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Rand, Waldron H., "What is a certified public accountant" (1914). *Individual and Corporate Publications*. 37.
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What is a
Certified Public Accountant



by
Waldron H. Rand

WALDRON H. RAND & COMPANY
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101 MILK STREET, BOSTON

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**THE
CERTIFIED PUBLIC ACCOUNTANT**

By **WALDRON H. RAND, C. P. A.**

**A paper read before the Certified Public
Accountants of Massachusetts
Incorporated**



Compliments of
Waldron A. Reed

Dec 3, 1914.

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The Certified Public Accountant

Introduction

It seems strange to those of us who are daily performing our work as Certified Public Accountants, that the whole world should not know what we profess to be. It is true, however, that to many otherwise intelligent and well-informed persons, the Certified Public Accountant is unknown.

During the past nine years, annual conventions of the American Association have listened to many addresses, and reports of standing committees and special committees, bearing upon the subject of the character and qualities of the professional public accountant. There also have been published in the *Journal of Accountancy* many other papers of like nature.

I find no fault with these papers. They are all excellent. Some of them are especially fine and worthy of close study. They could be scarcely less than worthy, coming from such men as Dickinson, Johnson, Sterrett, Montgomery, Lybrand, Cooper, Geijsbeek, Sells, Chase, Vollum, and their associates.

I have failed to find, however, in any instance, that the preparation of the Certified Public Ac-

countant, from his very beginning to a point where his professional brethren universally would admit his claim to equal consideration before the public, has been ever so considered, and explained, that an outsider might readily understand it. To write that one must meet the legal requirements for an examination, is one thing; and to describe what these requirements are is another thing, and better suited for our purpose.

I believe, too, this lack of information by the public is partly due to the following reasons:

Our work is not necessarily advertised, and is connected with a comparatively small number of persons.

The individual man, who is not engaged in the accounting end of a business or in touch with it, might go a long while in ignorance of the work of the Certified Public Accountant, although audits of the accounts might have been regularly going on; and where there is no marked occasion for explanation, the Certified Public Accountant is not given to advertising or publishing his attainments.

Everybody knows a doctor, lawyer, a preacher, a dentist, a bookkeeper, and what the name means, because everybody either has need of one, or has seen one, or heard one at work; but comparatively few persons, after all, have occasion to know the Certified Public Accountant, and among those who do, a large proportion possess but a slight and incorrect apprehension of his services; and far too

many have had their confidence abused through employment of incapable and poorly equipped "make-believes" who, like quack doctors, do more harm than good.

Description

Candidates for Certified Public Accountant examinations must be twenty-one (21) years of age, citizens of the State, and comply with other conditions as follows:—

In twenty-two (22) States a High School graduation or its equivalent is required as a minimum educational provision, and in eleven other States, while left to the discretion of the Boards of Examiners or to such departments or committees, as have charge under the Statute, it is a fair assumption that this requirement is practically enforced.

This minimum educational provision is a general one. No one could hope to be able to pass the prescribed examination without possessing a great deal more knowledge as specialized in accountancy than that of a High School graduate. In this additional preparation recourse is had to the many excellent colleges and schools of business administration. In these schools instruction is received by the student in economics, a foundation stone in accountancy, and in commercial law, journalism, English, advertising, salesmanship, business organization, commercial development, finance, foreign languages, and in various departments of account-

ing. Laboratory work in most of these schools supplies some of the much needed practical experience. Most of the candidates will have read books on Auditing and on Theory and will have dug through problems and questions which have been used in previous Certified Public Accountant examinations.

In addition to the above so-called minimum educational requirements, 12 States require public, practical experience of three years; two of one, two and three years, according to kind; four of two years; three of one year; two at discretion of Board; and ten, none at all. This practical experience is, in the great majority of cases, simply that of a junior accountant, so-called. It should be understood to mean (and in most of the candidates it does mean) a diversified, partial knowledge of methods and systems, more or less complete, of a variety of businesses. It includes in almost all, the experience of actually keeping a set of books by double entry; employment as an assistant to a senior accountant in performing his work; and living in touch with those who are financial advisers; and, as it were, in an atmosphere of accountancy.

