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Report of the Committee on Education and Experience Requirements for CPAs

American Institute of Certified Public Accountants. Committee on Education and Experience Requirements for CPAs

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REPORT
OF THE

**Committee on
Education and Experience
Requirements
for CPAs**

MARCH 1969

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**Committee on Education and Experience
Requirements for CPAs**

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OF THE
COMMITTEE ON
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REQUIREMENTS
FOR CPAs**

March 1969

American Institute of Certified Public Accountants

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Preface

The report of the committee on education and experience requirements for CPAs was presented by the Chairman, Elmer G. Beamer, to the spring meeting of Council on May 6, 1969. The ten recommendations of the committee were adopted by Council and therefore become statements of Institute policy.

JOHN L. LAWLER
Administrative Vice President
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Introduction

The *ad hoc* committee on education and experience requirements for CPAs was appointed in September 1966. Our charge was to restudy the Institute's policies pertaining to these requirements, which set standards for admission to the accounting profession, and to recommend what the policies should be in the light of current and foreseeable conditions.

Our principal recommendations are that the CPA certificate be considered as evidence of basic competence of professional quality in the discipline of accounting and that a requirement of formal education equivalent to at least five years of college study be substituted for the present education and experience requirements. The approach to our study, a statement of our recommendations and a discussion of these recommendations are included in this report.

Background

Various opinions as to appropriate requirements for admission to the accounting profession have existed since its inception. These opinions were first codified as provisions of accountancy statutes enacted by the several states in the 1890's and early 1900's. The continued diversity of these statutory provisions, however, creates disparate standards under which CPA certificates are issued.

The lack of success of years of effort by various committees and organizations to bring about uniform and realistic standards for the qualification of CPAs resulted in the creation of the commission on standards of education and experience for certified public ac-

countants in 1952. The essential purpose of the commission was to formulate standards of education and experience that would be considered desirable prerequisites for state certification as a CPA. The findings and recommendations contained in its report¹ were forerunners of present Institute policies.

After publication of the commission's report, the special coordinating committee to study the report of the commission on standards of education and experience for CPAs (called the Bailey committee after its chairman, the late George D. Bailey) was formed in 1957 and charged with recommending to the Institute's Council which of the standards contained in the commission's report should be adopted by the Institute. The Bailey committee, in its report² to Council in 1959, recommended adoption of certain commission standards but also adoption of statements of positions differing from, or in addition to, other standards recommended by the commission. The resolutions drawn from the Bailey committee report and adopted by Council in 1959, with minor amendments in 1960 and 1962, have remained unaltered as the Institute's policies since then.³

One resolution directed that a committee prepare a statement as to what, in general, should be an acceptable type of experience for the CPA certificate. The committee on qualifying experience (called the Hansen committee after its chairman, George H. Hansen) received this charge and submitted its report to Council in 1961.⁴

Objections received from CPAs who had studied exposure drafts of the Hansen committee's report and discussions at its meeting led Council to take no action on the report other than to refer it to the executive committee, which made it available solely as a research study on qualifying experience. These objections were based on the opinion that the varied experience described in the report could not be provided in one year at the appropriate level by accounting firms.

¹ Commission on standards of education and experience for certified public accountants, *Standards of Education and Experience for Certified Public Accountants* (Ann Arbor: University of Michigan, 1956).

² Special committee on the report of the commission on standards of education and experience for CPAs, *Report to Council* (New York: AICPA, 1959).

³ See Appendix A.

⁴ Committee on qualifying experience, *Report to Council* (New York: AICPA, 1961).

Another resolution adopted in 1959 called for a periodic review of the profession's standards of admission. The formation of our committee to study education and experience requirements was in compliance with this resolution.

The Institute's present policies⁵ are now ten years old and were adopted under conditions existing in the 1950's. Changes in the environment in which entrants to the profession develop their basic professional competence, changes in the meaning of the CPA designation, and completion of two authoritative Institute studies mark the need for major revisions of these policies.

One of these authoritative studies is *Horizons for a Profession*,⁶ which delineates the common body of knowledge to be possessed by those about to begin their professional careers as CPAs. The other is "A Description of the Professional Practice of Certified Public Accountants,"⁷ which was approved by Council as the Institute's official description of the nature and scope of its members' practice. We examined these studies thoroughly, and have set forth their significance in this report.

Objectives

We were directed to re-examine the Institute's standards of admission to the accounting profession taking into account the study of the common body of knowledge for CPAs, *Horizons for a Profession*, and reactions to that report; to restudy the meaning of the CPA certificate; and to recommend appropriate changes.

In our discussion of how to attain these objectives, we developed the following guidelines:

1. The policies to be developed and recommended should be practical but should not be constrained by present legal implications or immediate difficulties of implementation.
2. The policies should be aimed at the point of time in the

⁵ See Appendix A.

⁶ Roy, Robert H. and MacNeill, James H., *Horizons for a Profession* (New York: AICPA, 1967).

⁷ AICPA planning committee, "A Description of the Professional Practice of Certified Public Accountants," *The Journal of Accountancy*, December 1966. See Appendix B.

accountant's career when he first becomes a CPA. This level of competence does not represent his ultimate development, but only a threshold competence.

3. Our recommendations should be grounded on a thorough examination of the common body of knowledge for CPAs described in *Horizons for a Profession* and of reactions to it, but we should not undertake to redo the study. The recommendations should define those parts of the common body of knowledge which can be obtained from college study and those parts which can be derived from experience.

Method of Investigation

In all our deliberations the knowledge and experience of the members of our committee were drawn upon extensively.

To obtain an understanding of the reasoning behind the existing Institute policies, earlier studies that led to these policies along with criticisms of them were examined carefully. Some members of these earlier study groups were interviewed to obtain a sense of the conditions under which the studies were conducted and to ascertain whether different conclusions might have been reached under present conditions. We also closely co-ordinated our efforts with those of the committee to study the content of the CPA examination.

Reactions of educators, state board members, and other CPAs to *Horizons for a Profession* were obtained from 50 seminars held to discuss the study. More than 600 universities and colleges, along with some junior colleges, offering programs in accounting sent representatives to these seminars. We studied the reports of reactions obtained at these seminars, and attended many of them. We also examined critiques of *Horizons for a Profession* for their significance.

The issues surrounding qualifying experience were identified and studied intensively. A preliminary position paper describing these issues was written and opinions regarding them were obtained by distributing the paper and a related questionnaire to members of the following committees: board of examiners, board of managers, committee to study the content of the CPA examination, committee

on state legislation, and the committee on education and experience requirements for CPAs. In addition, others possessing special knowledge of the issues completed the questionnaire. This position paper was subsequently rewritten and published.⁸

As we developed our tentative recommendations, we exposed them as interim reports to Council, the executive committee, the committee to study the content of the CPA examination, and other CPAs concerned with the issues. Exposures were also made through speeches at the annual meeting of the National Association of State Boards of Accountancy, the National Conference on State Legislation, and other meetings. These exposures evoked many comments which were helpful.

We arrived at our recommendations after more than two years of study, which involved individual, subcommittee, and committee consideration of the issues. During our deliberations we obtained the advice and assistance of others expert in the fields of education, qualifying experience requirements, staff training programs, and state accounting legislation—all of whom made significant contributions to our conclusions.

⁸ Bruschi, William C., "Issues Surrounding Qualifying Experience Requirements," *The Journal of Accountancy*, March 1969. See Appendix C.

Statement of Recommendations

The following resolutions are recommended for adoption as Institute policies to supersede the resolutions adopted in 1959 and amended in 1960 and 1962. Subsequent pages of this report provide the background of these resolutions.

1. The CPA certificate is evidence of basic competence of professional quality in the discipline of accounting. This basic competence is demonstrated by acquiring the body of knowledge common to the profession and passing the CPA examination.

