OF THE AMERICAN INSTITUTE OF ACCOUNTANTS :

GENTLEMEN : The board of examiners has held seven meetings during the fiscal year ended August 31, 1934. It has received and considered two hundred and nineteen applications for admission to membership and associateship in the Institute.

The number of applications for admission to the Institute was not so great as in the fiscal year 1932-1933, but was substantially larger than the average number for several years prior to 1932.

The board has accepted no application which did not meet the high standards which the Institute has always maintained, but at the same time there have been only a few applications which have had to be rejected. The increase in the number of applications has brought to the board enhanced revenues through the payment of examination fees and, accordingly, the board has been able to reduce substantially its indebtedness to the general fund incurred in preceding years. This year the board was able to return the contribution of \$500 appropriated from the general fund by resolution of the council and the board does not request any support from the general fund in the current year.

The Elijah Watt Sells scholarship prize for the highest grades in the Institute's examinations during the current year was awarded to Max Neumaier of New Orleans, Louisiana.

Thirty states and territories held examinations in coöperation with the Institute during the past year, at which approximately one thousand five hundred candidates tried the Institute's examinations. At the November, 1933, sessions 14% were passed, 18% were conditioned and 68% failed. At the May, 1934, sessions 21% were passed, 19% were conditioned and 60% failed.

The board has given extensive consideration to the problem of devising examinations which will serve as a sufficient test of the candidates' knowledge and aptitude without being unfair in any respect. Selection of subject matter for problems adaptable to the examination of candidates in all parts of the country is a difficult matter, but the board believes that it has been fairly successful in this direction. The preparation of accounting problems which can be solved by a properly prepared candidate within the time limit is even more difficult. The board has adopted a definite policy to the effect that short problems in accounting, which do not require extensive mechanical work in their solution, should be included in the examination papers.

Considerable misunderstanding of the examination in commercial law has been eliminated by a published announcement that candidates will receive credit for answers to the commercial law questions which indicate a knowledge of the legal principles involved, regardless of whether or not the answer is in accord with the seeming weight of authority. In other words, a candidate will not necessarily be penalized if his answer fails to agree with court decisions, provided he recognizes the principles of law involved in the question.

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After a great deal of discussion about the relationship of the Institute with state boards of accountancy the board of examiners approved a change in the plan of coöperation in the conduct of examinations. The change will make it possible for states which through legal obstacles or other peculiar conditions are unable to submit papers for grading by the Institute's examiners to adopt the examination questions prepared by the Institute. In such cases co-operating states agree to permit the board of examiners to review the papers of any candidate who may later apply for admission to the Institute.

The chairman of the board has had an opportunity to discuss at several meetings of accountants the purposes and activities of the Institute, with particular reference to the maintenance of high professional standards. These meetings have taken place at St. Paul, Minnesota, Helena, Montana, and Virginia Beach, Virginia.

The board resolved that the examination in auditing should henceforth contain a question on professional ethics. All coöperating state boards of accountancy as well as the American Association of University Instructors in Accounting were advised of this action.

The board approved a suggestion that candidates be supplied with a printed slip containing advice as to the best manner of procedure in answering questions and solving problems. The board approved the suggestion and the plan was put into effect at the May, 1934, sessions.

Following is a summary of examinations conducted by the board during the year:

During the year eighty applicants were recommended for admission as members and fifteen for admission as associates on credit for other examinations; ninety-three applicants were recommended for membership and fourteen for associateship who had already passed the Institute's examination for a C. P. A. certificate. Twenty-one associates were recommended for advancement to membership.

Six applicants sat for the written examinations before the Institute's board of examiners (not in a coöperating state). One of these applicants passed, two were conditioned and three failed. The one who passed was admitted as an associate.

Thirty-two applicants, many of whom had already passed other accounting examinations and possessed C. P. A. certificates, were granted oral examinations. All applicants for oral examinations have been required to present evidence of long experience in the practice of accounting. Twenty-nine of the applicants for membership and one for associateship passed the oral examinations. Two applicants for membership failed.

Following are the results of the examinations, according to grades of the Institute's examiners, in twenty-seven states and territories coöperating with the Institute under its standard plan:

	<i>Passed</i>	<i>Conditioned</i>	<i>Failed</i>
November, 1933 .....	58	74	286
May, 1934 .....	91	76	237
	<u>149</u>	<u>150</u>	<u>523</u>

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Six states which ordinarily examine about seven hundred candidates at each session have taken advantage of the Institute's new offer to provide the examination questions without requiring that candidates' papers be submitted to the Institute for grading.

Following are the states and territories which used the Institute's examination questions :

November, 1933 :

Alabama, Arkansas, Arizona, California, Colorado, Delaware, Florida, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Massachusetts, Mississippi, Missouri, Nebraska, New Hampshire, North Dakota, Oklahoma, Oregon, Rhode Island, South Dakota, Tennessee, Texas, Utah, Vermont, Washington.

May, 1934 :

Alabama, Arkansas, Arizona, California, Colorado, Delaware, Florida, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Montana, Nebraska, New Hampshire, Oklahoma, Oregon, Puerto Rico, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, West Virginia.

Thirty-five states and territories are on the list of those ordinarily using the Institute's examinations.

Respectfully submitted for the board of examiners

MAURICE E. PELOUBET, *Chairman.*

September 24, 1934.

## Report of the Board of Examiners

TO THE COUNCIL OF THE AMERICAN INSTITUTE OF ACCOUNTANTS:

GENTLEMEN: The board of examiners has held eight meetings during the fiscal year, 1934-1935. At the organization meeting Maurice E. Peloubet was elected chairman for the year.

