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John Freear
UNIVERSITY OF KENT AT CANTERBURY

THE FINAL EXAMINATIONS OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES, 1882-1981

Abstract: This study considers the final examinations of the Institute of Chartered Accountants in England and Wales, from 1882-1981. Discussion of the likely purposes of the examinations, and of possible ways of assessing their efficiency, is followed by a review of the final examination structures from 1882 onwards. Finally, material on the achieved pass rates is presented. The structural changes illustrate some shift in emphasis from bookkeeping and law towards managerial accounting and economics, taxation, and systems and data processing. Pass rates have declined from around 60 percent to around 40 percent over the period, though not evenly.

Introduction

This study stems from a project carried out for the Research Committee of the Institute of Chartered Accountants in England and Wales (henceforth the Institute). Most of the work was done in 1977 and 1978, although there have been subsequent additions to the data on examination results to bring them through 1980. The Institute was granted a Royal Charter in May 1880, and held its first examinations for admission in 1882. This study is confined to the final examinations of the Institute from 1882 to 1981, and has four aims. First, it considers what might be the purposes of Institute examinations. Second, it indicates some of the problems arising from attempts to appraise its success or failure in achieving those purposes. Third, it outlines and seeks to explain the principal structural changes that have occurred in Institute final examinations from 1882 to 1981. Fourth, it reviews the final examination pass rates over the period 1882 to 1980. As mentioned, this study concentrates on the final examinations of the Institute, which represent its central examining function. However, it should be mentioned that the Institute has held preliminary, intermediate and post-qualifying examinations for varying periods since 1882.

Throughout the history of the Institute, professional training has been based on apprenticeship, known first as articles of clerkship

and later as training contracts. The trainee works for a chartered accountant in public practice, who undertakes to offer relevant work experience and some paid opportunities for private study. Currently, United Kingdom graduates serve a three year training period, and others, usually those leaving school at eighteen years of age, a four year training period.¹ Public examinations, particularly the General Certificate of Education, have replaced the Institute's own preliminary examinations as a test of general, non-vocational, educational attainment. During the training period, trainees (except United Kingdom graduates in Accounting) sit an intermediate examination, or pursue a course which grants exemption from it. All trainees must sit the final examinations, which are the subject of this particular study.²

The Purposes of Examinations

Examinations have several different possible purposes, more than one of which may be present in any one examination. Rust and Harris³ identified the following four purposes:

- (1) to provide an incentive to effort;
- (2) to measure attainment;
- (3) to predict future success;
- (4) to select or license to practice.

With particular reference to professional bodies, they stated:

Among the functions commonly acquired by professional societies is that of examining candidates for membership. Such an examination is clearly for selection. It may have no pretence at general education. Its aim is to measure competence to carry out vocational and professional duties.⁴

Two purposes may be identified directly from the above quotation— (2) to measure attainment and (4) to license to practice. The former purpose would tend to lead the professional body to rank all candidates in order of their individual attainments. The latter would require no more than the setting of a minimum level of competence, which, if achieved, would license a candidate to practice in the profession.

Exactly how such a minimum level of competence is to be set is unclear. Presumably, it ought to be based on a variety of factors which revolves around purpose (3), the prediction of future success in the profession. This may be translated, for example, into exami-

nation conventions which lay down that the candidate must attain a predetermined score in each paper. Whether the standard which lies behind such precise conventions can be determined *a priori* is doubtful, so that the standard set, and the marking to that standard, will tend to be determined in the light of experience. If this were a completely fixed and absolute standard, the proportion of candidates which achieves it might reasonably be expected to vary, possibly considerably, from year to year.

However, the absolute standard itself is likely to change as the profession adjusts to changes in its environment. Also, over the years, the abilities of aspiring entrants to the profession are likely to conform more closely to the perceived entry standards. Those with poor entry qualifications will either be barred from entry, or will not bother to begin training, or may be filtered out during training. It is, therefore, possible that the proportion passing the standard will oscillate around some normal proportion. Alternatively, this normal proportion may be predetermined by the profession as a means of restricting entry. Following the introduction of the revised examination structure in 1947 and a fall in the pass rate in the final in 1947, 1948 and 1949 (see Table III) compared with earlier years, the Council of the Institute issued the following statement:

The Council understands that the low percentage of passes in the Institute examinations has given rise to suggestions that admission to the Institute is being regulated by increasing the requirements for a pass.

The Council wishes it to be known that no such policy has been or is being contemplated and that there has been no alteration in the requirements for a pass in any of the examinations.

The Council has been concerned with the large number of candidates who fail to pass the examinations. As a result of statistics prepared for the Examination Committee, the Council is satisfied that the low percentage of passes is due to the abnormal conditions obtaining as a result of the war.⁵

However, Rust and Harris stated:

The explanation of the high failure rate in professional body examinations could lie in a failure to provide or assist suitable courses of study. It could also lie in undiscovered weaknesses of the examination system; or in . . . an exami-

nation structure which does not match the examination with the professional practices and procedures learned.⁶

A profession which wishes to maintain its standard of service to the community will attempt to restrict entry to the more able. Thus, by reason of the demand for its services, the skill with which it performs them, and the restricted supply of highly-skilled practitioners, the rewards to those practitioners will tend to be high. In this sense, examinations are being used for purpose (1), as an incentive to effort, because only by passing examinations of a standard high enough to result in a restricted entry, will the candidate be able to join the ranks of those who benefit from the high rewards.

It seems probable, therefore, that to varying extents, professional examinations serve all four of the identified purposes. In the context of the examinations of the Institute, purpose (4) is likely to be paramount and to be closely linked to purpose (2). The "selection and licensing to practice," purpose (4), is based primarily on success in the examinations, and also on proof of adequate relevant experience and of good character. Yet, the Institute offers a series of prizes for high attainment [purpose (2)] in its examinations and has ranked candidates for its intermediate examinations, thereby incorporating a differential attainment measure as well as the simple attainment measure of pass or fail. The Institute's 1882 Annual Report stated:

The Council have [*sic*] decided, for the encouragement of Students, to issue Certificates of merit to all Candidates who have obtained or shall obtain more than a specified number of marks at the Final Examinations.⁷

Purpose (1) may be inferred from this statement and also from the Institute's concern to further the standing and importance of the profession. Purpose (3), the prediction of future success is an aim peculiarly sensitive to definitions and measures of success, but it would not be unreasonable to expect that there might be some relationship, however remote, between success on the examinations and success in the profession. It is quite certain that failure on the examinations will result in failure to become a qualified member of the profession.

It is, of course, difficult, not to say artificial, to separate examinations from education and training, as has been done in large measure in this article. However, the Institute has, until very recently,⁸ been an examining body rather than one which, like the Scottish Institute, involved itself closely with the education and

training of potential members. The short-lived tuition scheme in the late 1930s was an attempt to do this,⁹ but, for the most part, the Institute has relied upon the contributions made by private sector colleges, universities, polytechnics, students societies, and professional firms themselves. Its influence on education has therefore been indirect: through the medium of examination reports and syllabi and, later, stated examination aims and recommended texts; through membership of bodies such as the Advisory Board of Accountancy Education; and through the accreditation of university, polytechnic and private tutorial college courses. The Institute, through most of its history, has been content to ensure that those entering into articles or training contracts have had a reasonable level of general, non-vocational, education, by way of its own preliminary examinations, the General Certificate of Education, or, increasingly, university and polytechnic degrees. It has then set hurdles in the form of the intermediate and final examinations, towards which most of the training effort has been directed. There are signs that the Institute may either increase its direct involvement or withdraw almost completely and confine itself to a single test of professional competence and perhaps some assessment of the candidate's general suitability for the profession.¹⁰

The Efficiency of Examinations

Once the purpose of the Institute's examinations have been identified, is it possible to estimate the efficiency with which these purposes have been met? This question about the efficiency of the examinations contains two elements. The first is the validity element, which deals with the question: does the examination do what it is intended to do? It is, therefore, closely related to the purposes of the examination. The second is the reliability or consistency element, which asks: does the examination measure accurately what it is intended to measure? The relationship between the two is asymmetrical, for low reliability *must* lead to low efficiency, but high reliability does not guarantee high efficiency. Reliability implies that similar examinations would yield consistent results on successive occasions, an attribute which may be capable of being tested statistically.