2. *Horizons for a Profession*⁹ is authoritative for the purpose of delineating the common body of knowledge to be possessed by those about to begin their professional careers as CPAs.

3. At least five years of college study are needed to obtain the common body of knowledge for CPAs and should be the education requirement. For those who meet this standard, no qualifying experience should be required.

4. The states should adopt this five-year requirement by 1975. Until it becomes effective, a transitional alternative is four years of college study and one year of qualifying experience.

5. The college study should be in programs comparable to those described in "Academic Preparation for Professional Accounting Careers."¹⁰ The transitional qualifying experience should be in

⁹ Roy and MacNeill, *op. cit.*

¹⁰ AICPA committee on education and experience requirements for CPAs, "Academic Preparation for Professional Accounting Careers," *The Journal of Accountancy*, December 1968. See Appendix D.

public practice or equivalent experience in industry, government, or college teaching acceptable to state boards of accountancy.

6. Candidates should be encouraged to take the CPA examination as soon as they have fulfilled education requirements and as close to their college graduation dates as possible. For those graduating in June, this may involve taking the May examination on a provisional basis.

7. Student internships are desirable and are encouraged as part of the educational program.

8. The "Report of the Standing Committee on Accounting Education,"¹¹ which provides that the accreditation of academic programs is the responsibility of the academic community, is endorsed.

9. Educational programs must be flexible and adaptive and this is best achieved by entrusting their specific content to the academic community. However, the knowledge to be acquired and abilities to be developed through formal education for professional accounting are proper and continuing concerns of the AICPA.

10. The AICPA should review periodically the standards of admission requirements for CPAs.

¹¹ Standing committee on education, "Report of the Standing Committee on Accounting Education" (New York: AICPA, 1966). See Appendix E.

Discussion

1. Meaning of the CPA Certificate

In arriving at our recommendation that the CPA certificate is evidence of basic competence of professional quality in the discipline of accounting, we were mindful of the work of other senior committees concerned with broad Institute policies.

Social and economic forces were studied over a period of ten years by the former committee on long-range objectives. A summary of its findings appeared in *The CPA Plans for the Future*.¹² In general the findings were that these forces are compelling CPAs to broaden their practices beyond the traditional attest function to other areas of attestation and of accounting-related services.

The planning committee succeeded the committee on long-range objectives and focused its attention on the preparation of papers and documents to clarify certain issues and to suggest direction to the profession's efforts. Its first position paper, "A Description of the Professional Practice of Certified Public Accountants,"¹³ was approved by Council as a basic policy statement of the Institute.

The theme of the "Description" is that CPAs practice in the broad field of accounting and that their professional accounting services require not only technical knowledge and skill, but even

¹² Carey, John L., *The CPA Plans for the Future* (New York: AICPA, 1965).

¹³ Planning committee, op. cit. See Appendix B.

more importantly disciplined judgment, perception, and objectivity. While many hold themselves out as accountants, CPAs are the identified professional accountants.

Our recommendation for the meaning of the CPA certificate—evidence of basic competence of professional quality in the discipline of accounting—is drawn from the closing paragraph of the “Description”:

Although their activities may be diverse, all CPAs have demonstrated basic competence of professional quality in the discipline of accounting. It is this which unites them as members of a profession, and provides a foundation for extension of their services into new areas.¹⁴

The basic competence required for the CPA certificate is demonstrated by acquiring the body of knowledge common to the profession and passing the CPA examination. While, in this context, “basic” means the minimal level of competence required of CPAs at the beginning of their professional careers, the term also implies a foundation of knowledge and abilities required for professional growth and development. The term “professional quality,” used to describe this basic competence of CPAs, connotes the ethical and technical standards established and enforced by the profession. These standards distinguish CPAs as professional accountants.

The “discipline of accounting” is defined in the “Description” as follows:

Accounting is a discipline which provides financial and other information essential to the efficient conduct and evaluation of the activities of any organization.

The information which accounting provides is essential for (1) effective planning, control and decision making by management, and (2) discharging the accountability of organizations to investors, creditors, government agencies,

¹⁴ Ibid.

taxing authorities, association members, contributors to welfare institutions, and others.

*Accounting includes the development and analysis of data, the testing of their validity and relevance, and the interpretation and communication of the resulting information to intended users. The data may be expressed in monetary or other quantitative terms, or in symbolic or verbal forms.*¹⁵

The proposed broad meaning for the CPA certificate recognizes that CPAs are both in public practice and not in public practice. This is supported by statistics showing the number of CPAs according to their activities. A substantial portion, perhaps half, of all CPAs are not in public practice. The 1968 Report of Council¹⁶ stated that in November 1967 36.6 per cent of the Institute members or nearly 21,500 out of a total membership of 61,254 were not in public practice. In addition to these CPAs who are Institute members, there are another 40,000 CPAs who are not Institute members; this latter group is comprised chiefly of CPAs not in public practice. We estimate that of the 101,000 CPAs, almost one half are not in public practice. The percentage of Institute members not in public practice increased from 31.2 per cent in November 1960 to 36.6 per cent in November 1967 clearly indicating an increasing trend in the proportion of these CPAs.

2. The Common Body of Knowledge

*Horizons for a Profession*¹⁷ is authoritative for the purpose of delineating the common body of knowledge for beginning CPAs. It is the report of the study made by the commission to study the common body of knowledge and was written after extensive research and consultation. The authors, Roy and MacNeill, emphasized basic concepts and the value of conceptual knowledge and under-

¹⁵ Ibid.

¹⁶ 1968 report of Council to the membership of the American Institute of CPAs, *Achieving the Profession's Objectives* (New York: AICPA, 1968).

¹⁷ Roy and MacNeill, op. cit.

standing over procedural skill in acquiring basic competence in accounting. They also stressed learning ability to enable the beginning CPA to grow in and with his profession. The study report has had wide acceptance.

The common body of knowledge delineated by *Horizons for a Profession* can be acquired through collegiate study. This conclusion is based on our study of *Horizons for a Profession*, the reactions obtained from the seminars referred to earlier in this report, and examination of other critiques.

3. Five Years of College Study—No Experience Requirement

To obtain this common body of knowledge, at least five years of college study are needed. This determination resulted from our analysis of *Horizons for a Profession* for the preparation of the paper "Academic Preparation for Professional Accounting Careers."¹⁸ The acquisition of this knowledge can come about in a number of ways: four years undergraduate study with a concentration in business followed by a fifth year of study; four years undergraduate study plus a two-year master's program in business; etc. The ways in which the education is attained may vary and no attempt is made to specify which is the most desirable. The acquisition of the requisite knowledge is the sole criterion. Consequently, it is quite possible that more than five years may be needed by those who do not undertake the suggested program of study early in their college careers or transfer to the program from other disciplines.

The trend is for college students to undertake programs of study that require more than four years to complete. Now at least 14 per cent of the CPA candidates have attended graduate school.

The year 1975 is intended to be a target date for the adoption of the requirement for five years of college study. It is realized that not all jurisdictions will be able to adopt the five-year requirement by 1975 but a large number are expected to do so. For those which

¹⁸ Committee on education and experience requirements for CPAs, op. cit. See Appendix D.

have not, the year provides a focal point for further efforts for progressive legislation.

The recommendation that no qualifying experience should be required of those who complete five years of acceptable college study is made as a consequence of our study of the issues. These issues are discussed in the paper "The Issues Surrounding Qualifying Experience Requirements."¹⁹ The reasons for our recommendation are summarized as follows:

1. We have concluded that the common body of knowledge delineated by *Horizons for a Profession* can be best obtained through college study.

2. We recognize a clear-cut distinction between the value of experience and the value of an experience requirement. There can be no question about the value of experience but there is serious doubt about the value of present-day experience requirements.