### PLAN OF COÖPERATION IN EXAMINATIONS

A large portion of the board's efforts has been expended in administration of the plan of coöperation in examinations in which 35 states and territories now participate. One state regularly coöperating in the past has withdrawn from the plan, but another state which has never coöperated before adopted the Institute's questions for the first time in the May, 1935, examinations. One state which ceased coöperation several years ago has indicated its intention of resuming the plan.

About 1,500 candidates sat for the Institute's examinations in all coöperating states during the year. At the November, 1934, sessions the results were as follows: 11 per cent. were passed, 20 per cent. were conditioned and 69 per cent. failed. After the May, 1935, examinations the board decided that the results would be more intelligible if stated by subjects rather than according to the number of candidates who were passed, were conditioned or failed. On the new basis the May results were published as follows: 29.2 per cent. were passed in auditing, 59.7 per cent. were passed in commercial law, and 18 per cent. were passed in accounting theory and practice.

The board has again given consideration to the possibility of submitting to coöperating state boards official answers to the questions and problems in the examinations which might facilitate a uniform standard of grading. The board concluded, as it has always concluded in the past, that it would be impracticable to furnish official answers. In the first place there is no such thing as official answers to the accounting problems and, for that matter, this also applies to some of the auditing questions, the examiners giving credit for any intelligent solution. Official answers submitted to coöperating state boards would have to take into consideration every possible variation. It is reasonable to suppose also that a good deal of expensive and burdensome correspondence would result from differences of opinion among the state boards as to whether or not the official answer was the correct one in a given instance. The preparation of the official answers themselves would be an additional expense which the board is in no position to undertake. The possibility that the official answers might become public documents and be used to support arguments in controversies and litigation was also considered.

The board has given a good deal of consideration, however, to the possibility of supplying coöperating state boards with some guide which would aid them in grading the papers of candidates. Under present conditions each state board must make up its own solutions of the problems in order to determine whether or not the candidates have solved them correctly. The Institute's board be-

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believes that it might be possible to furnish cooperating state boards with some kind of "essay" on each problem which would indicate the major points to be noted, the proper method—or methods of approach—and the correct conclusion, without offering an inflexible or invariable solution. Whether or not this procedure would be practicable remains to be seen. It would no doubt require a good deal of labor and expense, but the results might be worth it. The board has as yet reached no final decision in the matter.

The board resolved, however, that it would be desirable to attempt to reconcile differences of opinion between the Institute's examiners and examiners in cooperating states with respect to the grades awarded the papers of particular candidates. Notice was, therefore, sent to all cooperating boards stating that the Institute would review papers in which the findings of state examiners were substantially different from those of the Institute's examiners in order that the views of the two groups of examiners could be reconciled before candidates were notified of the findings of either. This procedure has been followed in a number of cases with the result that agreement has been reached on borderline cases which otherwise would have been graded differently by the Institute and the local boards.

The board has also discussed the possibility of extending the time of the examinations either by the addition of an extra day or by the addition of several hours to the existing sessions. No final conclusions have been reached in this matter.

A suggestion that candidates should receive credit for passage of the accounting examination even if they fail in the other two subjects at the same time has been carefully studied by the board, and the conclusion has been reached that this change in procedure would be highly desirable. Under the existing rules of the board an applicant must pass at least two subjects of the examinations at one sitting in order to receive any credit at all. Under this provision applicants who pass in auditing and law are conditioned only in accounting, but those who pass in accounting but fail both auditing and law receive no credit whatever. The board believes that the accounting examination alone is easily equivalent to both the auditing and the law examinations because of time and difficulty. The board respectfully recommends, therefore, that the council amend the rules of the board of examiners in the following particular:

That the sentence reading as follows:

"Applicants who shall have passed the examination in two subjects shall have the right, on payment of the required fees, to be re-examined, within a limited period, in the third subject."

be amended by the addition of the following sentence:

"Applicants who shall have passed the examination in accounting theory and practice (both parts) shall have the right, on payment of the required fees, to be re-examined, within a limited period, in the remaining two subjects."

### ELIJAH WATT SELLS SCHOLARSHIP PRIZE

The Elijah Watt Sells scholarship prize of \$50 has been awarded to Theodore G. Anderson, of San Francisco, California, who obtained the highest grades in the Institute's examinations during the past fiscal year.

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It is the opinion of the board of examiners, after considerable discussion of the matter, that the Elijah Watt Sells scholarship fund would serve a more useful purpose and would better carry out the objects for which it was established if the income were devoted to the purchase of gold and silver medals to be awarded respectively to the candidates obtaining the highest and the next highest grades at each session of the examinations. At the present time only a single cash prize of \$50 is given each year. Under the suggested procedure there would be four prizes and the board is informed that \$50 would be sufficient for the purchase of satisfactory medals.

The board respectfully recommends that the council authorize it to follow the suggested procedure in the future.

### APPLICATIONS TO INSTITUTE

A good deal of confusion has occurred among applicants because of the requirement that an "examination fee" of \$25 accompany each application. Applicants who have already passed a satisfactory examination for the C. P. A. certificate or have passed the Institute's examinations in a cooperating state are not required to take further technical examination for admission to the Institute and, therefore, sometimes find it difficult to understand why an additional "examination fee" is required.

The fact is, of course, that the so-called "examination fee" is used partly to defray the operating costs of the board of examiners, a large part of which consists of printing, correspondence and postage arising out of applications for membership. Refunds by the Institute to cooperating state boards in cases where successful candidates before those boards have later been admitted to the Institute are also compulsory under the plan of cooperation. These things are difficult to explain, however, and the board believes that a good deal of confusion could be eliminated if the term "examination fee" were changed to "application fee." It is, therefore, respectfully recommended that the council amend the rules of the board of examiners by substituting for the term "examination fee," wherever it appears, the words "application fee."