An efficient examination should have the following characteristics:

(a) it should contain a representative sample of every aspect to be assessed (usually, attainment of knowledge, ability to communicate, ability to apply knowledge, and ability to memorise, organise and present material under stress conditions);

(b) its content and organization should enable a reliable evaluation of candidates' achievements;

(c) the final outcome should be a classification of results which meets the requirements of those setting the examination;

(d) the influence of the examination on the work of teachers and those being taught should be beneficial.

It is doubtful whether enough material exists for the Institute's examinations to be measured, *ex post*, against each of these efficiency characteristics. Some progress could be made on (a) and (b) by comparing syllabi and occasional Institute statements with the examination papers and by assessing the development of the demands made on candidates' abilities in the question papers. Characteristic (c) would be hard to assess because it would involve detailed monitoring of the examining process; otherwise it would amount to saying little more than that the Institute wishes to maintain and improve professional standards and so sets what is primarily a pass-fail examination which candidates either pass or fail. Characteristic (d) is a matter for considerable and continuing debate, particularly as the term beneficial has meaning only in the context of the aims and purposes of the professional, educational and training bodies involved.

Part of the validity of the Institute's final examinations rests upon the extent to which they test knowledge in areas with which a qualified practitioner would be expected to deal. Within a very short time of passing the examination the successful candidate may be offering advice to clients as a fully-qualified professional accountant, and should, therefore, possess up-to-date knowledge of professional subjects. The policy of the Institute has long been to allow a time lapse of about six months between the passage of new legislation or other changes, and the setting of questions on the new legislation in the examinations. In 1940, the Institute stated:

In respect of both the Final and Intermediate Examinations the usual practice will continue to be observed and questions will not be asked in respect of any legislation which has not been on the Statute Book for six months at the date of the examination.¹¹

For example, on 12th August, 1967, the Council issued the following statement:

the Examination Committee has decided that questions involving the requirements of the Companies Act 1967 will not be included in examinations until after May 1968¹²

which in practice meant the September Intermediate and the November Finals. Nevertheless, despite such attempts to ensure that newly qualified chartered accountants were reasonably up-to-date at the time of qualification, it was only in 1978 that continuing professional education was introduced in an attempt to ensure that they remained up-to-date throughout their careers. In normal circumstances, success in the final examination meant a lifetime qualification.

The Major Structural Changes 1882 to 1947

In Europe, written examinations were slow to appear. No record has been found of written examinations before 1702 when Bentley introduced one at Trinity College, Cambridge. The tradition of oral examinations was strong and to this day remains a feature of some examinations in the United Kingdom, and particularly in mainland Europe. Oral examinations were conducted by the Institute in the final examinations at least until 1892, but had never been a major element, having been at the discretion of the examiner and having been limited to further explanations of the printed questions. They were revived briefly at the end of the Second World War in order formally to examine ex-prisoners-of-war who had written Institute examinations in German prison camps.¹³ Not surprisingly, it was difficult to maintain the oral tradition in the face of mass education and the large numbers of examinees, for which written examinations were held to be more suited.¹⁴ The English Bar introduced written examinations in 1872, and the Institute held its first examinations in July 1882, some two years after its formation.

Table I sets out the main structural changes to the final examinations up to, and including, the latest change in 1981. Table II summarises the main examination topics following each structural change. The information was obtained from an inspection of the examination papers for the period, and the structural changes there identified were checked against reported changes in the examining structure. The first final comprised six papers over three days, in Bookkeeping, Partnership and Executorship Accounts, Auditing; the Rights and Duties of Liquidators, Trustees and Receivers; Bankruptcy and Company Law; and Mercantile Law and the Law of Arbitration and Awards. The first Bookkeeping paper had ten questions to be answered in a probable three hours. Of these, seven did not involve any direct use of quantitative data, as for example question one: "What should be the chief aim and object of a bookkeeper?" Of the three remaining questions which did involve quantitative

data, only one actually gave the data. The other two were do-it-yourself questions of the type: "Give an example of a mercantile balance sheet and profit and loss account." The Auditing paper contained ten questions. One gave the accounts of a branch of the Woman's Suffrage Association and asked whether they were correctly drafted. The last question dealt with a macabre subject;

A Cemetery Company working under Table A of the Companies Act, sells the right of burial in grave spaces. What part of the proceeds of the sale should be distributed among the shareholders? Answer this question as showing the Auditor's duty with regard to the distribution of capital.

The marking weight attaching to each question was not shown (nor was it until 1947), nor was the time allowance for the whole paper. The 1909 papers, however, indicated three hours each for Book-keeping papers and two hours for each of the others. These time allowances were apparently unchanged until 1922.

The first structural change occurred some forty years later, in 1922. It is probable that the advent of the First World War delayed the change, because in the years prior to the war, pressure for change was beginning to build up. A. E. Cutforth,¹⁵ in an address in 1912 to the Chartered Accountants' Student Society of London entitled "Can the Institute Examinations be Improved Upon" asked

Is the present examination syllabus the best that can be devised for ensuring that the most efficient and best equipped men are admitted to the profession?¹⁶

Cutforth, already a well-known accountancy author, and later to become President of the Institute, compared the examination papers of the Institute of Chartered Accountants of Scotland and the Society of Incorporated Accountants and Auditors with those of the Institute. He concluded that the Institute set too high a premium upon speed of answering accountancy and auditing questions, and that, therefore, the time allowed should be increased. He considered the possibility that the Institute should introduce a paper on Actuarial Science, and was strongly in favour of the introduction of Economics and General Commercial Knowledge:

Many a student can recite the graduated percentages of Estate Duty, but does not know what the Bank Rate means; he can tell you the amounts of the various penalties laid down in the Companies Act, but he has hardly heard of the laws of supply and demand; he has the Acts of Bankruptcy

at his fingers' ends, but is incapable of writing even a passably good letter or report upon the most simple of matters.¹⁷

In a lecture in the following year, 1913, to the Chartered Accountants' Students Society of Bristol, entitled "The Organization of an Accountant's Department," he presaged the introduction of foreign exchange into the examinations, noting:

The closer business relationships and community of interests which exist between the various countries of the globe, the consequence of which is that transactions tend to become more complicated, and their effects more obscure.¹⁸

Cutforth also commented:

if we are to maintain the reputation which we at present enjoy, if our services to the public are to be no less valuable in the future than they have been in the past, we must move with the times. We must equip ourselves to undertake the altered duties and responsibilities which the altered conditions impose upon us.¹⁹

The revised final examination structure introduced in 1922 is a remarkably close reflection of Cutforth's ideas. As Table I indicates, the time allowance for most papers was increased from two to three hours. In both the "Advanced Bookkeeping and Accounting" candidates were informed that "special value will be given to the first four questions. Of the remaining six questions Candidates must NOT attempt more than four." Cost accounting was given more emphasis. There was no separate paper on the Rights and Duties of Liquidators, Trustees and Receivers. Perhaps most importantly, candidates were required to choose to be examined in one of three optional papers, Economics (three hours); Banking, Currency and Foreign Exchanges (three hours) and Actuarial Science (two hours). In 1924, however, the Mercantile Law paper reverted to two hours, and in 1930, the Actuarial Science option was abandoned, as a foretaste of the 1934 structural changes.

The abandonment of the Actuarial Science option was called for by E. E. Spicer in a 1927 lecture entitled "The Articled Clerk in Relation to Education";

Actuarial Science might be dispensed with without disadvantages, and . . . the two other optional subjects, viz.

Banking, Currency and Foreign Exchanges, and Economics, should be made compulsory, but should form the subject of a separate examination.²⁰

This is exactly what was to occur in the 1934 restructuring. However, Spicer went on to state that it should be possible to take the examination at any time during articles, or

even after the completion of articles and the passing of the Intermediate and Final Examinations, but admission to membership of the Institute would be withheld until this examination had also been passed.²¹

Spicer suggested even more far-reaching changes such as graduate entry; greater Institute control over training; compulsory attendance at Student Society meetings and a requirement to contribute to their deliberations; more up-to-date Student Society libraries; tests of foreign language competence; and Institute scholarships to help the less well-off to qualify.