3. It is unreasonable to require a period of qualifying experience for which uniform standards cannot be set and which cannot be effectively policed.

4. Experience requirements imply apprenticeship which is inappropriate for a learned profession.

5. The continuing dilution, reduction, and elimination of experience requirements is positive evidence of their ineffectiveness and of the trend toward eventual elimination of all experience requirements.

6. There is no evidence that CPAs obtaining their certificates in jurisdictions without experience requirements are more often guilty of infractions of the rules of professional conduct or substandard practice than those with extensive experience.

7. A fifth year of college study is of greater benefit to the CPA than a year or two of experience as a junior staff member of a CPA firm. While the first years of appropriate experience may enhance certain qualities such as professionalism and technical competence, a college program of at least five years permits the attainment of both breadth and depth of knowledge that is unlikely to be obtained from a four-year program and satisfying an experience requirement.

¹⁹ Bruschi, William C., op. cit. See Appendix C.

While the foregoing reasons are the bases for our recommendations, there are two practical considerations which further support our position:

1. Most CPAs who plan to practice independently will take a position with an established CPA firm for a few years.
2. Even in the absence of an experience requirement, the time needed to pass all parts of the CPA examination will provide most candidates with a period of practical experience.

4. Transitional Alternative

The transitional alternative to five years of college study is four years of college study with one year of qualifying experience. This alternative is intended to remain in effect only until five years of college study are required. We do not regard the year of qualifying experience as equivalent to the fifth year of college study. Whatever benefits are obtained from qualifying experience, they are not a substitute for the breadth and depth of a five-year program of college study. Extra professional development courses and additional self-study are needed by those becoming CPAs under this alternative.

5. Nature of College Study and Experience

The college study of those preparing for the profession should be in programs comparable to those described in the paper "Academic Preparation for Professional Accounting Careers."²⁰ The four- and five-year programs described in this paper are offered for the guidance of those responsible for planning college curriculums and for those CPAs who need to re-examine their own academic preparation. The paper is based on an analysis of *Horizons for a Profession*. It is not intended to be prescriptive, nor is it to be used for the imposition of rigid curriculum requirements upon colleges and

²⁰ Committee on education and experience requirements for CPAs, op. cit. See Appendix D.

universities. Most importantly, it should not be the basis of statutory regulation.

The one year of qualifying experience under the transitional admission requirement may be in public practice or in industry, government, or college teaching; all are acceptable to state boards of accountancy. Generally state boards are taking this broad view of their experience requirements and accepting many types of experience in lieu of public practice. Special mention is made of college teaching of accounting because those who prepare the entrants to the profession should be members of the profession.

6. Time of Taking CPA Examination

Candidates should be encouraged to take the CPA examination as soon as they have fulfilled educational requirements and as close to their college graduation dates as possible. Attempting the CPA examination early provides the candidate with a measure of his abilities relative to other candidates, and those passing the examination promptly gain additional self-confidence and professional stature, and can devote their full energies to professional progress and continuing education.

A candidate graduating in June should be permitted to take the May examination on a provisional basis. At this point in his career, his academic knowledge is freshest, and his talent to write examination papers at a peak. The state boards of accountancy of some of the most populous jurisdictions now permit students who can provide assurance that they will graduate in June to take the May examination. Examination grades are released to these candidates when they present evidence of satisfying the education requirements.

7. Student Internships

We believe that student internships are desirable and should be encouraged as part of the educational program because, if carefully planned, they bring more meaning to subsequent college study. The standards under which internships should be established are those

set forth in "Statement of Standards and Responsibilities Under Public Accounting Internship Programs."²¹

8. Accreditation of Academic Programs

The "Report of the Standing Committee on Accounting Education"²² is endorsed. This report recognizes that the accreditation of academic programs is the responsibility of the academic community and provides a practical means for evaluating accounting programs.

The standing committee on accounting education was composed of representatives of the American Accounting Association, the American Association of Collegiate Schools of Business, the Association of CPA Examiners (now the National Association of State Boards of Accountancy), and the American Institute of CPAs. The standing committee's report has been accepted as an official policy by the four participating associations.

9. AICPA Role in Formal Education

Educational programs must be flexible and adaptive to meet changing conditions such as academic and scientific developments, changes in professional practice, and improvements in the academic quality and ability of members of the faculty and the student body. Flexibility and adaptability of educational programs can be best achieved by entrusting the specific content of the programs to the academic community.

The knowledge to be acquired and abilities to be developed through formal education for professional accounting are, however, proper and continuing concerns of the Institute. These concerns rest on the awareness that the destiny of the accounting profession is largely dependent upon the quality of the entrants to the profession and the adequacy of their preparation.

²¹ Committee on accounting personnel of the American Institute of Accountants and committee on faculty residency and internship programs of the American Accounting Association, "Statement of Standards and Responsibilities Under Public Accounting Internship Programs," *The Accounting Review*, April 1955.

²² Standing committee on education, op. cit. See Appendix E.

10. Periodic Review by AICPA

The conditions that influence the standards of admission requirements for CPAs are continually evolving and should be restudied periodically by the AICPA to determine the proper actions to be taken. Such restudy should be undertaken within ten years. Periodic re-examination of the standards of admission will provide assurance that the profession's entrants continue to be qualified to carry on the profession's service to the public.

Respectfully submitted,
**Committee on Education and Experience
Requirements for CPAs**

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March 1969

APPENDIX A

Resolutions Adopted by Council in 1959, 1960, and 1962 Pertaining to Education and Experience Requirements for CPAs

Upon the recommendation of the special co-ordinating committee to study the report of the commission on standards of education and experience for CPAs, Council adopted the following resolutions in May 1959:

1. That the long-established meaning of the CPA certificate as evidence of demonstrated competence for the practice of public accounting be continued.

2. That a baccalaureate degree be made a requirement for the CPA certificate; that proportions among accounting, business, and nonbusiness subjects in the curriculum recommended by the American Accounting Association Standards Rating Committee are desirable; that those earning baccalaureate degrees with considerable variations from these proportions be considered deficient and be required to present evidence of equivalent study.

3. That studies be made by the AICPA committee on personnel testing to ascertain whether the tests in the AICPA testing program can be adapted or new tests developed to serve the purpose of screening applicants for postgraduate accounting educational programs.

4. That postgraduate education for careers in public accounting is desirable and that as soon as it is feasible postgraduate study devoted principally to accountancy and business administration become a requirement for the CPA certificate.

5. That an advisory committee of the AICPA, preferably acting in co-operation with representatives from the American Accounting Association and the American Association of Collegiate Schools of Business, be formed to assist interested schools in planning and revising courses and programs for educating accountants and to assist existing accrediting agencies and associations in evaluating accounting courses and curriculums.

6. That student internship as a part of the student's educational program be optional; that plans be developed by a committee of the AICPA so that internships may be well organized and carefully supervised by schools and practitioners when used; and that serious effort be made toward answering the problem of whether internships should be provided to all who qualify.

7. That an experience requirement be retained; that with the baccalaureate degree with or supplemented by evidence of study of accounting, to the extent set forth in Resolution 2, the experience be not less than two years; that as education is extended beyond the baccalaureate degree the length of experience should be reduced but should not be less than one year; that the experience should be under the guidance of a CPA and some of the experience should be in the area of third party reliance; and that a committee of the AICPA should prepare a statement as to what, in general, should be an acceptable type of experience for the CPA certificate.

8. That the existing purposes and level of the CPA examination be continued.

9. That a candidate be permitted to take the examination when he feels adequately prepared, but not before he has successfully completed the recommended educational requirements.

10. That the CPA certificate be awarded after the candidate has successfully completed the examination and experience requirements.