The board has received and considered 173 applications for membership and associateship in the Institute, 47 less than in the preceding year.

The board has noted with considerable interest the increase in the number of applications received since refund of initiation fees was inaugurated by the council in 1932. In the past three years there have been 708 applications for admission and the membership has risen markedly over that period. The board is impressed with the fact that there has been no falling off in the quality of the applicants for admission and the increase in membership has not resulted in any relaxing of the Institute's standards as set forth in the by-laws. It does seem, however, that a larger number of the younger practitioners have applied since the initiation fees of \$50 for membership and \$25 for associateship, have been refunded. The board recommends, therefore, that the refund of initiation fees be continued through the fiscal year, 1935-1936, and that at the first opportunity the by-laws be amended to eliminate the initiation fees entirely. The board is convinced that the interests of the Institute will be best served by elimination of the initiation fees which unavoidably would act as a barrier to younger members of the profession. It is believed also that the increase in

## *Report of Board of Examiners*

annual income resulting from admission of larger numbers of members will more than offset the loss in capital funds which might have been derived from initiation fees.

### STATISTICAL SUMMARY OF EXAMINATIONS

The following is a statistical summary of the results of examinations during the past fiscal year:

During the year 69 applicants were recommended for admission as members and four for admission as associates on credit for other examinations; 48 were recommended for membership and 15 for associateship who had already passed the Institute's examination for C. P. A. certificates in coöperating states. Eighteen associates were recommended for advancement to membership.

Three applicants sat for the written examinations before the Institute's board of examiners (not in a coöperating state). Two of these applicants were passed and one failed. Those who passed were admitted as members.

Twenty-three applicants, many of whom had already passed other accounting examinations and possessed C. P. A. certificates, were granted oral examinations. All applicants for oral examination have been required to present evidence of long experience in the practice of accounting. Twenty-one applicants for membership and one for associateship passed oral examinations, while one applicant for associateship failed.

Following are the results of the examinations, according to grades of the Institute's examiners, in twenty-three states coöperating with the Institute under its standard plan during the year:

	<i>Passed</i>	<i>Conditioned</i>	<i>Failed</i>
November, 1934.....	44	73	257
May, 1935.....	69	55	289
	<u>113</u>	<u>128</u>	<u>546</u>

Five states which ordinarily examine about 1,000 candidates have adopted the alternative method of using the Institute's examination questions and problems without submitting the papers for grading by the Institute's examiners. The results in these states are not included in the above table.

Following are the states which used the Institute's examination questions:

November, 1934:

Alabama, Arizona, Arkansas, California, Colorado, Delaware, Florida, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Massachusetts, Mississippi, Missouri, Nebraska, New Hampshire, Oklahoma, Oregon, Rhode Island, Tennessee, Texas, Utah, Vermont, Washington and West Virginia.

May, 1935:

Alabama, Arkansas, California, Colorado, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Mississippi, Missouri, Nebraska, Nevada, New Hampshire, Oklahoma, Oregon, South Carolina, Tennessee, Texas, Utah, Vermont, and Washington.

Respectfully submitted for the board of examiners,

MAURICE E. PELOUBET, *Chairman.*

September 24, 1935.

## Report of the Committee on Nominations

TO THE AMERICAN INSTITUTE OF ACCOUNTANTS:

GENTLEMEN: Your committee on nominations submits the following list of nominees for your consideration and respectfully recommends their election at the annual meeting to be held in October, 1935:

*President:*

Robert H. Montgomery, New York

*Vice-presidents:*

Norman L. McLaren, California

William B. Franke, New York

*Treasurer:*

Arthur W. Teele, New York

*Council for five years:*

Arthur H. Carter, New York

P. W. R. Glover, New York

J. E. Hutchinson, Jr., Texas

Wayne Kendrick, District of Columbia

William A. Paton, Michigan

Maurice E. Peloubet, New Jersey

C. Oliver Wellington, New York

*Council for one year:*

Edwin H. Wagner, Missouri

*Auditors:*

Warren W. Nissley, New York

R. G. Rankin, New York

Each of the above nominees has expressed his willingness to serve if elected, except, Messrs. Teele and Rankin, no replies from whom have been received because of their absence from their respective offices.

Respectfully submitted,

J. N. AITKEN, JR., *Chairman,*

JAMES J. HASTINGS,

EDW. S. RITTLER,

JAS. M. MCCONAHEY,

ARCHIE V. MCDUFFIE,

JAMES S. MATTESON.

August 14, 1935.

## Report of the Committee on Professional Ethics

TO THE COUNCIL OF THE AMERICAN INSTITUTE OF ACCOUNTANTS:

GENTLEMEN: Your committee on professional ethics submits herewith its report for the period dating from its election on October 18, 1934, to the close of the Institute's current fiscal year.

In addition to the open cases which were received from last year's committee, a number of new cases arose during the current year. All of these were given careful consideration, both through correspondence with the members of our committee and with the officers of the Institute and at meetings which have

## Report of the Board of Examiners

TO THE COUNCIL OF THE AMERICAN INSTITUTE OF ACCOUNTANTS:

GENTLEMEN: The board of examiners has held seven meetings during the past fiscal year, at the first of which Maurice E. Peloubet was elected chairman.

### APPLICATIONS FOR ADMISSION TO THE INSTITUTE

An extraordinarily large number of applications for admission to the Institute have been submitted to the board during the past fiscal year. Between September 1, 1935, and August 31, 1936, 772 applications were received, of which 522 were pending August 31st, because most of them had been received so late in the summer that they could not be acted upon prior to the close of the fiscal year.