Following the publication of this lecture, several correspondents wrote to *The Accountant* commenting on Spicer's suggestion, and widening the debate to include the possibility of re-introducing *viva voce* examinations; a point to which *The Accountant* was to return in its leader column. Correspondents were anxious to point out the importance of personality, energy and bearing in public, to the complete professional, none of which was adequately tested in written examinations. One correspondent went even further, and suggested that the final should include a requirement that the candidate should preside over a supposed meeting of shareholders, conduct an income tax appeal, interview a new client and submit to a cross-examination as an expert witness, all "before a specially arranged examining audience."²²

A letter to the Editor of *The Accountant* by F. R. M. de Paula in December 1928 brought the debate back to a consideration of examinations in the wider context of education and training. He stated that

in my opinion the opportunities and the facilities available for education are quite inadequate for the future members of our great profession.²³

Having looked at training and examinations in other professions he recommended greater co-operation with the universities in which the student would spend the first six months at a university learn-

ing the basic pre-clinical skills; a year of practical training with a Chartered Accountant; followed by a year at a university adding to the theoretical skills leavened by practical knowledge; a further eighteen months of practical training; and a final year at a university, at the end of which the final examination would be attempted. The whole process would take five years, and, if successfully completed, would lead to a university diploma and membership of the Institute.

A leader in *The Accountant* in March 1929 urged that de Paula's suggestions about co-operation with the universities should be taken up, as universities were "no longer the mediaeval bodies they once were." Examination papers must become the joint responsibility of the profession and the universities and "under a properly safeguarded scheme, we can see nothing to be feared in that."²⁴ E. L. Tanner in a 1929 article entitled "The Institute Examinations—Criticisms and Suggestions" argued that there was a strong case for making economics compulsory, and for ensuring that candidates understood statistics and the mathematics of compound interest. Oral examinations were impractical, except if used to test a foreign language option in the final. The final itself, he suggested, should be split into two parts (as indeed it was in 1965), and might include open-book law papers as well as a choice between Advanced Economics and Statistics, and a foreign language. He also argued for the abandonment of order of merit listings in the final results.²⁵ The pressure for a compulsory Economics paper was maintained by Professor L. H. Jones in a series of notes in the late 1920s and 1930s. The study of economics was essential, he stated, if accountants were to grapple with the problems of the future and to fill the gap between the academic economist and the businessman.²⁶

Various correspondents to *The Accountant* expressed their support for splitting the finals into two parts.²⁷ One went further, and recommended that part one should be compulsory, but that candidates could choose to be examined either on general professional subjects or more specialised commercial topics.²⁸ The insertion on each paper of the number of marks per question was suggested,²⁹ and another correspondent complained that of the seventy questions set in total in the Institute final, only two were on income tax, of which one was optional, yet such knowledge was "absolutely vital" to the Chartered Accountant.³⁰

When the 1934 changes were made public in 1932, a leader in *The Accountant* expressed surprise at a change so soon after the last change in 1922, but pleasure about the removal of options. It

expressed concern about the time allowance for answering questions, so that

a premium is therefore put on the activities of the "crammer" whose aim is to supply candidates with information as distinct from mature powers of observation and exposition.³¹

The Institute appears to have taken note of the point about the time allowance because in the following year, 1933, *The Accountant* noted that the percentage pass in the November 1932 final was the lowest on record (43 percent) despite the fact that a

new class of examination paper had been introduced which was intended to be of assistance to the articled clerk by giving him more time to do the work.³²

The Secretary of the Institute, G. Colville stated, at a meeting in 1933 of the Leeds and District Chartered Accountants Students' Society, that in seeking to explain the lower pass rate, the Education Committee of the Institute

had no alternative but to come to the conclusion that the new paper is satisfactory and that that is not the cause of the low percentage of passes. We have only one suggestion to make . . . and that is that there is perhaps accumulating a proportion of candidates who cannot pass but who come up again time after time in the faint hope that they may eventually manage it.³³

The 1934 final examination structure (see Table I) reflected some of the views expressed in the period since 1922, and which have just been outlined. Yet it is possible still to recognize Cutforth's influence. Although it has been said that by this time his "innovative drive seemed to have spent its force,"³⁴ the fact remains that he was a member of the Council of the Institute from 1923, its Vice-President from 1932 to 1934 and its President from 1934 to 1936. Whatever view is taken about his direct influence at this time, it is legitimate to view the 1934 changes as, to some extent, a continuation of the 1922 changes, with the added impetus of the debate which occurred in the late 1920s and beyond, as just described. The remaining optional papers, in Economics and Banking, Currency and Foreign Exchanges, were abolished but the topics were consolidated, along with some taxation and costing, into a new, compulsory, two-and-a-half-hour General Financial Knowledge paper. The 1934 final included also three Advanced Bookkeeping and

Accounts papers, each of three hours, and each emphasising one of the following: company accounts; executorship accounts; and partnership accounts. The Auditing paper remained at three hours, and the Mercantile Law paper at two hours. There were two other Law papers, each of two hours: The Law Relating to Deeds of Arrangement, Receiverships and Trustees; and Company Law Including Liquidation. The 1934 final, therefore, comprised eight compulsory papers. In 1944, some changes were made to give added weight to taxation and law matters, but the next major reconstruction occurred in 1947.

Correspondence to *The Accountant* following the 1934 changes was mostly confined to the continuing problem of a lack of time in the examination, particularly in the Advanced Bookkeeping and Accounts and the General Financial Knowledge papers. This problem, which the Institute hoped that it had solved in 1933,³⁵ was the subject of several letters to *The Accountant* in 1938.³⁶

The Second World War reduced considerably the number of candidates, although some were able to study for, and attempt the examinations either in the United Kingdom, or in prisoner of war camps.³⁷ In 1945, *The Accountant* noted that, in reference to the forthcoming restructuring of the final in 1947:

the time allowance has been increased in certain cases, and examiners and moderators will be asked to pay particular attention to the speed factor; further, the number of marks to be allotted to each question is to be disclosed to candidates.³⁸

Unlike the 1922 and 1934 changes, the 1947 restructuring (see Table I) was not heralded by the long debate in the accountancy press. There had been an article by F. R. M. de Paula on "The Future of the Accountancy Profession,"³⁹ and the publication of the McNair Report,⁴⁰ but these had primarily been concerned with schemes for graduate entry. There seems not to have been the debate about examinations, in print at least, that characterized the earlier structural changes. In some ways, the 1947 changes were more evolutionary than revolutionary, and reflected changes in the economic environment, notably in the increased weight accorded to taxation. The number of papers was reduced from eight to seven, all of three hours, so that the General Financial Knowledge and Cost Accounting paper (as it was now called) received the same time allowance as the other papers; Taxation was examined in a separate paper; the three 1934 scheme Law papers were reduced to two (one on

Mercantile Law, the other on Company Law, Liquidation and Receiverships); Auditing retained full paper status; but the three Advanced Bookkeeping and Accounts papers of the 1934 scheme were reduced to two. For the first time, the maximum marks to be awarded to each question were shown on the papers. The General Financial Knowledge and Cost Accounting paper was changed in 1957 to General Financial Knowledge and Cost and Management Accounting, presumably to reflect the increasing involvement by accountants in the provision of information for management. In the same year, the Auditing paper was expanded to include investigations. Otherwise, the structure remained in force until 1966, although it was superseded by the new, two-part final in 1965.

The Major Structural Changes 1947 to 1981

The period between 1947 and the introduction of the new syllabus in 1965 saw the publication of two important reports, the Carr-Saunders Report and the Parker Report, which dealt with professional education and training. The Carr-Saunders Committee—the Special Committee on Education for Commerce—had been appointed by the Minister of Education in June 1946.⁴¹ Although one of its members was F. R. M. de Paula (an Institute Council Member), who in fact signed the report without reservation, the reception by the Institute in 1949 of its Report was very hostile.⁴² An unfortunate sentence in the Report seemed almost designed to upset the professional bodies:

... we understand by the word profession in our terms of reference any body of persons, using a common technique, *however meagre in content and however little related to fundamental study*, who form an association one purpose of which is to test competence in the technique by means of examinations.⁴³

The Report recommended, in relation to the accountancy profession, the increased availability of part-time day tuition in colleges so that it became the main instrument of instruction; the elimination of unnecessary variations in syllabi in common subjects among the several professional bodies; confinement of the intermediate examinations to general commercial studies, particularly economics and social studies; and the deferment until the age of eighteen of the start of professional or advanced commercial subjects.