11. That individual practitioners and the American Institute of Certified Public Accountants co-operate in rendering assistance to colleges by such means as providing instructional materials drawn from business; providing student scholarships and internships; providing funds for advanced study by faculty members; endowing professorial chairs; providing faculty residencies; and by serving as or providing special lecturers.

12. That state society committees on state legislation should con-

sider local conditions in timing any recommendation for necessary legislation.

13. That the AICPA take the leadership in causing periodic reviews of education and experience for CPAs.

Resolution 7 was amended in 1960 to the following:

7. That an experience requirement be retained; that with the baccalaureate degree with or supplemented by evidence of study of accounting to the extent set forth in Resolution 2 the experience be not less than two years; that as education is extended beyond the baccalaureate degree the length of experience should be reduced but should not be less than one year; that the experience should be under the guidance of a CPA or licensed public accountant (public accountant licensed under an accountancy statute which authorizes a state board to take disciplinary proceedings) in public practice or in an activity comparable thereto, and that some of the experience should be in the area of third-party reliance; that at least one year of the required experience must be in the public practice of accounting; and that a committee of the AICPA should prepare a statement as to what, in general, should be an acceptable type of experience for the CPA certificate.

In 1962 Council amended Resolution 4 to the following:

4. That postgraduate education for careers in public accounting is desirable and that as soon as it is feasible postgraduate study devoted principally to accountancy and business administration become a requirement for the CPA certificate; that when postgraduate education is undertaken and the curriculum of postgraduate study is devoted principally to accountancy and business administration, such courses taken beyond the baccalaureate degree are deemed to compensate for deficiencies in accounting and business courses in undergraduate study, provided the total curriculum in accountancy and business administration shall be substantially the equivalent of that included in the four-year undergraduate program recommended by the Standards Rating Committee of the American Accounting Association. As a corollary, it is expressly affirmed that graduates receiving baccalaureate degrees in liberal arts, engineering and the like shall be encouraged to enter public accounting, with postgraduate study devoted principally to accounting and business administration.

APPENDIX B

A Description of the Professional Practice Of Certified Public Accountants

Certified public accountants practice in the broad field of accounting.

Accounting is a discipline which provides financial and other information essential to the efficient conduct and evaluation of the activities of any organization.

The information which accounting provides is essential for (1) effective planning, control and decision making by management, and (2) discharging the accountability of organizations to investors, creditors, government agencies, taxing authorities, association members, contributors to welfare institutions, and others.

Accounting includes the development and analysis of data, the testing of their validity and relevance, and the interpretation and communication of the resulting information to intended users. The data may be expressed in monetary or other quantitative terms, or in symbolic or verbal forms.

Some of the data with which accounting is concerned are not precisely measurable, but necessarily involve assumptions and estimates as to the present effect of future events and other uncertainties. Accordingly, accounting requires not only technical knowledge and skill, but even more importantly, disciplined judgment, perception and objectivity.

Within this broad field of accounting, certified public accountants are the identified professional accountants. They provide leadership

in accounting research and education. In the practice of public accounting CPAs bring competence of professional quality, independence, and a strong concern for the usefulness of the information and advice they provide, but they do not make management decisions.

The professional quality of their services is based upon the requirements for the CPA certificate—education, experience and examination—and upon the ethical and technical standards established and enforced by their profession.

CPAs have a distinctive role in examining financial statements submitted to investors, creditors and other interested parties, and in expressing independent opinions on the fairness of such statements. This distinctive role has inevitably encouraged a demand for the opinions of CPAs on a wide variety of other representations, such as compliance with rules and regulations of government agencies, sales statistics under lease and royalty agreements, and adherence to covenants in indentures.

The examination of financial statements requires CPAs to review many aspects of an organization's activities and precedures. Consequently they can advise clients of needed improvements in internal control, and make constructive suggestions on financial, tax and other operating matters.

In addition to furnishing advice in conjunction with their independent examinations of financial statements, CPAs are engaged to provide objective advice and consultation on various management problems. Many of these involve information and control systems and techniques, such as budgeting, cost control, profit planning, internal reporting, automatic data processing, and quantitative analysis. CPAs also assist in the development and implementation of programs approved by management.

Among the major management problems depending on the accounting function is compliance with tax requirements. An important part of the practice of CPAs includes tax planning and advice, preparation of tax returns, and representation of clients before government agencies.

CPAs also participate in conferences with government agencies such as the Securities and Exchange Commission, and with other interested parties, such as bankers.

Like other professional men, CPAs are often consulted on business, civic and other problems on which their judgment, experience,

and professional standards permit them to provide helpful advice and assistance.

The complexities of an industrial society encourage a high degree of specialization in all professions. The accounting profession is no exception. Its scope is so wide and varied that many individual CPAs choose to specialize in particular types of service.

Although their activities may be diverse, all CPAs have demonstrated basic competence of professional quality in the discipline of accounting. It is this which unites them as members of one profession, and provides a foundation for extension of their services into new areas.

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Issues Surrounding Qualifying Experience Requirements

By WILLIAM C. BRUSCHI

For more than 20 years there has been disagreement about the wisdom of requiring a specified length, and trying to require a specified quality, of accounting experience prior to issuance of the CPA certificate. Discussions, which sometimes become emotional arguments, of the need for experience requirements continue to take place at professional meetings for reasons to be mentioned below. Examination of these arguments shows that they involve the same issues that have been debated before.

The purpose of this article is to identify these issues in the hope that identification can help settle the arguments and open the way to more nearly uniform requirements for the CPA certificate.

Experience requirements have been debatable for a number of reasons. One reason is the continuing pressure for their dilution, reduction or elimination. Narrow requirements are under attack to have them broadened to include many types of experience. Broad requirements are assailed as meaningless anachronisms that should be eliminated. Each victory of the attackers is added to the weight of prior victories to overwhelm the defenders who appear to be continually fighting rearguard actions.

Another reason is the publication of the study, *Horizons for a Profession*,¹ and the reactions to it. This study recommends a com-

¹ Roy, Robert H. and MacNeill, James H., *Horizons for a Profession* (New York: AICPA, 1967).

mon body of knowledge to be possessed by those about to begin their careers as CPAs. Reactions were obtained at 50 seminars on the study held in 1967 and 1968. Seminar participants included educators from nearly 600 colleges and universities, members of state boards of accountancy, and interested CPAs. While a few questioned the extent of certain subject matter delineated by the study, all participants seemed to agree that the common body of knowledge could best be obtained from collegiate study. This question may then be asked: *If collegiate study can best provide the common body of knowledge needed by CPAs at the outset of their careers, is there a need for experience requirements?*

The Institute's committee on education and experience requirements for CPAs, under the chairmanship of Elmer G. Beamer, has been studying requirements for admission to the profession since 1966. The committee's position paper, "Academic Preparation for Professional Accounting Careers,"² gives illustrative collegiate programs for acquiring the common body of knowledge. The committee's report, containing recommendations for Institute education and experience policies, will be completed this spring. Exposures of the committee's tentative recommendations also directed attention to experience requirements.

This article on the issues surrounding experience requirements was prepared from information gathered for that committee. The closely related matter of the meaning of the CPA certificate will be dealt with in the committee's report.

Some of the information presented in this article is drawn from an earlier paper on qualifying experience prepared by the author. The reactions to that paper were obtained by distributing it and a related questionnaire to members of the Institute's board of examiners and professional development board and to members of the committees on education and experience requirements for CPAs, study of content of CPA examination, and state legislation. In addition, a few others who possess special knowledge of the issues involved were asked to study the paper and to complete the questionnaire.

² AICPA committee on education and experience requirements for CPAs, "Academic Preparation for Professional Accounting Careers," *The Journal of Accountancy*, December 1968, p. 57.

