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# AMERICAN INSTITUTE OF ACCOUNTANTS

135 CEDAR STREET, NEW YORK, N. Y.

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Approved by A.I.A. Council 7/15/31 (S)

TO MEMBERS AND ASSOCIATES OF THE  
AMERICAN INSTITUTE OF ACCOUNTANTS:

*(Proposed Classification of Accountancy Services)*

GENTLEMEN:

This letter is sent to you by direction of the council of the American Institute of Accountants in order that all members may be thoroughly informed of the subject with which it deals.

Attempts at classification of accountancy services have been under consideration by the Institute for several years. The first draft of such a document was presented by the Institute committee on education in response to suggestions from university instructors, who believed that an authoritative outline of the scope of the public accountant's functions would be of assistance in training students who desired later to enter the profession.

It was immediately recognized by many members that while such a classification might be intended for purposes of educational institutions, it could hardly escape the attention of bankers and business men, and in fact, as discussion progressed, the proposal's importance to the professional practitioner assumed prime significance.

It was felt, therefore, that the utmost care should be exercised lest the scope of the accountant's practice be too narrowly defined, that disproportionate emphasis should not be laid on certain features of his work and that the divisions of the various classes of work should be those by which the profession as a whole would be willing to stand in the future.

Accordingly, the classification was circulated confidentially among the entire membership and hundreds of suggestions and criticisms were received in reply. A special committee analyzed the replies and after laborious study revised the report and returned it to the committee on education, which again reviewed it carefully, made some additional suggestions and re-submitted it.

In the meantime, state societies of certified public accountants had been devoting attention to the same question, and it was felt that if a classification were adopted it should be one that would be universally acceptable. Accordingly, another special committee was appointed to endeavor to coordinate the opinions of various state societies and those which had been proffered by the Institute's committees.

The report rendered by this committee was further studied by the members of council during the annual meeting at Philadelphia, and was discussed on the floor at a meeting of council on September 17, 1931.

There was wide difference of opinion at first, but after extended discussion it was unanimously resolved that it would be impracticable and unwise for the Institute to issue any classification of accountancy services at present.

The chief arguments presented in the discussion which led to this decision are briefly as follows:

1. Years of study by various committees have failed to develop unanimity on what may be a proper classification.

2. The services which public accountants are prepared to render are so wide in scope and so varied in character that it is as purposeless to attempt to classify them as it would be to classify the functions of the physician or the lawyer. Each proposed classification of services has emphasized certain types of service at the expense of others, naturally reflecting the particular experiences of the members of the committee which prepared it. It is felt that every accounting firm and every individual practitioner would prefer a classification adapted to the type of practice in which he happens to be engaged, and that no standard classification would be applicable to all the practitioners in this country.

3. An attempt to define different types of audits is difficult and perhaps dangerous. Broadly, there may be said to be two types, the complete or detailed audit and one which deviates to any extent from the complete audit. Efforts to differentiate distinct types among the many possibilities of variation, for specific purposes, from the complete audit have been unsatisfactory because they did not reflect in true proportions the experience of representative practitioners as a whole.

4. Adoption of a classification of services which would not be universally accepted by members of the Institute would hardly be a substantial contribution to the profession. There has been doubt in the minds of some members of the various committees dealing with this question whether or not any particularly substantial purpose would be served by the classification.

5. Anything which might tend to standardize accounting services or to restrict even in the slightest degree the exercise of initiative, judgment and original thought by accountancy practitioners would be harmful rather than helpful. The exercise of judgment based upon experience and integrity is chiefly what the accountant has to offer the public.

In short, it grew out of the discussion in the council that the possible advantages of adoption of such a classification were not sufficiently tangible and that the possible disadvantages were real and numerous.

Accordingly, the council resolved that it would be unwise and impracticable for the Institute to adopt any classification of accountancy services at the present time and that the membership be informed of the result of the consideration that has been given to the subject.

Yours truly,

CHARLES B. COUCHMAN, *President.*

JOHN L. CAREY, *Secretary.*

October 8, 1931.