Perhaps the most significant effect of the Carr-Saunders Report on the accountancy profession, and the Institute in particular, was

the response which it provoked from the Institute, which was published in 1951. The Council of the Institute

finds itself obliged to state that the recommendations of the Carr-Saunders Committee are wholly inappropriate for persons wishing to become members of the Institute. If put into operation in relation to such persons the recommendations would undermine the Institute's whole system of training under articles.⁴⁴

However, in his "Prospectus for a Profession" (1974), Professor D. Solomons noted that after two decades

the Carr-Saunders proposals do not look "wholly inappropriate," whereas some of the Council's statements do.⁴⁵

Solomons drew attention to several of these statements, including the following:

The Council wishes to reaffirm its views . . . on the unsuitability of technical and commercial institutions for the major tuition work required to prepare candidates for qualification as chartered accountants.

and

The Council cannot envisage any scheme, outside the universities, which could be recommended to members as a basis for granting exemption from the Intermediate examination.⁴⁶

On this basis, stated Solomons, there would be no support for the growing body of polytechnic and technical college instruction for Institute examinations, and there would be no Foundation course and examination in the polytechnics giving intermediate exemption. On the more positive side, the Institute defended its approach to training as a means of equipping potential entrants to the profession with:

- (a) a sound technical knowledge of the principles underlying all the work of the profession
- (b) a working knowledge of the law which affects the work of the profession
- (c) practical experience of the application of those principles and legal requirements
- (d) an understanding of the ethics of the profession

- (e) the widest possible education in a broader sense than the strictly vocational training and experience implied by (a) to (c) above.⁴⁷

It is perhaps surprising that this furor produced no immediate positive results in terms of the training and examination of prospective chartered accountants. However, it must be remembered that the last examination restructuring (in 1947) had occurred only two years before the Carr-Saunders Report was published. It might also be the case that a professional body, feeling itself threatened by proposals for what it saw as undesirable changes, would re-trench, and strengthen its view that its current procedures were appropriate. Further, the integration negotiations with the Society of Incorporated Accountants, particularly from 1954 until integration in 1957, must have been a major pre-occupation.

In 1957, W. E. Parker addressed the Institute's Oxford Summer Course on the subject of "Training for the Profession." This address was published in *The Accountant*⁴⁸ and was undoubtedly a fore-taste of the Parker Committee, established in 1958, which reported in 1961.⁴⁹ The address reviewed the Carr-Saunders Report, the U.S. Report (1956) on "Standards of Education and Experience for Certified Public Accountants,"⁵⁰ and the recommendations of the Scottish Institute's Committee, which had been appointed in 1953 to inquire into the examination and training of apprentices (articled clerks), and which had reported in October 1956.⁵¹ The fact that other professional bodies had recently conducted enquiries into their education and training procedures, and that these matters were constantly under discussion by chartered accountants, may have been additional stimuli to the formation of the Parker Committee in 1958, with the following terms of reference:

to consider the education and training appropriate for entrants to the profession, the existing arrangements and facilities therefore, and the changes, if any, which should be made so as to ensure the provision of an adequate supply of trained candidates suitable in all respects for admission to membership of the Institute; and to make recommendations.⁵²

The Parker Committee on Education and Training reported in 1961. Its principal conclusion was as follows:

The fundamental character of the Institute qualification should not be changed but the means and terms of entry

into membership need to be adapted to changed and changing conditions.⁵³

Thus, service under articles with a practicing chartered accountant, and qualification by examinations conducted by the Institute, should continue. Professor D. Solomons noted:

the Committee could, if it had wished, have made sweeping recommendations with every prospect that they would have been implemented. But it chose instead to limit itself to a number of quite minor proposals. . . . Short of endorsing the *status quo* in its entirety, the Committee could hardly have gone less far than it did. . . . On all of the important issues . . . wisdom was seen to lie with those who opposed change.⁵⁴

A principal recommendation of the Parker Committee was that the examination syllabus should be amended, and that the final examination should be divided into two parts, to accommodate an increase in the number of papers from seven to nine. The first part of the new final should consist of five three-hour papers: Advanced Accounting I and II; Auditing; Taxation I (of individuals); and English Law I. The second part should consist of four three-hour papers: Advanced Accounting III; General Financial Knowledge; Taxation II (of individuals and corporations); and English Law II.

The Parker Report was subjected to detailed examination by the Council and by the Committees of the District Societies of Chartered Accountants.⁵⁵ The proposed changes, based on the Report and Council decisions, were put in the form of resolutions to a Special Meeting of Members on 6th March, 1963, which were all carried by a substantial majority.⁵⁶ So far as examinations were concerned, the two-part final was accepted, and was to be introduced in 1965 (See Table I). The first part consisted of four papers (not five as recommended by Parker): Advanced Accounting I; Taxation I (of individuals); English Law I (company law and liquidations and receiverships); and English Law II (mercantile law). The second part consisted of five papers (not four as recommended by Parker): Advanced Accounting I and II; Taxation II (of individuals and corporations); Auditing; and the General Paper (including elements of economics). The only real difference between the Parker recommendations and the actual outcome was in the detailed division of the papers between the two parts. Cost and Management Accounting, as recommended, was moved from the General Paper to Advanced Accounting III and minor changes were made to the format of some

papers. It was possible for candidates to sit both parts together, but more usually Part I was sat and passed before Part II was attempted.

Professor Solomons stated

It is fair to say that, in the decade or so following the Parker Report, the . . . Institute has introduced more changes on the educational front than anyone studying that document might have thought likely.⁵⁷

Most of these changes occurred after 1970, following the failure of the proposals to amalgamate the six major professional accountancy bodies into one new professional organization.⁵⁸ In the mid 1960s, however, the debate about education, training and examinations was maintained, as for example in the discussions prompted by the articles by A. M. Bourn in *Accountancy*⁵⁹ in 1965. Bourn also published, in 1968, an assessment of the Scottish Institute's Report of the Special Committee on the Education and Training of Apprentices, 1967,⁶⁰ and in 1969, a comment on the educational proposals contained in the abortive amalgamation scheme.⁶¹

The failure of the amalgamation scheme led the Institute, in 1970, to publish draft revisions to the examination syllabus on which it invited comments. A leader in *Accountancy* remarked:

Institute Examinations must increasingly reflect the needs of the 80 per cent of those who qualify who will spend the majority of their working lives in an industrial environment.⁶²

There were leader comments and letters on the proposed changes, in *The Accountant* and in *Accountancy* during 1970 and 1971 particularly,⁶³ as well as submissions by interested parties in the profession and in education. Having received these comments, the Council of the Institute published a further discussion document, dated August 1971,⁶⁴ and again invited comment. This was undoubtedly by far the most far-reaching consultative process that had ever been undertaken by the Institute with regard to its education, training and examination policy.

The culmination of the consultative procedures was the publication in May 1972 of a new "Policy for Education and Training."⁶⁵ Professor Solomons noted that among the changes made were

The introduction of the mandatory foundation course for non-graduates outside the period of the training contract . . . with appropriate "conversion courses" for non-

relevant graduates either leading to or giving exemption from a foundation examination a scheme of fellowship by examination . . . [and] a requirement that two years of approved qualification experience in public practice should precede the issue of a practising certificate. . . . Apart from its actual proposals, the May 1972 policy document contains some interesting and potentially important statements. It looks forward to "more full-time tuition than at present," probably through "schemes linking private study with tutorial guidance, whether from the public or the private sector." It also envisages experimentation for a strictly limited number of graduate students.⁶⁶

For the present purpose, however, the policy document of 1972 is important in that it contained decisions on a further revision to the examination structure, which would be effected in 1975 (see Table I). The Intermediate Examination would be replaced by a Foundation Examination, and the two-part Final Examination would be replaced by Professional Examination I (P.E. I.) and Professional Examination II (P.E. II). In 1975, candidates were faced by examinations which bore many similarities to the old Finals, but which were more testing and which were progressive in the sense that, for example, P.E. II papers could test what had been tested in P.E. I. or indeed in the Foundation Examination. It would, therefore, no longer be possible to attempt P.E. II at the same sitting as P.E. I. P.E. I. consisted of four three-hour papers: Financial Accounting I; Taxation I (of individuals); Law (partnership, company and trusts); and Auditing, Systems and Data Processing. P.E. II. contained five three-hour papers: Financial Accounting II; Auditing; Taxation II (of individuals and corporations); Management Accounting; and Elements of Financial Decisions.