The Issues Surrounding Experience Requirements

Two principal sets of issues can be summarized by the following questions:

1. Can professional experience substitute for college education?
2. Are there special qualities added by the first year or two of professional experience that cannot be obtained from college study?

The first set of issues, that some specified number of years of accounting experience and self-study is equivalent to a college degree with a concentration in accounting, stands in the way of universal enactment of a college degree requirement for the CPA certificate. The debate over these issues is carried on between those sponsoring requirements for college degrees and those who are unaware of the high level of professional competence needed to be a CPA and continue to believe that knowledge obtained from beginning auditing experience is sufficient.

There is general agreement in the accounting profession on the need for a college degree with a concentration in accounting. Few young men can get a job in public accounting without a college degree. Data on CPA candidates' academic preparation were obtained from Uniform Statistical Information Questionnaires completed for the five examinations beginning with the November 1964 CPA examination. These data show that about 95 per cent of the CPA candidates have college degrees or have attended college. The remaining 5 per cent studied at proprietary accounting schools or took correspondence courses. These data also show that 14 per cent of the candidates included in the 95 per cent attended graduate schools and this percentage is increasing; in certain states the percentage is greater than 14 per cent.

Thirty states have enacted legal requirements for college degrees, which are in effect now or will be in the near future. Plans are being made in other states for enactment of similar requirements. But these statutes are merely standardizing what leading accounting firms are insisting upon anyway. The laws add little as far as the profession's standards are concerned; they serve primarily to make clear to potential entrants and others outside the profession that a college education is necessary.

Since there is virtually universal acceptance by the accounting profession of the need for a college education, it can be expected that eventually there will be universal enactment of legal requirements for college degrees. This will be accomplished as effective programs are mounted to convince state legislatures that CPAs are at the level of professionalism that requires a college degree.

It should be remembered, however, that the profession's acceptance of the need for college degrees is recent. As late as the 1940's many practitioners believed that the principal means of preparation should be the same as theirs was: four, five, or more years of practical experience and enough formal education to pass the CPA examination. Indeed, there is still a controversy in some other countries as to whether preparation for the profession should be grounded on college study or on articulated clerkships.

The second set of issues, which stems from the first, concerns the requirement for college-educated accountants who have passed the CPA examination to have a year or two of practical accounting experience before becoming CPAs. The requirement implies that certain qualities which may be expected of beginning CPAs cannot be obtained solely from collegiate study, but can be acquired only through practical accounting experience. These qualities are (1) professionalism, (2) technical competence, and (3) administrative ability.

The divergence of ideas over the need for experience requirements results in a wide range of opinions about the period, if any, and type of experience required for the CPA certificate. The range is from eight jurisdictions³ that require no experience for the CPA certificate under varying conditions to nine jurisdictions that have narrow requirements which recognize only public accounting experience. Under these narrow requirements a lifetime of accounting experience not in public practice is not considered equivalent to a year or so as a junior staff member of a public accounting firm.

³ The eight jurisdictions are Maryland, North Dakota, Oklahoma, Puerto Rico, West Virginia, Montana, Colorado, and Florida. The first five require no experience if a requirement for a college degree is met. Montana does not require a college degree or experience. Colorado and Florida require no experience if a specified fifth year of college accounting study is completed. In addition to these eight, Illinois issues the CPA certificate with no experience but requires one year of experience under a CPA before granting the license to practice.

Between these extremes are 44 jurisdictions that accept government auditing experience as equivalent, or nearly so, to public accounting experience. Some accept almost any type of experience, be it public, government, industrial, or teaching. These 44 jurisdictions include some of the eight "no experience" states which require experience if their education requirements are not fulfilled.

This article is concerned chiefly with the second set of issues since there is general agreement in the profession on the first set relating to the lack of equivalence of college study and practical experience.

General agreement on the second set of issues is needed for a number of reasons. First, the wide variation in experience requirements creates the appearance of a profession uncertain of its standards, and may create doubt in the minds of those outside the profession regarding the uniformity of the competence of CPAs. Another reason is to facilitate the interstate recognition of CPA certificates, a problem of which CPAs are well aware. And finally some potential recruits, who are often the brightest and most desirable, are dissuaded or prohibited from becoming CPAs by narrow requirements. For example, in the last six years two Sells Gold Medal Award winners, those receiving the highest grades on the CPA examination, stated that they had no intention of satisfying experience requirements to become CPAs. In the same vein narrow experience requirements deter college accounting professors from becoming CPAs; this means that some of those who are responsible for the academic preparation and involved in the recruitment of entrants to the profession are themselves denied the opportunity of becoming CPAs.

The Qualities Gained From Qualifying Experience

Discussions of the need for an experience requirement often center on the qualities gained from the prescribed period of experience. Advocates of such a requirement hold that beginning CPAs must have certain qualities which are best obtained from experience, and that these qualities cannot be taught in the classroom or, if taught, do not have the same depth of significance. Opponents

maintain, however, that benefits obtained from a year or two of experience as a junior accountant are exaggerated and do not merit the imposition of the requirement.

To place these pro and con arguments in perspective, it is necessary to review the qualities held to be derived from qualifying experience and the arguments relating to them.

Professionalism. Advocates of qualifying experience maintain that experience imbues the candidates with an awareness of the implications of professionalism. Since professionalism has many facets, the more important ones should be examined.

One facet of professionalism is that the junior accountant learns to view himself as a professional individual. Advocates of experience requirements believe that this period of exposure fosters the development of personal attitudes that are reflected as a professional image.

Those against an experience requirement argue that there are means of gaining a sense of professionalism other than imposed employment. Education is probably the most important one. A professional image results from self-confidence developed through reliance upon one's own abilities; it is not a theatrical facade. Many persons with years of accounting experience never rise above the clerical level, whereas others, with appropriate education but with no accounting experience, come to the profession's ranks with an attitude and understanding of professionalism.

Another facet of professionalism is an appreciation of professional ethics. Through experience, advocates of this position maintain, true professionals learn the practical application of the rules of professional conduct. This extends beyond mere lip service to an application of the spirit of the rules. Practical experience develops an understanding of the fundamental significance of professional independence.

Those opposed to experience requirements contend that the application of rules of professional conduct is dependent upon the person's general attitude and moral fiber. These qualities stem from his lifelong environment and education, and not from a year or two of experience as a junior accountant. A candidate can obtain a knowledge of the rules of professional conduct through educational processes before beginning his professional career, and should not

depend upon his employer for this fundamental knowledge. The proper attitude of mind coupled with a knowledge of the rules of professional conduct will provide the young CPA with the guidelines he needs for ethical behavior.

Another aspect of professionalism claimed to be gained from qualifying experience is an awareness of the level of competence expected of a professional. The professional knows his own limitations and does not overestimate his abilities. Underlying this argument is the apprehension that a CPA, without the requisite experience, might commit an act damaging to the reputation of the profession.

Opponents of experience requirements assert that the beginning CPA seldom overestimates his abilities. The opposite is true—he is rarely stretched to the full extent of his abilities. The responsibilities of the young accountant employed by an accounting firm are limited by his superiors, whether he is certified or not. On the other hand, the young CPA starting his own practice, which he will rarely do without having served voluntarily on the staff of a CPA firm, will have a potpourri of small clients with simple problems to solve. Only through his own professional growth and reputation will the independent CPA practitioner attract more substantial clients with complex problems.

Furthermore the few CPAs who have been charged with unethical behavior or with substandard practice invariably have had five, ten, or more years of experience. Often their moral fiber has been weakened by financial pressures which induce them to violate the rules of professional conduct. And financial pressures may also result in substandard practice through failure to set aside time for staying abreast of professional developments. The downfall of these unfortunate CPAs cannot be attributed to an absence of experience.