The great increase in the number of applications has been undoubtedly due in part to the proposed merger of the two national organizations, in part to the waiver of all entrance fees to members of state societies in good standing, which was announced February 10, 1936, and in part to the efforts of the special committee on development of the Institute and wide distribution of information about the Institute.

Acting with the approval of the council, the board made special arrangements whereby members of the American Society, who met the existing requirements of the Institute, might be duly elected members of the Institute prior to the annual meeting at Dallas in accordance with the spirit of the plan of merger approved by the majority of both organizations.

### PROPOSED AMENDMENT TO BY-LAWS

In considering the numerous applications for membership to the Institute the board has come to the conclusion that the requirements of the by-laws at present are too detailed, particularly with regard to the question of public practice, to permit the board sufficient latitude in considering unusual cases. The provision, for example, that an applicant shall have had at least five years of public accounting practice next preceding date of application or ten years of practice, one year of which next precedes date of application, has made it necessary for the board at times to reject applications of men who in its opinion were as desirable as those who have been elected. The board believes that the interests of the Institute would be better served if it were allowed to use the methods which seem best to it in each particular case and to decide whether or not an applicant for membership is a bona fide member of the profession.

If the council thinks well of this proposal the committee on by-laws might be asked to give consideration to possible amendment of article II, section 4, (b), (c) and (d), to read somewhat as follows:

Sec. 4. The following persons may qualify for examination and election as members of the Institute provided that they be not less than twenty-one years of age and shall present evidence of preliminary education satisfactory to the board of examiners:

(a) . . .

## *Report of Board of Examiners*

(b) Accountants engaged in public practice, or accountancy instruction in schools recognized by the board of examiners, who shall have been in practice or in accountancy instruction for a period of not less than five years. The board shall satisfy itself in each case that the applicant's experience has been sufficiently continuous and of such a character as to warrant his admission to membership. The board may give credit in its discretion for accountancy work of an outstanding character which in its opinion is clearly equivalent to public practice.

### COÖPERATION WITH STATE BOARDS IN EXAMINATIONS

The board of examiners plans to make an effort to induce state boards, which coöperate with the Institute in the conduct of examinations to provide as much of the material for the various questions and problems as possible. The board feels that the plan of coöperation will be more successful if the coöperating state boards participate more actively. At the present time a certain amount of examination material is received from coöperating boards, but many of them do not submit problems, although invitations to do so are always extended.

It appears likely that with the successful conclusion of negotiations regarding one national organization other states may be added to the thirty-six jurisdictions which have now adopted the uniform examination available under the plan of coöperation.

Considerable success has attended the experiment initiated last year in the direction of providing coöperating state boards with guides to the solutions and answers to problems and questions in the examinations; and the offer of the board to endeavor to reconcile differences in grading between the Institute's examiners and coöperating boards.

### ELIJAH WATT SELLS SCHOLARSHIP PRIZES

The winners of the Elijah Watt Sells Scholarship prizes during the past fiscal year are as follows:

November, 1935

George R. Lautenbach, of Illinois, first prize

John C. Essene, of California, second prize

May, 1936

Oscar L. Hayes, of Indiana, first prize

William J. Wiley, of Maine, second prize

### STATISTICAL SUMMARY OF EXAMINATIONS

The following is a statistical summary of the results of examinations during the past fiscal year:

During the year 176 applicants were recommended for admission as members and 34 for admission as associates on credit for other examinations; 62 were recommended for membership and 16 for associateship who had already passed the Institute's examination for C. P. A. certificates in coöperating states. Nineteen associates were recommended for advancement to membership.

Four applicants sat for the written examinations before the Institute's board of examiners (not in a coöperating state). Two of these applicants were passed and 2 failed. Those who passed were admitted as members.

Nineteen applicants, many of whom had already passed other accounting examinations and possessed C. P. A. certificates, were granted oral examinations. All applicants for oral examination have been required to present evi-

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dence of long experience in the practice of accounting. Eighteen applicants for membership and 1 for associateship passed oral examinations.

Following are the results of the examinations, according to grades of the Institute's examiners, in 26 states and 1 territory coöperating with the Institute under its standard plan during the year:

	<i>Passed</i>	<i>Conditioned</i>	<i>Failed</i>
November, 1935.....	140	130	171
May, 1936.....	46	104	334
	186	234	505

Five states which ordinarily examine about 1,000 candidates have adopted the alternative method of using the Institute's examination questions and problems without submitting the papers for grading by the Institute's examiners. The results in these states are not included in the above table.

Following are the states and territory which used the Institute's examination questions:

November, 1935:

Alabama, Arizona, Arkansas, California, Colorado, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Kansas, Louisiana, Massachusetts, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, Oklahoma, Oregon, Rhode Island, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, and West Virginia.

May, 1936:

Alabama, Arizona, Arkansas, California, Colorado, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Kansas, Louisiana, Maine, Mississippi, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Washington and West Virginia.

Three states and 1 territory which ordinarily coöperate did not hold examinations during the year.

ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS

Last winter the board was advised of the formation of the association of certified public accountant examiners, of which Edward E. Leffler, of the New York board, had been elected chairman. Soon after Mr. Leffler called on the secretary of the Institute and explained that the association had been formed chiefly for the purpose of providing a medium for exchange of information among state board members and was desirous of coöperating closely with the Institute. The members of the association voted to have their meeting this fall at Dallas, during the week of the Institute's annual meeting, and the chairman of the Institute's board suggested that the association's meeting be held jointly with the meeting of state board examiners ordinarily sponsored by the Institute. This suggestion met with favorable response, and plans have been laid accordingly.