Meanwhile, the Steering Committee of the Advisory Board of Accountancy Education⁶⁷ had, in 1970, recommended the institution of a Long Range Enquiry into Education and Training for the Accountancy Profession. Its report, written by Professor Solomons, with T. M. Berridge, and to which reference has already been made, was published in 1974 under the title "Prospectus for a Profession." Its deliberations⁶⁸ covered the whole accountancy profession, not just the Institute,⁶⁸ and resulted in proposals that were, in its view at least, evolutionary rather than revolutionary. It proposed, among some twenty recommendations, that:

At or near the completion of the required period of work experience, there should be a test of professional com-

petence as a final test for admission to the professional body. This would be a practical test, allowing access to reference material, and "cramming" for it would not be appropriate. The test would be entirely under the control of the profession.⁶⁹

Writing some two years after the publication of the Report "Prospectus for a Profession" and one year after the introduction of the new examination structure, A. B. Sainsbury, The Secretary of the Institute's Education and Training Committee stated:

Although it is unlikely that the Institute will readily accept the Solomons suggestions that there should be a single final test of professional competence, attention has been paid to the devising of a proposed alternative form of final examination adumbrated in the [1972] policy statement. It is equally unlikely that this will be taken off the shelf so soon after the replacement of the old Final examination by Professional Examinations I and II. These, as their name implies, are intended to present a more thoughtful and realistic and a less regurgitative test of a student's knowledge and his ability to use it. Perhaps the most important thing about them is the way in which they were carefully structured to manifest the recognition by the Council that it is impractical for a student to obtain experience of all aspects in an accountant's work prior to qualification.⁷⁰

His paper was the last of six published in *The Accountant* over the preceding three months which addressed various aspects of education, training and examinations.⁷¹ Interest was maintained in these matters, as the large number of references in both *The Accountant* and *Accountancy* during the period since 1976 testifies.⁷² A major problem has been the relatively low pass rate in P.E. II (see a later section of this article and Tables III to V).

The Institute set up an Education and Training Directorate in October 1978, which soon afterwards put in motion a review of the working of the examination system. The Directorate's Interim Report was published in January 1980, and supported the idea of a single professional examination some one-and-a-half to two years into the three or four years training contracts. This would be followed by

some suitable assessment of [the students'] ability to apply their knowledge. It is hoped that this could be achieved without the need for another formal examination.⁷³

No action has yet been taken on this suggestion.

Another review of the examination system was published in August 1979, and was accepted, with amendments, by the Council of the Institute in December 1979.⁷⁴ Its principal aim was to provide a smoother progression from P.E. I. to P.E. II., "so that conscientious students who pass P.E. I. should have a reasonable expectation of passing P. E. II."⁷⁵

The new structure will come into effect in May 1981 for P.E. I. and December 1981 for P.E. II. (see Table I). P.E. I. will become a five paper examination, consisting of Financial Accounting I (revised syllabus); Accounting Techniques (to cover basic aspects of financial and cost accounting); Law (unchanged); Auditing, Systems and Data Processing (revised syllabus); and Elements of Taxation (existing Taxation I syllabus). P. E. II. will remain a five paper examination and will consist of: Financial Accounting II (revised syllabus); Financial Management (replacing Elements of Financial Decisions); Management Accounting (revised syllabus); Auditing (unchanged); and Advanced Taxation (existing Taxation II syllabus).

Throughout the history of the final examinations of the Institute, bookkeeping and accounts, auditing and law have consistently appeared as major components. Indeed for forty years from 1882, they were almost the *only* components. In 1922, new subjects were incorporated in a framework of options, and cost accounting was accorded more prominence. The optional structure was abolished in 1934, with the former options in Economics and in Banking Currency and Foreign Exchanges being included in the new, compulsory General Financial Knowledge paper. Taxation first had a separate paper in 1947, and, since 1965 has been examined in two papers. Economics has gradually been given more of a managerial and financial flavour, so that it has now been incorporated into several papers, notably Accounting Techniques, Financial Management and Management Accounting. It would not be far from the truth to say that there has been a shift away from bookkeeping and law (other than company law) towards management accounting, managerial economics, taxation, and systems and data processing. Since 1975, auditing has received more prominence. This shift has been discrete rather than gradual, which fact prompts the question of why these changes have occurred.

Undoubtedly there have been environmental pressures. Some of these have tended to be very direct (perhaps through statute and case law) as in the case of those subjects with a clearly defined professional content such as taxation and auditing. Others have

been rather more indirect, and have come about as a result of individuals and groups reacting to their perceptions of the environment and of the role of the accountant. In particular, the profession has had to recognize that the majority of its members no longer work in public practice, but in industry, commerce and government service.⁷⁶ Throughout the time under consideration, individuals have played a key role in influencing Institute policy. Although the emphasis in this section has been on final examinations, it became clear that particularly since 1970, it has been even more difficult to separate examinations from education and training generally. As A. B. Sainsbury said in 1976:

Since it was established nearly a century ago, the Institute has been essentially an examining body; and only lately has new thinking by the Education and Training Committee begun to adjust the position which examinations take in the process of education and training.⁷⁷

Examination Results 1882-1980

Tables III and IV set out the detailed results for the period 1882-1980 which Table V summarizes. Included in the results are those of candidates who, up to 1907, sat the "examination equivalent to the final" because "this examination is held at the same time and place, and in all respects in the same manner, as the Final."⁷⁸ For the most part, examinations were held twice a year, and the two results have been combined. Excluded, however, are the examination results of the Society of Incorporated Accountants, which was integrated into the Institute in 1957. The years affected are 1957 to 1960 inclusive. Other complications arise when there are transitional examinations, as in 1965 and 1966, therefore, the results of the two examination structures are shown separately. Where the regulations have allowed referrals in one or more subjects, a referral candidate is counted as having failed. On passing the referred paper or papers, the candidate is counted as having passed the whole examination on that occasion.

Inspection of Figure I, which is based on the figures in Table III and IV indicates that the pass rate has declined over the years since 1882, though not evenly. Except for the years 1898, 1901, 1906, 1910, and 1911, the pass rate stayed above 60 percent from 1882 to 1920. Table V sets out the weighted average pass rate (total passes in the period divided by the total sitting the examination in the period, expressed as a percentage) under each examination structure. For the 1882-1922 structure, the average pass rate was 62.7 percent.

From 1923 to 1933, the average pass rate had fallen to 52.4 percent. The 1934 examination structure lasted through 1946, during which period the average pass rate was 48.9 percent. From 1947 to 1966, the average pass rate was 46.4 percent. This was about the same as the combined average pass rate of 47.0 percent for the new, two-part finals which ran from 1965 to 1975, but slightly higher than the pass rate for the Part II examination over that period. In the 1920s, 1930s, and 1940s, the pass rate for each year was usually within four percentage points of 50 percent, but still with a downward trend, particularly in the later part of the period. During the 1950s, 1960s and until 1975 the pass rate was mostly in the 45 to 50 percent range. The average pass rate of 50.4 percent in Professional Examination I between 1975 and 1980 has been broadly comparable with pass rates since 1934. However, the average pass rate in Professional Examination II has been substantially lower, at 31.0 percent.

From 1965 onwards it has been possible to identify the overall examination performance of United Kingdom (U.K.) graduates undertaking Institute training contracts.⁷⁹ In Tables III to V, the U.K. graduate figures include those graduating with both relevant and non-relevant degrees. Relevant degrees, usually single or joint honours in accounting, give the holders exemption from the Institute's Foundation Examination (formerly the Intermediate Examination). Non-relevant U.K. graduates must either sit the Foundation Examination, pursue a graduate conversion course to acquire relevant degree status and consequent exemption from the Foundation Examination, or pursue a Foundation course at a polytechnic (along with non-graduates and overseas graduates) success in which exempts them from the Foundation Examination.

Tables III to V demonstrate that U.K. graduates have an appreciably higher chance of success than those in the non-graduate and overseas graduate category. On average, the U.K. graduate pass rate has been 68.8 percent for Part I and 69.5 percent for Part II between 1965 and 1975; and 65.1 percent for P. E. I and 46.8 percent for P. E. II from 1975 to 1980. These pass rates compare very favourably with the pass rates for non-graduates and overseas graduates of 45.1 percent for Part I, 41.8 percent for Part II, 40.1 percent for P. E. I, and only 21.8 percent for P. E. II. Indeed, the U.K. graduate average pass rate for both parts of the final examination between 1965 and 1975 is higher than the average pass rate obtaining in the first forty years of the Institute, with the 1975 to 1980 combined pass rate being higher than that of the 1920s and 1930s. It is probable, with the expansion of university places, that a

substantial number of those qualifying prior to the 1960s without having attended universities, would have attended universities had they been entering the profession in and after the late 1960s.⁸⁰

Although, in the foregoing, the dates of major structural changes have been taken as break points, there has rarely been a sudden, large, and sustained change in the pass rate at these points. The high pass rate in the new Part II final in 1965 was based on only 41 candidates. The very low pass rate in the last Part I and Part II finals in May 1975 may be explained by the despairing attempts of candidates who had earlier failed the Part II to pass it before the new Professional Examinations were introduced.⁸¹ However, there has consistently been a low pass rate in the P. E. II examinations. With the exception of the 1975 pass rate (37.3 percent) the P. E. II pass rates have been around 30 percent, although U.K. graduates have performed much better, averaging 46.8 percent, compared with 21.8 percent for non-graduates and overseas graduates (see Table V).