It must be acknowledged that, during the early years of this century when experience requirements were developed, education for accountancy did not develop a sense of professionalism. At that time, and until recent years, the purpose of education for accountancy was chiefly the teaching of accounting techniques and auditing procedures. With this philosophy prevalent, it is understandable that professionals should have insisted that the integrity implicit in their services could be acquired only through experience. The education available did not provide these values.

But professional education has changed and is now generally aimed at personal development of students. The teaching of specialized techniques and procedures, seldom encountered outside the classroom, has been reduced or eliminated. Professional education is concerned with developing ability to order thoughts and with inculcating attitudes which characterize cultivated and ethical persons. And these attitudes are the values sought by the accounting profession in its recruits.

In summary, the issue is this: Which does more today to inculcate a sense of professionalism—professional education, or experience acquired as a junior accountant to fill an experience requirement?

Technical Competence. A second quality held to be derived from qualifying experience is technical competence and closely related professional judgment.

Technical competence involves both the acquisition of knowledge typically not acquired in the classroom and the sharpening of classroom-obtained technical knowledge through practical application. Overall, the candidate learns to apply his conceptual knowledge in practical situations.

The technical knowledge held to be obtained from practical experience and not from the classroom includes such matters as an awareness of how accounting information flows through accounting records, and an acquaintance with the details of business transactions that should not be taught in the time available in the classroom.

Classroom-obtained technical knowledge that is sharpened by practical experience is usually related to the applications of auditing procedures and of accounting principles. The candidate learns how to deal with clients and conduct an audit, how to apply accounting principles in practical situations, and how to prepare the auditor's report.

As his textbook technical knowledge is honed by practical experience, the candidate develops professional judgment. He learns the elusive concept of materiality. He becomes aware of professional risks—the matching of increased security with the cost of the time needed to obtain the security. He learns that professional accounting is an art, not a science.

Those opposed to experience requirements say that this attribute of technical competence, while desirable, is not actually obtained to the extent imagined from the first year or so of experience as a junior accountant. They argue that the essential elements of technical competence can be obtained from college study. College courses in accounting systems and procedures can provide a knowledge of how accounting data flow through accounting records that is more comprehensive than the knowledge gained from the first years of experience customarily spent in auditing segments of accounting systems. And they doubt the merit of requiring accumulation of business transaction details that are unlikely to recur.

There is limited educational value to a relatively brief period of experiences. Too often the pressures of practice and the need for utilizing the junior's talents for economic advantage result in assigning repetitive tasks that he can do quickly and accurately. These tasks do not provide him with the imagined broad range of experiences. It is highly unlikely that the junior will have a part in dealing with clients and conducting the audit, arriving at decisions regarding the application of auditing procedures and accounting principles, and preparing the auditor's report; the senior members of the staff participate in such deliberations and activities, and the junior members do not. Probably the junior gains more knowledge during this period from his accounting firm's training programs, where they exist, than he does from his work in the field.

The fundamentals of professional judgment, materiality, and professional risk can be taught in the classroom. An awareness that professional accounting is an art and not a science is probably better developed through classroom instruction.

The value of experience cannot be measured in terms of time. Measurement must be in terms of varied tasks and how well these tasks are performed. Little new knowledge is learned from repetitious experience. A junior who reconciles 60 bank statements actually has the experience of reconciling one bank statement 60 times.

The success of efforts of the state boards of accountancy to control the quality of experience is questionable. The continued broadening of requirements to embrace many types of accounting experience compounds the state boards' problems of evaluating ex-

perience offered as qualifying. Among state board members serious controversy exists as to the effectiveness of their efforts to measure the quality of experience and there is fear that the broadened requirements may influence some employers to complete experience affidavits mechanically.

The issue of technical competence can be summed up by the following question: Is the technical knowledge obtained at universities adequate for CPAs beginning their careers, or do they also need the skills acquired in a year of practice?

Administrative Ability. The third quality held to be obtained from qualifying experience is administrative ability, which includes the management of a CPA practice and the undertaking of professional engagements.

This administrative ability covers a wide area of knowledge ranging from personnel policies within the firm to policies pertaining to clients. It is claimed that the junior accountant learns where and how a CPA firm obtains its revenue, and the expenses of the firm. He is supposed to find out how engagements are negotiated and professional fees set, and he develops an understanding of how the personnel problems of the firms arise and are solved.

The pressures of professional service are impressed upon him. He becomes aware of the needs of clients, and the need for satisfying these needs. He becomes filled with a spirit of service and experiences the satisfactions derived from the social contributions of professional service.

On the other hand, while this quality is admirable, a junior accountant would not be exposed to the administrative problems of professional accounting in his first year or two. CPAs earn the responsibility for these aspects of their firm's activities only after long experience and demonstration of their capabilities along these lines. CPAs who establish their own practices usually claim that they gain more from professional development courses on managing their practices than they do from years of following the same procedures.

The personal satisfactions of professional accounting do not come to the junior accountant in his first years of service. Usually he does not have the maturity or the extensive knowledge that would

result in his becoming a confidant of the client; probably he would not see the entire problem, but only the surface details.

Historical Background of Experience Requirements

Experience requirements have evolved from conditions which existed in the nineteenth century, when the practice of public accounting in the United States was beginning.

Although the accounting profession in this country was dominated by English auditors in those early years, it did not adopt the English system of articulated clerkships. The first American public accountants obtained much of their knowledge of accounting and auditing from practical experience, but there seems to have been little, if any, effort to establish articulated clerkships.

The reason for the more recent preference for scholastic training may have been characteristically American confidence in the benefits of formal education. This confidence was shown in the nineteenth century in the founding of free public grammar and high schools, and later in the formation of state universities and in the encouragement of private colleges and universities through personal financial assistance.

While it may have been unusual in the early days of the profession for accountants to be college graduates, many of the leading accountants were undoubtedly mindful of the advantages of a college education. It may be assumed also that these leaders were motivated by a desire to emulate the medical, legal, and engineering professions in raising education standards. Active proponents of formal education included men like Charles W. Haskins, Robert H. Montgomery, and Arthur Andersen, all of whom also served as college professors of accounting.

Probably the chief reason for including experience requirements in the first accountancy laws was the shortage of college-educated recruits. The shortage arose because accounting was held in low regard by educators and because few young people attended college.

Education was dominated by the classicists who saw little academic worth in accounting and other business subjects. Accounting had not reached its present stage of sophistication. Nor had a library of accounting literature been written. Few colleges offered

business or accounting courses.⁴ Since public accounting had not reached its present level of professionalism, those young people who had the means to attend college gravitated toward the older professions—law, medicine and the ministry.

Yet the development of American business created a demand for public accounting services at a professional level, regardless of the inability of the educational establishment to provide adequate formal preparation. Under the circumstances the profession had no alternative but to develop competence in its entrants through practical experience. The early accounting laws included provisions which specified minimum periods of experience. It was implicit

⁴ Very early attempts to offer commerce or accounting courses in college were unsuccessful. At least two universities, the University of Louisiana in 1851 and the University of Illinois in 1868, established schools of commerce which were subsequently abandoned after six and twelve years respectively. The low quality of the course offerings, not at a collegiate level in the judgment of the college officials, was probably the main reason for dropping the courses. The honor of establishing the first successful American collegiate school of business belongs to the University of Pennsylvania which set up the Wharton School of Commerce and Finance in 1881.