ACCOUNTS

In the course of many years the board has had to draw from time to time from the general fund in order to meet its expenses, since the income from application fees and contributions from coöperating state boards was insufficient

### *Reports of Committees*

to pay the cost of services rendered. The accounts of the general fund at August 31, 1936, show as an asset \$5,868.70, consisting of advances to the board of examiners, reduced by a reserve of \$2,500 created by the council several years ago. It appears to the board of examiners that there is little likelihood of its being able to repay the amount advanced since its expenses continue to equal or exceed its income. Inasmuch as the board is not a separate entity but is an integral part of the Institute, it is recommended that with the approval of the auditors advances to the board of examiners be written off the books of the general fund in order to avoid the possibility of misunderstanding.

#### WAIVER OF APPLICATION FEES

The waiver of application fees, which was first adopted between the period February 10, 1936, to August 31, 1936, in the case of members of state societies in good standing and associates of the Institute applying for advancement, was later extended with the approval of the council to December 31, 1936, in order to avoid confusion and possible inequity in view of the merger of the American Society with the Institute.

Respectfully submitted for the board of examiners,  
MAURICE E. PELOUBET, *Chairman*.

September 26, 1936.

#### Report of the Committee on Nominations

TO THE AMERICAN INSTITUTE OF ACCOUNTANTS:

GENTLEMEN: The committee on nominations nominates the following officers and members of council to be voted upon at the 1936 annual meeting at Dallas, Texas, October 20-22, 1936:

*For Officers:*

*President:*

Robert H. Montgomery, New York

*Vice-presidents:*

Charles F. Rittenhouse, Massachusetts

Edwin H. Wagner, Missouri

*Treasurer:*

Arthur W. Teele, New York

*For Members of Council (five-year term):*

J. Chester Crandell, Massachusetts

Norman L. McLaren, California

Hugh A. Sinclair, Wisconsin

William J. Taylor, Ohio

George M. Thompson, California

T. Dwight Williams, Oklahoma

Richard S. Wyler, Missouri

*For Member of Council (two-year term):*

Adrian F. Sanderbeck, Pennsylvania

*For Auditors:*

Fred L. Main, New York

R. G. Rankin, New York

Each of the nominees has expressed willingness to serve, if elected.

## Report of the Board of Examiners

TO THE COUNCIL OF THE AMERICAN INSTITUTE OF ACCOUNTANTS:

GENTLEMEN: The board of examiners has held six meetings during the past fiscal year, at the first of which Maurice E. Peloubet was elected chairman.

### APPLICATIONS FOR ADMISSION TO THE INSTITUTE

In view of the merger and the establishment of one national organization, there has been a great increase in the number of applications. During the fiscal year, 536 applications were received, exclusive of American Society members who were admitted through the merger without, of course, any investigation by the board of examiners. Altogether, 2,329 new members and associates were admitted during the year, many of whom had applied before September 1, 1936. The board has disposed of all applications before it except 143, which have been held pending examination, interviews or further investigation.

### AMENDMENT TO THE BY-LAWS

The board recommended to council, in its report of last year, amendment of the by-laws to permit the admission, as associates, of certified public accountants with at least two years of public accounting experience, but not necessarily engaged in public practice at date of application. Amendments to the by-laws, embodying the foregoing recommendation, were enacted. Many accountants took advantage of the new provision, which has permitted many certified public accountants of considerable ability, occupying important positions in government and business, to become associated with the Institute, who were formerly technically ineligible.

### COÖPERATION WITH STATE BOARDS

During the year, the number of coöperating state and territorial boards has increased from thirty-six to forty-four. The board of examiners at considerable trouble and expense has continued to supply guides to the solutions and answers to examination questions, but the results have justified the difficulties undertaken. There have been relatively few differences between the grades of the Institute's examiners and those of the state boards, and in most cases the board of examiners has had opportunity to endeavor to reconcile differences in grading.

### STATISTICAL SUMMARY OF EXAMINATIONS

During the year, 363 applicants were recommended for admission as members and 140 for admission as associates on credit for other examinations; 162 were recommended for membership and 85 for associateship who had already passed the Institute's examination for C. P. A. certificates in coöperating states. 126 associates were recommended for advancement to membership.

Thirty-five applicants were granted oral examinations. All applicants for oral examinations have been required to present evidence of long experience in the practice of accountancy. Thirty applicants for membership and 5 for associateship passed oral examination.

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Following are the results of the examinations, according to grades awarded by the Institute's examiners, in 30 states and 2 territories cooperating with the Institute under its standard plan during the year:

November, 1936:	Law	Auditing	Accounting
Papers graded.....	366	359	494
Passed.....	249	246	37
Failed.....	117	113	457
May, 1937:			
Papers graded.....	290	288	475
Passed.....	161	166	133
Failed.....	129	122	342

The following are the states and territories which used the Institute's examination questions:

### November, 1936:

Arizona, Arkansas, California, Colorado, Delaware, Florida, Hawaii, Idaho, Indiana, Kansas, Louisiana, Mississippi, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oregon, Rhode Island, South Dakota, Tennessee, Texas, Utah, Vermont, West Virginia.

### May, 1937:

Alabama, Arizona, Arkansas, Colorado, Delaware, Florida, Hawaii, Idaho, Indiana, Iowa, Kansas, Louisiana, Maine, Mississippi, Missouri, Nebraska, New Hampshire, New Mexico, North Carolina, North Dakota, Oregon, Puerto Rico, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont.