The reasons for the low P. E. II pass rate have been the subject of debate, much of which has surfaced in the accountancy press.⁸² It has been suggested, for example, that P. E. I was an insufficient hurdle, with an average pass rate of 50.4 percent compared with 31.0 percent for P. E. II. Other possibilities include changes in the nature and content of the examination papers, changes in the ways in which knowledge and abilities are tested, lack of time in the examinations and the inadequacy of the candidates' abilities and preparedness. Similar worries have been expressed about earlier finals' results.⁸³ For example, the official History of the Institute noted that an

opinion was expressed in some quarters that the first examinations held by the Institute had not been sufficiently searching. The standard of examinations was borne in mind and, at the third Annual General Meeting in 1884, Frederick Whinney (the Vice-President) observed that he had no apology to offer for the alleged stiffness of the examination papers, and candidates who wished to become members of the Institute would be "obliged to fit themselves for entrance rather more than those who have been with us for some time."⁸⁴

Conclusion

Through its examinations, the Institute has sought to ensure that its newly-qualified members have adequate and up-to-date knowl-

edge and appropriate professional skills. However, only in 1978 has it formalised continuing professional education and training after qualification. It has mostly confined itself to examinations, although it has maintained a general oversight of education and training. It has undertaken six substantial revisions of its final examinations since 1882, and has also made other marginal adjustments. There seems to be little or no evidence to suggest that the Institute has sought to regulate admission by manipulating the pass rate, and it has consistently denied any such policy. The pass rate has been variable throughout the period, although the trend has been downwards, despite the increasing proportion of graduate entrants since the mid-1960s. Examinations have been the focus of much attention in the accountancy press, and there is evidence to demonstrate that the Institute has been responsive to such published views. At the time of writing, the Institute has just revised its examination structure, so that there are now 30 hours of examining in the two-part final, more than twice the 13 hours of the original one-part 1882 final examination. Over the period, there has been a movement towards auditing, management accounting, managerial economics, taxation, systems and data processing and away from bookkeeping and law other than company law. Perhaps the most significant single change has been one of attitude: the recognition that examinations are an integral part of education and training and not a totally separate activity.

FOOTNOTES

¹Five year training contracts (mainly for 16 year-old entrants) were the norm for most of the period. They were phased out in the early 1970s, leaving only four year contracts (mainly for eighteen year-olds) and three year contracts (for United Kingdom graduates).

²The intermediate and final examinations ceased to be so described after 1975. The examination structure then took the form of a Foundation Examination followed by Professional Examinations I and II.

³Rust and Harris, pp. 101-102.

⁴Rust and Harris, p. 63.

⁵Council of the Institute of Chartered Accountants in England and Wales, statement published in *The Accountant*, Vol. 121, November 12, 1949, p. 528.

⁶Rust and Harris, p. 67.

⁷Council of the Institute of Chartered Accountants in England and Wales, *Annual Report 1882*, p. 5.

⁸Sainsbury, A. B.: "A Continuing Process" (sixth in a series on Education and Training). *The Accountant*, Vol. 175, September 9, 1976, p. 290.

⁹Institute of Chartered Accountants in England and Wales. *History*, pp. 69-71 and pp. 105-106.

¹⁰Sainsbury, p. 290; Solomons, pp. 156-157; *Interim Report of the Education and Training Directorate, Accountancy*, Vol. 91, February 1980, pp. 119-122.

¹¹Council of the Institute of Chartered Accountants in England and Wales, statement published in *The Accountant*, Vol. 104, June 14, 1941, p. 440.

¹²Council of the Institute of Chartered Accountants in England and Wales, statement published in *The Accountant*, Vol. 157, August 12, 1967, p. 212.

¹³Freear, p. 154.

¹⁴Regret at the abandonment by the Institute of the oral examination was expressed on several occasions. See, for example: the lecture by E. E. Spicer in *The Accountant*, Vol. 76, March 26, 1927, pp. 465-469; letters to the Editor of *The Accountant*, Vol. 76, April 16, 1927, pp. 579, 609-611, Vol. 79, November 24, 1928, pp. 691-692; leaders in *The Accountant*, Vol. 79, November 24, 1928, pp. 633-635, and Vol. 87, October 29, 1932, p. 535; article by R. Norman in *Accountancy*, Vol. 90, December 1979, pp. 130-131; Interim Report from the Education and Training Directorate of the Institute on "The Policy for Education and Training," *Accountancy*, Vol. 91, February 1980, pp. 119-122.

¹⁵See Kitchen and Parker, pp. 64-80 for a short biography of A. E. Cutforth.

¹⁶*The Accountant*, Vol. 46, June 8, 1912, pp. 868-872; quotation from p. 868.

¹⁷*The Accountant*, Vol. 46, June 8, 1912, p. 871.

¹⁸*The Accountant*, Vol. 48, May 10, 1913, pp. 729-735; quotation from p. 735.

¹⁹*The Accountant*, Vol. 48, May 10, 1913, p. 735.

²⁰*The Accountant*, Vol. 76, March 26, 1927, pp. 465-469; quotation from p. 468.

²¹*The Accountant*, Vol. 76, March 26, 1927, p. 468.

²²See above, footnote 14: quotation from a letter to the Editor of *The Accountant*, Vol. 79, November 24, 1928, p. 692.

²³*The Accountant*, Vol. 79, December 1, 1928, pp. 711-712; quotation from p. 711.

²⁴*The Accountant*, Vol. 80, March 9, 1929, pp. 285-286; quotation from p. 286.

²⁵*The Accountant*, Vol. 80, June 22, 1929, pp. 791-794.

²⁶See for example *The Accountant*, Vol. 80, January 19, 1929, pp. 85-90.

²⁷*The Accountant*, Vol. 82, March 31, 1930, p. 693; June 7, 1930, p. 725; June 21, 1930, pp. 795-796.

²⁸*The Accountant*, Vol. 82, June 21, 1930, pp. 795-796.

²⁹*The Accountant*, Vol. 84, January 31, 1931, p. 138. This was put into effect in 1947.

³⁰*The Accountant*, Vol. 82, January 25, 1930, p. 130.

³¹*The Accountant*, Vol. 87, October 29, 1932, pp. 533-534; quotation from p. 534.

³²*The Accountant*, Vol. 88, March 4, 1933, p. 275. The new class of examination paper appears to be simply a more liberal time allowance brought about by reducing the content of questions.

³³*The Accountant*, Vol. 88, March 4, 1933, pp. 281-284; quotation from p. 282.

³⁴Kitchen and Parker, p. 80.

³⁵*The Accountant*, Vol. 88, March 4, 1933, p. 282.

³⁶*The Accountant*, Vol. 98, letters to the Editor: January 1, 1938, pp. 9-10; January 8, 1938, p. 38; January 15, 1938, p. 75; January 22, 1938, p. 129; January 29, 1938, pp. 149-150; February 5, 1938, pp. 183-184; February 12, 1938, pp. 235-236; and March 12, 1938, p. 364.

³⁷Freear.

³⁸*The Accountant*, Vol. 112, February 17, 1945, p. 74.

³⁹*The Accountant*, Vol. 108, May 8, 1943, pp. 239-242.

⁴⁰A Joint Committee representing the Committee of Vice-Chancellors and Principals, the Institute, the Society of Incorporated Accountants and, later, the Association of Certified Accountants, chaired by Sir Arnold McNair then Vice-Chancellor of the University of Liverpool. The Report was published in 1944, and "outlined a scheme whereby the universities would introduce new options into their degrees

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in economics or commerce to provide for the inclusion . . . of accounting and law in each of the three years of the curriculum. . . . In recognition of the vocational purpose behind these modifications, the professional bodies were to exempt 'scheme' graduates from their intermediate examinations" (Solomons, pp. 37-38).