The formation of professional associations of accountants in the 1880's led to a ready exchange of ideas and the focusing of attention upon the major problems of the profession. Beginning in the 1890's, therefore, the accounting profession engaged in two major efforts: the enactment of legislation in the various states for the licensing of CPAs and the encouragement of colleges and universities to offer instruction in accounting and business subjects. The educational efforts bore fruit in the establishment of departments of commerce and accounts in the following major American universities and colleges at the indicated dates:

Agricultural College (Utah)	(1891)	Marquette	(1910)
Montana	(1895)	St. Louis	(1910)
Indiana	(1895)	Northeastern	(1911)
California (Berkeley)	(1898)	DePaul	(1912)
Louisiana	(1899)	Boston University	(1913)
Ohio (Athens)	(1899)	Nebraska	(1913)
Dartmouth (Amos Tuck)	(1900)	Notre Dame	(1913)
New York University	(1900)	Duquesne	(1913)
University of Chicago	(1902)	Oregon	(1914)
University of Denver	(1908)	Tulane	(1914)
Harvard	(1908)	Washington	(1914)
Iowa State	(1908)	Illinois	(1915)
Northwestern	(1908)	Ohio State	(1915)
Pittsburgh	(1908)	North Dakota	(1917)

Sources: American Institute of Accountants, *1917 Year Book* (New York: AICPA) Edwards, *History of Public Accounting in the United States* (East Lansing: Michigan State University, 1960).

in these provisions that public accounting firms would bear a heavy responsibility for the formal education of their staff assistants. These provisions evolved into today's experience requirements.

Existing Institute Policies Pertaining to Experience Requirements

The existing Institute policies pertaining to experience are nearly ten years old, having been adopted by Council in May 1959 from the recommendations of the special co-ordinating committee to study the report of the commission on standards of education and experience for CPAs (commonly called the Bailey committee after its chairman, the late George D. Bailey).⁵ These recommendations were amended by Council in May 1960 and May 1962, and have stood unchanged since then.

The adopted recommendations provided that an experience requirement be retained and, with the baccalaureate degree with or supplemented by evidence of study of accounting,⁶ the experience should be not less than two years. As education is extended beyond a baccalaureate degree the length of experience should be reduced but should not be less than one year. The experience should be under the guidance of a CPA or licensed public accountant (public accountant licensed under an accounting statute which authorizes a state board to take disciplinary proceedings) in public practice or in an activity comparable thereto.

The recommendations provided further that some of the experience should be in the area of third-party reliance and that at least

⁵ Special committee on the report of the commission on standards of education and experience for CPAs, *Report to Council* (New York: AICPA, 1959). Commission on Standards of Education and Experience for Certified Public Accountants, *Standards of Education and Experience for Certified Public Accountants* (Ann Arbor: University of Michigan, 1956).

⁶ The recommendations adopted by Council also provided that a baccalaureate degree be made a requirement for the CPA certificate; that the proportions among accounting, business, and nonbusiness subjects in the curriculum recommended by the American Accounting Association Standards Rating Committee are desirable; that those earning baccalaureate degrees with considerable variations from these proportions be considered deficient and be required to present evidence of equivalent study.

one year of the required experience must be in the public practice of accounting. Finally, it was recommended that a committee prepare a statement as to what, in general, should be an acceptable type of experience for the CPA certificate.

In compliance with this recommendation the committee on qualifying experience (called the Hansen committee after its chairman, George H. Hansen) was formed and rendered its report to Council in April 1961.⁷

Council decided to refer the report to the executive committee, whose subsequent action was to make it available to those considering the administrative and legislative problems of experience requirements. The report attained no official Institute status and is regarded as a research study on experience.

Council's decision was based upon discussion at its meeting and upon objections received from CPAs who had studied exposure

⁷ Committee on qualifying experience, *Report to Council* (New York: AICPA, 1961).

Taking into consideration the premises given it by Council, the committee recommended that CPA candidates should comply with the following criteria:

1. *Type.* Work experience should consist of participation in activities of a character customarily performed by practicing CPAs. This experience, of necessity, requires inclusion of auditing activities (defined as the examination of financial statements in accordance with generally accepted auditing standards) to the extent provided in (3) below.
2. *Quality.* All qualifying experience is to be of a caliber which will substantially contribute to the competence of the CPA candidate to practice. The portion consisting of auditing activities should be diversified and include participation, at the highest practicable level, in all the basic procedures customarily included in an audit program culminating in an audit report expressing or denying an opinion.
3. *Length.* The required length of a candidate's experience may vary with his education but in all events should be at least one year. Of the total period of experience, at least a preponderance of one year should be spent in auditing activities of proper type and quality after the candidate has gained adequate technical knowledge, either by education, previous work experience, or a satisfactory combination of the two.
4. *Supervision.* Qualifying experience should be under the supervision of a certified public accountant for the dual purpose of assuring (a) that the experience was of the proper type, quality, and length, and (b) that the criteria of regulatory agencies have been satisfied.
5. *Source.* Of the total required length of experience at least one year should be in public practice. However, it is noted that some jurisdictions and individuals recognize experience obtained exclusively from sources other than public practice. In any event, all qualifying experience, whether obtained in public practice or in an activity comparable thereto, should be evaluated in terms of the preceding criteria pertaining to its type, quality, length, and supervision.

drafts of the report. The objections centered on the opinion that an accounting firm could not provide a staff member with the varied experience at the appropriate level in one year as envisioned in the report. Objections were received from firms with substantial numbers of staff members, as well as from small firms. Hence, Council's acceptance of the report would have established a major Institute policy that might have been difficult, if not impractical, to implement.

It should be remembered that the Hansen committee was constrained by its charge to prepare a statement defining acceptable experience for the CPA certificate. This blue ribbon committee studied the issues for nearly two years and sought the opinions of many knowledgeable CPAs before arriving at its conclusions. Despite this maximum effort, the resultant report was unacceptable. The report should not be regarded as an endorsement of the recommendations regarding experience adopted in 1959, which actually restricted the committee's study, but rather as an effort to carry out a specific charge.

What Should be Done About Experience Requirements?

The accounting profession should arrive at a decision about the need for an experience requirement. Either the period of qualifying experience should be made meaningful, or the experience requirement recognized as ineffectual and replaced with a requirement yielding more significant benefits, which could be a fifth year of college.

To arrive at a proper decision, a distinction must be made between the value of experience requirements and the value of experience. This article is concerned with the value of experience requirements.

There can be no question about the value of experience. Personal participation in activities results in the accumulation of knowledge and the development of skills and judgment that cannot be readily obtained in any other way. People learn by doing. There can be no substitute, in any profession, for the complex combination of knowledge, skills, and judgment acquired from many years of experience.

But there can be serious questions about the value of watered-

down experience requirements, originally intended to prepare candidates for entry into the profession, that have now become virtually meaningless in many jurisdictions.

For experience requirements to be made meaningful, the activities comprising the experience and the tasks to be performed must be prescribed. The prescription should be made available to both employer and employee, and both should assume responsibility for the certification of the adequacy of the experience, and the means devised for policing these certifications.

If experience requirements are retained, those jurisdictions that have either *fully or partly abandoned the requirement* should be pressed to reinstate it. The jurisdictions that have broad requirements should also be pressed to tighten them. These efforts should be made to dispel the image of a profession uncertain of its standards and to bring admission requirements closer to uniformity. The profession's position must then be that the trend towards de-emphasizing experience requirements is wrong and should be reversed.

On the other hand, if the period of qualifying experience is of little or no significance, the accounting profession should strengthen its education requirements and step across the same threshold that the legal profession did in the 1930's when full reliance was placed upon formal education while clerkship requirements were generally abandoned.⁸ This step would recognize that the reasons for experience requirements are no longer valid now that adequate academic preparation is available.

Indeed, the existence of new educational opportunities is the crux of the rationale that opponents of the experience requirement advance. Young people can acquire in college a foundation for becoming technically competent accountants. They can also acquire in college those values which are judged to be essential to professionalism. They can acquire both these attributes, say the opponents of the experience requirement, more effectively in college

⁸ Comparisons with medical internships are inappropriate. The neophyte lawyer or CPA starts his independent practice with small clients and grows with them. As these professionals develop in competence, larger clients come to them. The doctor cannot begin his practice with the small child, not less important than an adult, nor with minor injuries and slight illnesses. His patients come to him with what they think are minor matters which he might have to diagnose as symptoms of serious illnesses.

than they can acquire them through fulfillment of an experience requirement.