## APPLICATION FEES

The council approved by mail ballot the board's ruling that application fees after January 1, 1937, be \$10.00 in the case of members in good standing of state societies of certified public accountants, and \$25.00 in other cases. Revised rules of the board of examiners containing a provision to reduce to \$5.00 the application fee for advancement from associate to member were also approved by a majority of council members by mail vote.

## PUBLICATIONS

The board of examiner's circular of information containing requirements for admission to the Institute, information regarding examinations and a bibliography of suggested texts for reading in preparation for examinations, was revised and published in April.

The pamphlet describing the Institute's standard plan of cooperation was revised and distributed to all cooperating state boards.

## ELIJAH WATT SELLS SCHOLARSHIP PRIZES

The winners of the Elijah Watt Sells scholarship prizes during the past fiscal year are as follows:

### November, 1936:

F. P. Morgan, of California, first prize  
Philip Field, of California, second prize

### May, 1937:

Max A. Saunders, of Oregon, first prize  
Albert J. Henke, of Oregon, second prize

## *Reports of Committees*

### ACCOUNTS

Upon recommendation by the board of examiners, the council at its spring meeting approved the inclusion of the accounts of the board as part of those of the general fund of the Institute.

Respectfully submitted for the board of examiners,

MAURICE E. PELOUBET, *Chairman.*

September 8, 1937.

### **Report of the Committee on Nominations**

TO THE AMERICAN INSTITUTE OF ACCOUNTANTS:

GENTLEMEN: The committee on nominations nominates the following for officers and members of council to be voted upon at the 1937 annual meeting at New York, October 19-22, 1937:

*For Officers:*

**PRESIDENT:**

Clem W. Collins, Colorado

**VICE-PRESIDENTS:**

William C. Heaton, New Jersey

Anson Herrick, California

**TREASURER:**

Arthur W. Teele, New York

*For Auditors:*

Fred L. Main, New York

J. S. Seidman, New York

*For Members of Council (Five-Year Term):*

Ralph B. Mayo, Colorado

Charles Floyd Coates, Connecticut

George P. Ellis, Illinois

George S. Olive, Indiana

Charles Carroll Croggon, Maryland

Earl A. Waldo, Minnesota

Marvin Orion Carter, Tennessee

*For Member of Council (Three-Year Term):*

Thomas H. Evans, Michigan

*For Member of Council (One-Year Term):*

George Cochrane, New York

Each of the nominees has expressed willingness to serve, if elected.

This list of nominations has the approval of all the members of the committee on nominations.

Respectfully submitted,

JOHN F. FORBES, New York,

WILL-A. CLADER, Pennsylvania,

W. L. CLARK, Oklahoma,

JULIUS E. FLINK, New Jersey,

HARRY M. JAY, Tennessee,

RICHARD D. SEAMANS, Massachusetts.

July 19, 1937.

## Report of the Board of Examiners

TO THE COUNCIL OF THE AMERICAN INSTITUTE OF ACCOUNTANTS:

GENTLEMEN: The report of the board of examiners submitted to the council at its meeting in April, 1938, and a supplementary memorandum mailed to council members under date of August 6, 1938, outlined in complete detail the procedure of the board and the problems with which it is attempting to deal. This report, therefore, may be confined chiefly to statistics of the year's work.

The board of examiners held six meetings during the fiscal year, 1937-38.

### APPLICANTS ADMITTED

Two hundred and eighty applicants were admitted as members and associates during the year, 187 as members, 93 as associates.

One hundred and eight applicants were recommended for admission as members and 49 for admission as associates on credit for other examinations; 37 were recommended for membership and 30 for associateship who had already passed the Institute's examination for C.P.A. certificates in cooperating states; 20 applicants recommended for membership and 12 for associateship passed oral examinations. Twenty associates were advanced to membership, one of whom took advantage of the provisions of article II, section 2 (d), of the by-laws, which permits associates in good standing at August 31, 1936, to become members when they elect to do so. Two members and one associate were admitted because of membership in good standing at August 31, 1936, in the American Society of Certified Public Accountants.

### EXAMINATIONS

Following are the results of the examinations in those of the forty-three states and territories cooperating with the Institute under its standard plan by which papers are graded by the Institute's examiners:

November, 1937:	Auditing	Law	Accounting
Papers graded . . . . .	335	338	501
Passed . . . . .	232	130	85
Failed . . . . .	103	208	416
May, 1938:			
Papers graded . . . . .	439	456	643
Passed . . . . .	297	238	62
Failed . . . . .	142	218	581

Following are the states and territories which used the Institute's examinations:

November, 1937:

Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Massachusetts, Mississippi, Minnesota, Missouri, Montana, Nebraska, Nevada,

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New Hampshire, New Mexico, North Carolina, Oklahoma, Oregon, Rhode Island, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, West Virginia, Wyoming.

May, 1938:

Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Minnesota, Mississippi, Missouri, Nebraska, New Mexico, North Carolina, North Dakota, Oklahoma, Oregon, Puerto Rico, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Washington.

ELIJAH WATT SELLS SCHOLARSHIP PRIZES

The winners of the Elijah Watt Sells scholarship prizes during the past fiscal year are as follows:

November, 1937:

Donald T. Nelson, of Oregon, first prize  
Robert W. Cherry, of Massachusetts, second prize  
Winthrop Newcomb, of Massachusetts, honorable mention  
Joseph W. Didricksen, of Illinois, honorable mention  
Joseph E. Van Wormer, of Oregon, honorable mention

May, 1938:

James Wesley Huss, of Illinois, first prize  
Hugh Lochridge Macaulay, of Texas, second prize  
Russell Bock, of Washington, honorable mention  
Walter Jack Crawford, of Texas, honorable mention

Respectfully submitted,

MAURICE E. PELOUBET, *Chairman.*

September 7, 1938.