⁴¹Report of the Special Committee on Education for Commerce 1949; Chairman Sir Alexander M. Carr-Saunders. Publication of Ministry of Education.

⁴²See Kitchen and Parker, pp. 116-120; Solomons, pp. 22-25; Institute of Chartered Accountants in England and Wales, *History*, pp. 109-110.

⁴³Carr-Saunders Report, p. 2, emphasis added.

⁴⁴Institute of Chartered Accountants in England and Wales: "Education and Training for Membership," March 1951, p. 50.

⁴⁵Solomons, pp. 24-25.

⁴⁶Institute of Chartered Accountants in England and Wales: "Education and Training for Membership," March 1951, p. 20 and p. 21.

⁴⁷*The Accountant*, Vol. 124, May 5, 1951, pp. 429-430.

⁴⁸*The Accountant*, Vol. 137, July 27, 1957, pp. 92-98; August 3, 1957, pp. 122-127; and August 10, 1957, pp. 159-163.

⁴⁹Institute of Chartered Accountants in England and Wales: Report of the Committee on Education and Training, 1961, the Parker Report.

⁵⁰Association of Institutes of Certified Public Accountants: Report on Standards of Education and Experience for Certified Public Accountants, 1956.

⁵¹Institute of Chartered Accountants of Scotland: Special Committee on the Examination and Training of Apprentices, 1956, the Lister Committee.

⁵²*The Accountant*, Vol. 144, May 6, 1961, p. 553.

⁵³*The Accountant*, Vol. 144, May 6, 1961, p. 553.

⁵⁴Solomons, pp. 25-26; the Committee consisted of ten members; four had been or were to become Presidents of the Institute; one had been President of the Society of Incorporated Accountants; and another became Vice-President of the Institute while the Committee was sitting.

⁵⁵*The Accountant*, Vol. 148, March 16, 1963, p. 322.

⁵⁶*The Accountant*, Vol. 148, March 16, 1963, pp. 322-330.

⁵⁷Solomons, p. 26.

⁵⁸The six are: the Institute of Chartered Accountants in England and Wales; the Institute of Chartered Accountants of Scotland; the Institute of Chartered Accountants in Ireland; the Association of Certified Accountants; the Institute of Cost and Management Accountants; and the Chartered Institute of Public Finance and Accountancy (formerly the Institute of Municipal Treasurers and Accountants).

⁵⁹Bourn, 1965; *Accountancy*, Vol. 76: May 1965, Letters pp. 448-449; June 1965, Letter pp. 577-578.

⁶⁰Bourn, 1968.

⁶¹Bourn, 1969.

⁶²*Accountancy*, Vol. 81, November 1970, p. 756.

⁶³*Accountancy*, Vol. 81, November 1970, p. 811; Vol. 82, January 1971, p. 43; February 1971, p. 83; November 1971, p. 648; *The Accountant*, Vol. 163, November 12, 1970, p. 651.

⁶⁴Institute of Chartered Accountants in England and Wales: A Policy for Education and Training, August 1971.

⁶⁵Institute of Chartered Accountants in England and Wales: A Policy for Education and Training, May 1972.

⁶⁶Solomons, pp. 26-27.

⁶⁷This Board came into existence in 1969 as "a forum in which an integrated profession (as it was then expected to become) could talk with representatives of the educational institutions" (Solomons, p. 43).

⁶⁸Solomons, especially Chapters II and IV.

⁶⁹Solomons, p. 14.

⁷⁰Sainsbury, p. 290.

⁷¹*The Accountant*, Vol. 17, June 17, 1976, Vol. 175: July 1, 1976, July 22, 1976, August 5, 1976, and August 26, 1976.

⁷²For example: *The Accountant*, Vol. 177, October 13, 1977, p. 466; Volume 178, May 4, 1978, pp. 595-596; Vol. 179, October 5, 1978, pp. 421-22. *Accountancy*, Vol. 90: January 1979, pp. 69-70; March 1979, p. 44; June 1979, p. 6; August 1979, pp. 58-60 and pp. 102-104; October 1979, pp. 112-224; December 1979, pp. 130-131; Vol. 91: January 1980, p. 4; February 1980, pp. 119-122.

⁷³Institute of Chartered Accountants in England and Wales, Education and Training Directorate: An Interim Report on the Policy for Education and Training. Published in *Accountancy*, Vol. 91, February 1980, pp. 119-122; quotation from p. 122.

⁷⁴Report and Recommendations of the Examination Review Working Party to the Examination Committee of the Institute. *Accountancy*, Vol. 90, August 1979, pp. 102-104 and Vol. 91, p. 4.

⁷⁵*Accountancy*, Vol. 91, p. 4.

⁷⁶Solomons, p. 7.

⁷⁷Sainsbury, p. 290.

⁷⁸Institute of Chartered Accountants in England and Wales: General Instructions to Candidates, 1902.

⁷⁹The available graduate intake figures show a rise from 8 percent of entry into training contracts in 1963 to 78 percent in 1980. (Institute of Chartered Accountants in England and Wales, Annual Reports, Education and Training Information Papers, and personal correspondence.)

⁸⁰See Footnote 79.

⁸¹Institute of Chartered Accountants in England and Wales: Education and Training Paper No. 12, November 1975, p. 8: "As these were the last Final examinations to be held, attendance was confined to 'referred' or 'repeat' candidates only."

⁸²See Footnotes 71, 72, 73, 74, 75.

⁸³See Footnotes 32, 33.

⁸⁴Institute of Chartered Accountants in England and Wales: History, p. 27.

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Table I
Institute Final Examinations: Structural Changes, 1882-1981

	Hours Allowed	
JULY 1882 (6 papers)	3	Bookkeeping
	2	Adjustment of Partnership and Executorship Accounts
	2	Auditing
	2	Rights and Duties of Liquidators, Trustees and Receivers
	2	Bankruptcy and Company Law
	2	Mercantile Law and the Law of Arbitration and Awards
	<hr/> <u>13</u>	
NOVEMBER 1922 (7 papers)	3	Advanced Bookkeeping and Accounts
	3	Advanced Bookkeeping and Accounts
	3	Auditing
	3	Partnership and Executorship Law and Accounts
	2	Bankruptcy and Company Law
	3	Mercantile Law and the Law of Arbitration and Awards (reduced to two hours in 1924)
	3 or 2	And one of: Economics (3 hours); Banking, Currency and Foreign Exchanges (3 hours); Actuarial Science (2 hours).
<hr/> <u>20 or 19</u>		
NOVEMBER 1934 (8 papers)	3	Advanced Bookkeeping and Accounts (Including Limited Companies)
	3	Advanced Bookkeeping and Accounts (Including Partnership and the Law relating thereto)
	3	Advanced Bookkeeping and Accounts (Including Executorship and the Law relating thereto)
	3	Auditing
	2	Law relating to Bankruptcy, Deeds of Arrange- ment, Receiverships and Trusteeships
	2	Company Law (Including Liquidations)
	2	Mercantile Law and the Law of Arbitration and Awards
	2½	General Financial Knowledge (Including Taxation, Costing and Foreign Exchanges)
	<hr/> <u>20½</u>	

Table I
Institute Final Examinations: Structural Changes, 1882-1981
(Continued)

		Hours Allowed	
MAY 1947 (7 papers)		3	Advanced Accounting (Part I)
		3	Advanced Accounting (Part II)
		3	Auditing ('Auditing, Including Investigations,' from May 1957)
		3	Taxation
		3	General Financial Knowledge and Cost Accounting ('Cost and Management Accounting,' from May 1957)
		3	English Law (Part I)
		3	English Law (Part II)
		<u>21</u>	
MAY 1965 (4 papers of 9)	PART I	3	Advanced Accounting I
		3	Taxation I
		3	English Law I
		3	English Law II
NOVEMBER 1965 (5 papers of 9)	PART II	3	Advanced Accounting II
		3	Advanced Accounting III
		3	Auditing, Including Investigations
		3	Taxation II
		3	General Paper, Including the Elements of Economics
		<u>27</u>	
MAY 1975 (4 papers of 9)	PROFESSIONAL I	3	Financial Accounting I
		3	Taxation I
		3	Law
		3	Auditing, Systems and Data Processing
JULY 1975 (5 papers of 9)	PROFESSIONAL II	3	Financial Accounting II
		3	Taxation II
		3	Auditing
		3	Management Accounting
		3	Elements of Financial Decisions
		<u>27</u>	
MAY 1981	PROFESSIONAL I	3	Financial Accounting I
		3	Accounting Techniques
		3	Law
		3	Auditing, Systems and Data Processing
		3	Elements of Taxation
DECEMBER 1981	PROFESSIONAL II	3	Financial Accounting II
		3	Financial Management
		3	Management Accounting
		3	Auditing
		3	Advanced Taxation
		<u>30</u>	

Table II
Institute Final Examinations: Main Topics Included

<i>Topic</i>	<i>1882</i>	<i>1922</i>	<i>1934</i>	<i>1947</i>	<i>1965</i>	<i>1975</i>	<i>1981</i>
Bookkeeping and Accounts	√	√	√	√	√	√	√
Auditing	√	√	√	√	√	√	√
Law	√	√	√	√	√	√	√
Taxation	(√)	(√)	(√)	√	√	√	√
Economics	—	*	(√)	(√)	√	√	√
Statistics	—	*	—	—	(√)	(√)	√
Cost and Management Accounting	(√)	(√)	(√)	√	√	√	√
Financial Management	—	—	—	—	—	(√)	√

Note: √ = Topic examined
 (√) = Topic examined to a minor extent
 — = Topic not examined
 * = Optional papers: these were introduced in 1922 and abolished in 1934. See Text.