Representations of moral character, supported by references, are universally required.

And now the technical examination of candidates; it will be unfair to select the more difficult examinations; suppose we take one thought to be

under the average requirement. It is divided into five papers, two on practical accounting; two on theory of accounts and auditing, and one on commercial law, that is, ten hours in practical accounting, eight hours in theory of accounts and auditing, and four hours in commercial law. There are ten problems in practical accounting and the candidate must solve six; thirty questions in theory and auditing and twenty must be answered; fifteen in commercial law and ten answered.

The scope of the examination under these divisions is extensive. There will be found problems and questions, the solution and correct answer of which require a definite and close acquaintance with complications in matters of accounting, and a broad and extended knowledge connected with questions in theory and auditing, together with a familiarity with every-day subjects in the law of commerce affecting probate business; trustees' accounts; partnerships; corporate reorganizations; manufacturing, home and branch accounts; adjustments and reconciliations; valuation of a business, and report to prospective purchaser; detailed audit of a textile manufacturing company; municipal accounts; changing of corporations from one State to another; treatment of life insurance; distribution of 500 or more expense accounts; valuing a business, including Good Will; adjustment of fire losses; stock broker's audit; savings bank audit; systemizing manufacturing stock accounts, factory and

stores; contract business; fire insurance companies; cost accounting; trust companies; public service corporations; interstate commerce commission; corporations' returns; definitions of law terms; insolvency; responsibilities of common carriers; liability of surety; foreign corporations registration; bailments; contracts; assignments; U. S. income tax; banking; State returns of corporations, etc.

There is a large field embraced in these papers; it would be practically impossible, without some real experience, and much study, satisfactorily to answer the questions and solve the problems given.

The preparation of the papers and the conduct of the examination is in the hands of a board of five examiners, each of whom is maintaining well established offices as a Certified Public Accountant. The certificate of the State is granted, in the case under view, to the candidates who successfully pass the examinations, averaging at least 75% in each subject.

Now this analysis of qualifications seems to indicate a preparedness which to the interested public must appear quite thorough, and doubtless some of the newly-promoted Certified Public Accountants feel, like some of the newly-promoted alumni of College and University, that they know so much, it must be their hard work of preparation has been practically finished, and that clients will flock to them to benefit by their wisdom and service.

The more experienced practitioner knows better, and his analysis of the ability required of the new man goes considerably further and deeper. The facts are, the candidate now has passed successfully all tests required by law and can so publicly announce himself and add C.P.A. to his name. What is he expected to do? He is to get business and establish a reputation; first work, and then reputation, for his reputation is subject to the work he does. There are decided rules to govern him; well-established precedent leads him into one of two channels; he will maintain his own office, or he will work for someone else.

Just as the preacher, doctor, lawyer, architect, and engineer, with freshly-framed diplomas, are tried out, so will the new man be tried. Whether he opens his own office and independently practices his profession, or whether his services are secured on the staff of some other accountant, it will be found that the supervision of his department, his work and habits will now become even more exacting.

As a member of the staff of another accountant, he will be classed as a senior. Where he was, perhaps, an assistant, he will now have an assistant. He will be entrusted with work calling for discretion and tact as well as knowledge of details. His working papers will form the basis of reports containing tabulations and distributions and manuscript, the responsibility for which will be borne by

his Principal who signs the report. In many of the larger accounting offices there are departments organized for classified work, banking, cost accounting, public utilities, municipal, textile manufacturing, etc. He may specialize in one of these, or he may be fortunate enough to be given general work and obtain experience in a large variety of service. Whatever his lot, he will be constantly under the eye and direction of a competent, experienced Principal, whose professional reputation is affected by what is done.

Should he independently start to maintain an office, the situation has similar conditions. His clients will inquire into his standing in the profession before entrusting him with commissions. Except in cases of emergency, people won't call even a physician without first inquiring about him. Neither will they call a public accountant on any less acquaintance. As a matter of fact, men's business interests are too often placed ahead of their health and the man to whom they are to disclose the inmost secrets of their business must be capable and trustworthy.