## Reports of the Board of Examiners

### MIDYEAR REPORT

TO THE COUNCIL OF THE AMERICAN INSTITUTE OF ACCOUNTANTS:

GENTLEMEN: The board of examiners has held five meetings since the annual meeting at Cincinnati last September.

In view of continued indications that the time limits require candidates at examinations to work more rapidly than might reasonably be expected, the board resolved, after communicating with state boards of accountancy, to allow extra time for the sessions in accounting theory and practice at the November, 1938, examinations. In the first instance it was decided to permit each cooperating state board to determine how much extra time should be given, but the board suggested one hour. Most of the state boards allowed one extra hour at the November, 1938, sessions. The percentage of candidates who passed the examination was much larger than usual and an analysis of the papers indicates that the allowance of extra time was at least partly responsible for the more satisfactory results. Accordingly, the board has adopted it as a fixed policy that the time allowed for the accounting paper shall be one hour longer than formerly.

Some candidates have indicated that while they have not actually used the extra time the fact that it was available relieved them of some psychological pressure and enabled them to do better work.

The new schedule provides for two morning sessions of three and one half hours each and two afternoon sessions of six hours each. This means two nine-and-one-half-hour days, which is rather an arduous program for the candidate. Already there have been suggestions that the examinations be extended to a third day or that an intermediate examination be required of candidates.

In common with the experience of other professions accountancy examiners are finding that the knowledge required for successful practice is rapidly increasing in scope and the limits of the two-day examination are scarcely sufficient for a comprehensive test of a candidate's knowledge and training.

The board believes, therefore, that a three-day examination, or a division of the examination into intermediate and final sessions to be given at least six months apart, is likely to become a reality in the near future. The Institute's board, however, plans its program according to the needs and requirements of the majority of the states. At the present time by statute or rule most state boards are required to give a two-day examination in auditing, commercial law and accounting theory and practice. A committee of the Association of C.P.A. Examiners is studying the question of uniformity in subject matter, time schedules, and other procedural aspects of the examinations in the several states. If the recommendations of this committee should result in any change in the pattern of examinations, the Institute's board is prepared to adapt the standard examination papers accordingly.

The Institute's examinations have been criticized, principally by university instructors, on the ground that they inadequately test the candidate's knowledge of accounting principles and his theoretical background. It is charged

## *Reports of the Board of Examiners*

that the examinations are made difficult by mechanical complications and some of the problems are too simple to be used as tests of a candidate's worthiness to receive a C.P.A. certificate. The board has considered this criticism exhaustively. No doubt, in individual instances such criticism is justified, and strenuous efforts are being made to overcome weaknesses shown in former examinations.

It would be comparatively easy to write an examination paper fairly testing a candidate's knowledge of theory and principle. The board has clung to the belief, however, that since the examination is designed to test a candidate's worthiness to hold himself out to the public as one qualified to practice public accounting, the examination should do more than test his familiarity with the textbooks. Consequently, all the material for the accounting examination is drawn from the experience of practitioners with actual cases. Synthetic problems are not generally used in the Institute's papers nor is there repetition of problems drawn from old examinations. This approach may not be ideal, but in practice it seems to work fairly well. In so far as the board can judge, candidates with practical public accounting experience seem to do better in the examinations than others. The forty-four states and territorial accountancy boards which adopt the Institute's papers rarely complain about the problems and questions and on the few occasions when criticism is received it seems to be based on the belief that the questions are too difficult rather than the reverse.

In spite of the fact that the Institute has been preparing standard examinations for twenty-one years, the procedure is still in the stage of development. Probably it always will be. Each year new devices, refinements, and safeguards are adopted in an effort to assure better examinations. The board is heavily indebted to many members of the Institute who have responded to its appeal for raw material, drawn from the experience of those members, on which the examination problems are based. Some members have agreed to provide each summer a stated number of problems which may be adapted to the purposes of the examinations. This has enabled the board to prepare the papers well in advance of the examination date, which formerly was impossible, and the happy state is rapidly being reached when each examination will be ready six months in advance of the sessions at which it is to be used. Without the coöperation of interested members, the Institute's examinations could not even approach their present stage on the road to perfection.

The board has already had the coöperation of some university instructors who submit material for the examinations, but efforts are being made to secure more help from this source.

On April 11th, the board devoted an entire morning session to a conference with the examiners' staff regarding the procedure in grading papers of candidates in states which make use of the grading service. Two new examiners have been added to the staff, which brings the total number to eight.

One hundred and thirty-four applications were pending at the beginning of the current fiscal year. Since that time the board of examiners has received 208 applications and has recommended the election of 213. One hundred and twenty-one were pending at May 1st. Eight oral examinations and 142 personal interviews have been conducted.

## *American Institute of Accountants Yearbook*

The winners of the Elijah Watt Sells awards at the November, 1938, examinations are as follows:

Ralph Edwin Petering, of Illinois, first prize.  
William Douglas Sprague, of Texas, second prize.  
George T. Helm, of Rhode Island, honorable mention.  
Richard S. McQuay, of Missouri, honorable mention.  
Benjamin W. Wise, of Illinois, honorable mention.

In the course of administering the examinations and also in passing on applications for admission to the Institute the board has necessarily created a number of precedents and adopted a number of policies in amplification of the by-laws and the formal rules of the board adopted by the council. Under the board's instructions the staff is engaged in codifying these precedents and policies in order that there may be written record in some detail of the board's procedure.

Respectfully submitted,  
MAURICE E. PELOUBET, *Chairman.*

May 8, 1939.