Table III
Institute Final Examinations Results, 1882-1966

<u>Year</u>	<u>Number Sitting</u>	<u>Pass Rate (percent)</u>	<u>Year</u>	<u>Number Sitting</u>	<u>Pass Rate (percent)</u>
1882	50	68.0	1925	981	46.2
1883	71	66.2	1926	942	57.5
1884	123	62.6	1927	1089	59.4
1885	153	64.1	1928	1119	54.8
1886	256	62.9	1929	1107	57.8
1887	150	60.7	1930	1086	52.2
1888	59	71.2	1931	1088	55.4
1889	67	74.6	1932	1153	46.2
1890	86	76.7	1933	1258	48.4
1891	126	64.3	1934	1303	46.6
1892	164	67.7	1935	1334	48.1
1893	163	71.2	1936	1258	49.9
1894	144	68.8	1937	1194	48.1
1895	165	76.4	1938	1181	54.4
1896	168	72.0	1939	960	51.2
1897	208	62.5	1940	479	46.4
1898	233	52.4	1941	149	48.3
1899	258	65.9	1942	103	49.5
1900	238	63.4	1943	113	53.1
1901	266	56.4	1944	126	47.6
1902	312	64.4	1945	169	46.8
1903	373	62.2	1946	584	43.7
1904	349	65.9	1947	1343	45.2
1905	379	60.7	1948	1571	43.7
1906	385	57.7	1949	1706	42.0
1907	351	61.5	1950	2035	42.5
1908	350	61.1	1951	2189	47.2
1909	330	67.9	1952	2030	45.2
1910	389	59.6	1953	1768	46.0
1911	385	58.2	1954	1728	45.3
1912	401	62.9	1955	1822	46.8
1913	410	60.0	1956	1896	42.3
1914	338	61.8	1957	2059	46.3
1915	161	68.3	1958	2183	49.2
1916	65	60.0	1959	2548	46.5
1917	51	64.7	1960	2992	48.1
1918	71	62.0	1961	3194	47.2
1919	448	68.8	1962	3468	50.3
1920	746	67.8	1963	3601	48.4
1921	492	53.9	1964	3861	45.8
1922	570	53.3	1965	4306	47.3
1923	801	54.3	1966	3121	44.6
1924	968	44.4			

Source: The Table was constructed from the following: Institute *Annual Reports*, 1882-1966; various issues of *The Accountant*; and various issues of *Accountancy*.

Table IV
Institute Final Examinations Results, 1965-1980

Year	New Final Part I and II	Number Sitting	Pass Rate (percent)	U.K. Graduates		U.K. Non-Graduates and Overseas Graduates	
				Percentage of Total Number Sitting	Pass Rate (percent)	Percentage of Total Number Sitting	Pass Rate (percent)
1965	PI	2416	49.4	13.7	65.0	86.3	46.9
	P II	41	61.0	not available	not available	not available	not available
1966	PI	5041	53.3	8.6	68.1	91.4	52.0
	P II	1152	55.9	18.9	74.8	81.1	51.5
1967	PI	6536	49.4	6.2	71.3	93.8	48.0
	P II	3483	50.6	10.4	73.7	89.6	47.9
1968	PI	6006	50.0	7.6	69.8	92.4	48.4
	P II	4934	50.8	7.8	69.7	92.2	49.2
1969	PI	6240	48.7	9.6	70.3	90.4	46.4
	P II	5324	48.3	8.8	71.5	91.2	46.1
1970	PI	6407	47.6	12.7	66.8	87.3	44.8
	P II	5693	46.2	9.9	68.8	90.1	43.8
1971	PI	6628	48.5	15.8	69.5	84.2	44.6
	P II	6123	43.5	11.2	73.2	88.8	39.7
1972	PI	7139	44.9	18.0	69.9	82.0	39.4
	P II	6644	41.7	13.1	73.4	86.9	36.9
1973	PI	7259	47.7	22.1	72.5	77.9	40.7
	P II	7089	42.9	17.3	71.5	82.7	37.0
1974	PI	8738	47.1	20.0	65.2	80.0	42.6
	P II	8129	45.0	13.6	68.3	86.4	41.3
1975	PI	2252	49.6	17.9	66.9	82.1	45.9
	P II	2131	28.9	9.8	22.6	90.2	29.5

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Year	Exam Type	Count	44.2	36.6	58.0	63.4	36.3
1975	PEI	5954	44.2	36.6	58.0	63.4	36.3
	PEII	5422	37.3	32.0	58.7	68.0	27.2
1976	PEI	8738	43.8	33.8	58.0	66.2	36.6
	PEII	8502	28.9	27.6	48.4	72.4	21.4
1977	PEI	8231	48.4	33.9	62.7	66.1	41.1
	PEII	8043	29.1	35.9	44.6	64.1	20.4
1978	PEI	6369	58.1	43.4	75.3	56.6	44.9
	PEII	8369	29.6	42.6	44.2	57.4	18.8
1979	PEI	6358	52.1	47.1	65.7	52.9	40.0
	PEII	9663	31.6	41.1	45.1	58.9	22.1
1980	PEI	6657	58.0	56.3	68.4	43.7	44.5
	PEII	10225	31.5	39.4	46.4	60.6	25.0

NOTES:

- (1) The Table has been constructed from the following sources:
Institute Education and Training Papers, 1972-1981
The Accountant, various issues
Accountancy, various issues
- (2) The 1974 Part I and Part II figures contain estimates of the breakdown between the two categories (U.K. Graduates, and Non-Graduates and Overseas Graduates), for the May 1974 examinations. The breakdown was not published in *The Accountant or Accountancy*, nor did the *Education and Training Papers* include the breakdown. The Institute's Education and Training Directorate was unable to supply the information.
- (3) The 1965 Part II breakdown into the two categories was not available from the sources given in Note (2) above.

Table V
Institute Final Examinations—Weighted Average
Pass Rates 1882-1980

<u>Period</u>		<u>Pass Rate</u> <u>(percent)</u>	<u>Pass Rate</u> <u>(percent)</u>	<u>Pass Rate</u> <u>(percent)</u>
1882-1922				62.7
1923-1933				52.4
1934-1946				48.9
1947-1966				46.4
1965-1975	U.K. Graduates	Part I/PE I 68.8	Part II/PE II 69.5	combined 69.1
	Non-Graduates and Overseas Graduates	45.1	41.8	combined 43.6
	All Candidates	48.4	45.1	combined 47.0
1975-1980	U.K. Graduates	65.1	46.8	combined 55.7
	Non-Graduates and Overseas Graduates	40.1	21.8	combined 29.8
	All Candidates	50.4	31.0	combined 39.9

Notes:

- (1) The years chosen are related to structural changes in the examination.
- (2) The weighted pass rate is calculated by dividing the total number of candidates passing the examination during the period by the total number of candidates taking the examination during the period, and expressing the result as a percentage.
- (3) A breakdown of the 41 candidates sitting the 1965 Part II examination was not available; those candidates have been placed in the Non-Graduate and Overseas Graduate category.
- (4) A breakdown of the May 1974 examination results was not available; figures have therefore been estimated from relevant data.

Figure I
Institute Final Examination Pass Rates, 1882-1980