Our Certified Public Accountant is all the while establishing himself both with his employers or professional associates and with the public. He is making his reputation, which is his capital, the only capital worth anything to him. He has joined his State Society and more or less frequently is able to attend its meetings and make the acquaintance

of other members of his profession, besides keeping up with the times on accountancy practice and report. He subscribes for the Journal of Accountancy and takes membership in the American Association and at the Annual Conventions becomes known to accountants of other States, and so his reputation grows until the inquiry in professional circles almost anywhere made will be met with an instant response of commendation and the new man finally has been tried and proven and accepted as a qualified Certified Public Accountant.

Membership as Fellows of the American Association:—must consist of accountants who have obtained and hold a Certified Public Accountant's certificate duly issued to them by virtue of the laws of any State or Territory, which laws, as to their educational and moral requirements and in the standard of the examination held in accordance therewith, shall be acceptable to the board of trustees of the Association. Applicants must have been in continuous public practice on their own account for a period of three years preceding the date of application, or for a like period as accountants in the employment of a public accountant of recognized standing in the profession.

Membership as Fellows of State Societies:—generally are made to conform with the requirements for membership in the American Association, and are in some instances more strict.

There are about twelve hundred Fellows of the

American Association, and this is a fair representation of the number of those in this country who have met the foregoing requirements and conditions.

Summarizing, we conclude that the Certified Public Accountant, Fellow of the American Association, professes to be a citizen of the United States, of lawful age, with a minimum educational qualification equivalent to a High School graduation, and further study and experience, including at least three years practical experience as a public accountant, who has passed the examination and has obtained and holds a Certified Public Accountant's certificate, issued to him by virtue of the laws of some State or Territory, and who *bears an established reputation among his professional brethren for unblemished character and unquestionable ability.*

Recent Progress

The advance of the Certified Public Accountant has been most rapid. But twelve years ago inquiry made at the office of the chief clerk of the Secretary of State of this Commonwealth brought this response, "If you want to practice as an expert accountant, all you will have to do is to have a knowledge of double entry bookkeeping, print your cards, and hire an office." He might have left out "hiring the office." At the same time inquiry made at the offices of one of the then best known public

accountants brought this information: "Books, no; we have no books published about Accountancy; there is one—"Dicksee on Auditing"—there may be some others, but we don't have them."

Twelve years ago there were but four states in these United States which had upon their statutes a C. P. A. law. New York came first in 1896, followed by Pennsylvania in 1899; Maryland in 1900; and California in 1901. Today there are thirty-three states, which have enacted the C. P. A. law, and of this number thirteen did so during the last three years, and we expect this winter to add seven more.

Twelve years ago, of those American Colleges and Universities possessing Departments of Commerce and Accounts, who reported this year to the "Standing Committee on Education," of the American Association of Certified Public Accountants, there existed but seven; the date of organization being as follows:—

Pennsylvania comes first in 1881; Chicago and California in 1898; Wisconsin and Amos Tuck—Dartmouth—Post Graduate, in 1900; New York and Vermont in 1901; Illinois in 1902; Michigan in 1904; Harvard Post Graduate, Pittsburgh, Oregon Agricultural, and Northwestern in 1908; Columbia and St. Louis in 1910; Cincinnati and Georgia in 1912; Nebraska and Boston University in 1913.

The total enrollment of students in these colleges in 1913-1914, as reported, numbered 7572. In addition to these Departments in Colleges as listed, there are excellent private institutions furnishing resident and correspondence courses. Such institutions receiving endorsement of the Standing Committee on Education of the American Association include Pace & Pace, and the Alexander Hamilton Institute, both of New York; and the Walton School of Chicago.

There is an increasing demand on behalf of the business man for services such as the qualified C. P. A. can render, and bankers and credit men are becoming more appreciative of his work, and the time seems to be rapidly approaching when papers such as this one will be deemed unnecessary.