### ANNUAL REPORT

TO THE COUNCIL OF THE AMERICAN INSTITUTE OF ACCOUNTANTS:

GENTLEMEN: The report submitted by the board of examiners at the meeting of council May 8th covers the principal questions which have come before the board during the past fiscal year. Only two meetings of the board have been held since the council meeting, one on June 27th, and the other on September 5th.

At the June meeting consideration was given to the instructions of council that the board undertake a study of the feasibility of providing a preliminary examination of candidates for the C.P.A. certificate. A subcommittee of two was appointed to consider the matter and to raise the question for discussion at the meeting of accountancy examiners to be held in conjunction with the annual meeting of the Institute at San Francisco. The board of examiners plans later to give further consideration to the problem in the light of that discussion.

The board of examiners has found it necessary to reject applications for admission to the Institute because the applicants had not had the two years' public accounting experience which article II, section 5(a) of the by-laws requires for admission as associates. In some cases the applicants were certified public accountants and members of their state societies, who appeared to be personally desirable and were well recommended. They had, however, secured their certificates in states where no public accounting experience had been required and had continued in private practice or in government employ. In view of the fact that it appears to be the policy of the Institute to encourage members of state societies to become members of the national organization and associates can in no case vote or hold office there seems to the board to be some inconsistency in refusing admission to a reputable certified public accountant, a member of his state society, who may hold a responsible position as an accountant in private employ, while admitting another man who may also be in

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private employ but who some years ago may have had two years' public accounting experience as a junior on the staff of some other accountant. The board has, therefore, recommended to the executive committee that an amendment to the by-laws be suggested providing that applicants otherwise eligible who have had two years' public accounting experience or experience which the board considers equivalent may be admitted as associates.

The winners of the Elijah Watt Sells scholarship awards at the May, 1939, examinations were as follows:

- Russell Wm. Laxson, of Illinois, first prize.
- Charles J. Anthony, of Texas, second prize.
- Ralph C. McKibbin, of Kansas, honorable mention.

The board has made a fairly careful study of the procedure followed in preparing examinations and in the grading of candidates' papers and it has made one or two minor changes in the procedure which may lead to increased efficiency.

Following is a complete statistical record of the activities of the board for the fiscal year:

Two hundred and ninety-six applicants were admitted during the year, 194 as members, 102 as associates. One hundred and twenty-one applicants were recommended for admission as members and 64 for admission as associates on credit for other examinations; 46 were recommended for membership and 33 for associateship who had already passed the Institute's examination for C.P.A. certificates in coöperating states; 12 applicants recommended for membership and 4 for associateship passed oral examinations. One applicant for admission as a member passed a written examination. Thirteen associates were advanced to membership. Two members were admitted because of membership in good standing at August 31, 1936, in the American Society of Certified Public Accountants.

**EXAMINATIONS**

Following are the results of the examinations in those states and territories coöperating with the Institute under its standard plan by which papers are graded by the Institute's examiners:

	Auditing	Law	Accounting
November, 1938:			
Papers graded . . . . .	413	418	650
Passed . . . . .	278	191	175
Failed . . . . .	135	227	475
May, 1939:			
Papers graded . . . . .	498	507	691
Passed . . . . .	234	252	90
Failed . . . . .	264	255	601

Following are the states and territories which used the Institute's examinations:

- November, 1938:  
Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Massachusetts, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Hamp-

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shire, New Mexico, North Carolina, Oklahoma, Oregon, Rhode Island, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wyoming.

May, 1939:

Alabama, Arizona, Arkansas, California, Colorado, Connecticut, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Minnesota, Mississippi, Missouri, Nebraska, New Mexico, North Carolina, North Dakota, Oklahoma, Oregon, Puerto Rico, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, Wyoming.

Forty-four states and territories now coöperate with the Institute in the conduct of examinations.

Respectfully submitted,

MAURICE E. PELOUBET, *Chairman.*

September 18, 1939.

**Report of the Committee on Nominations**  
**ANNUAL REPORT**

TO THE AMERICAN INSTITUTE OF ACCOUNTANTS:

GENTLEMEN: The committee on nominations hereby nominates the following for officers, auditors, and members of council of the American Institute of Accountants to be voted upon at the 1939 annual meeting at San Francisco, California, September 19-21, 1939:

*For Officers:*

PRESIDENT:

John K. Mathieson, Pennsylvania

VICE PRESIDENTS:

Samuel J. Broad, New York  
Lincoln G. Kelly, Utah

TREASURER:

Arthur W. Teele, New York

*For Auditors:*

James F. Hughes, New York  
Simon Loeb, New York

*For Members of Council (Five-Year Term):*

T. Coleman Andrews, Virginia  
A. Karl Fischer, Pennsylvania  
William A. Hifner, Jr., Kentucky  
Henry F. Meyer, Georgia  
Edw. S. Rittler, Louisiana  
Rodney D. White, Washington  
Edward B. Wilcox, Illinois

Each of the nominees has expressed his willingness to serve if elected. The list of nominations has the unanimous approval of the committee on nominations, aside from the fact that Mr. Rittler makes an exception with regard to his nomination as a member of council.

Respectfully submitted,

ROBERT H. MONTGOMERY, *Chairman*, New York

ROY ANDREAE, Illinois

JAMES A. COUNCILOR, Washington, D. C.

HOMER L. DALTON, Ohio

NORMAN L. McLAREN, California

EDW. S. RITTLER, Louisiana

ROSS T. WARNER, Oklahoma

July 17, 1939.

**SUPPLEMENTARY REPORT**

TO THE COUNCIL OF THE AMERICAN INSTITUTE OF ACCOUNTANTS:

GENTLEMEN: At a meeting of the committee on nominations held in San Francisco, September 17th, the undersigned members of the committee, con-