A fundamental weakness to reliance upon fulfillment of an experience requirement for attaining professional competence is that the competence attained by the employee is basically limited to that possessed by the employer. This fundamental weakness has been summarized as follows:

It seems to me that apprenticeship has one fatal flaw which makes it impossible to use in the current epoch, and that is its objective. The objective of the apprenticeship is the transfer from the master to the apprentice all that the master knows, and no more. Therefore the ceiling of education aspirations of the apprenticeship is the knowledge of the master. This was undoubtedly a valid educational objective in the nineteenth century, perhaps even in the first half of the twentieth century, when the rate of discovery was relatively slow and the rate of discovery of new skill was even slower. But now our educational objective must be to provide a mechanism wherein the student of this generation may stand on the shoulders of all the preceding generations and then go beyond. Therefore the student must always surpass the teacher, and the apprentice must surpass the master.⁹

Horizons for a Profession is an authoritative description of the common body of knowledge for beginning CPAs but at least five years of college study are needed to acquire such knowledge. Participants in the seminars held on *Horizons for a Profession* generally agreed that the described body of knowledge can be obtained from college study. The committee on education and experience requirements for CPAs concluded from its study of *Horizons for a Profession* and seminar reports for its position paper "Academic Preparation for Professional Accounting Careers"¹⁰ that at least five years of college study are needed to acquire the knowledge.

⁹ Millis, John S., Chancellor of Case Western Reserve University, Lowell Lecture (Harvard University), "The University President's Views of Medical Education and Medical Care," February 16, 1966.

¹⁰ Committee on education and experience requirements for CPAs, *op cit*.

The current admission requirements of the profession now generally require at least five years—except in the “no experience” states—to fulfill. Since the trend is for the experience requirement to be further reduced or watered down, the time is at hand for the profession to consider the advisability of replacing experience requirements with a requirement for a fifth year of college study. While some benefits, such as enhancement of professionalism and technical competence, may be obtained from the first year or two of good qualifying experience, a fifth year of college study offers greater benefits to the beginning certified public accountant and to the profession of public accounting as a whole.

Academic Preparation for Professional Accounting Careers

Introduction

Subsequent to the publication of *Horizons for a Profession*¹ in March 1967, the president of the American Institute of Certified Public Accountants appointed a committee on education and experience requirements for CPAs. The committee was charged with reviewing the conclusions of *Horizons* and recommending to the executive committee a position on education and experience for CPAs as a basis for Institute policy.

In order to provide an opportunity for educators to study and discuss *Horizons*, the American Institute of CPAs cosponsored with business schools throughout the country a series of 50 seminars. The committee, in reviewing the reports of these seminars, became aware that accounting educators felt a need for more specific guidance on curriculum than was provided by the report.

This paper is prepared to fulfill both objectives—to recommend a position to the executive committee and to provide more specific guidance to planners of accounting curriculums.

The committee notes the expanding role of the accountant in society and believes that the recommendations specified in *Horizons* need to be adopted if accountants are to be equipped to play this role. We therefore endorse the recommendations of the report. We

¹ Robert H. Roy and James H. MacNeill, *Horizons for a Profession* (New York: AICPA, 1967).

note, too, the trend toward placing greater reliance on formal education and less on-the-job training as a means of professional preparation. We agree that this development is desirable and believe that the body of knowledge necessary for entrance into the profession will and should be acquired as a part of the collegiate education. But our analysis of the recommendations leads us to conclude that the mastery of the body of knowledge which is commensurate with our public responsibility will require not less than five years of collegiate study. Thus the committee recommends that the Institute recognize the need for education beyond the baccalaureate degree for those who stand prepared to enter the profession. It further recommends that the Institute neither specify in terms of courses or course hours how this education should be attained nor encourage such criteria to be made a matter of law or regulation.

Business education must not only pace but anticipate the changes that take place in business and in the accounting profession. To do this, educational programs must be flexible and adaptive, and this is best achieved by entrusting their specific content to the academic community. Notwithstanding, the committee believes that the scope, purpose and general content of the formal education for professional accounting are proper concerns of the Institute. The profession's view of the educational requirements for entrance into the profession has been stated in *Horizons for a Profession*. The charge of this committee has been to examine the *implications* of *Horizons* on career preparation and training, be it through experience or formal education.

The committee believes that the implications for formal education can best be determined by examining an educational program that could, in its opinion, carry out the objectives stated in *Horizons*. This program constitutes the bulk of this report and should be viewed as what it is, one possible mechanism for implementing *Horizons for a Profession*.

Preparation for accounting careers is now achieved in a variety of institutional settings—in the four-year liberal arts school, the undergraduate business school, the two-year junior college plus two years in a senior college, undergraduate business study followed by graduate work or a four-year nonbusiness program supplemented by graduate business school. Regardless of the institutional setting in which a student completes his career preparation,

the scope and content should approximate what is described hereinafter. This program is intended to be *descriptive* rather than *prescriptive*. The program implied by *Horizons* is referred to as the model program to distinguish it both from actual programs that may be in existence and from those transitional programs that practical circumstances may require. The captions for the various segments of the program are intended as generic terms rather than as course titles, and the designation of course credit hours is used to suggest the committee's conclusions as to the relative emphasis that should be given to the various course segments or topics. This designation was adopted because credit hours are widely understood as a common measure of such emphasis. It should be stressed, however, that the course designation and hours are prepared only for possible curriculum guidance and *not* for legislative prescription.

The Model Program

The committee views education for professional accounting as composed of two parts—general education and business education. Because of the natural importance of accounting education to professional accounting, the committee has treated accounting as a separate section under general business. This should not be taken to imply that accounting courses are not a part of general business education or that general business is not closely connected to the practice of accounting. The distinction made here is for expository purposes only.

General Education

That part of the program generally embraced by the term “general education” should account for approximately 40 per cent of the five-year program, or 60 credit hours—equivalent to 50 per cent of a normal 120-hour undergraduate program. While the accounting profession requires that entrants into its ranks be educated men and women, possessing both the capability to continue to learn, develop, and grow and the foundation on which to build, the content of a CPA's general education cannot be definitely identified in terms of the demands of professional practice. Hence no attempt

is made here to prescribe *in toto* the contents of this portion of the program. The student should come to understand man himself, his history, the philosophies by which he lives, the language by which he communicates and the arts and sciences which enrich his existence.

Certain topics, generally embraced within the scope of general education, have a more direct relationship to the requirements of professional practice. Among these are communication, behavioral sciences, economics, elementary accounting, an introduction to the computer, and mathematics.

Communication—6-9 semester hours

Effective communication, both written and oral, is an indispensable skill of the professional. We are unconcerned with the method adopted by the schools to assure that the student has acquired these skills. But we would recommend that in every course the student be required to demonstrate his continuing ability in written communication. Our concern is not with literary style but with the student's ability to convey the intended message clearly, concisely, and precisely, without errors in grammar, punctuation, and spelling.

Behavioral Sciences—6 semester hours

The profession's concern for the behavioral sciences derives from the need of the CPA to understand individual and group behavior, the decision process, and organization theory. Topics of specific interest would include authority, learning, motivation, conflict, and innovation. He needs to know the process by which individual and organizational decisions are made. And as a member of an organization, working with and for other complex organizations, the CPA needs to understand the formal and informal networks of individuals and groups within the organization, chains of command, fixing of responsibilities, cross loyalties, information flows, and controls.

Economics—6 semester hours

That the accountant should have a good understanding of economics seems to us obvious. But the determination of what courses

are required in order to develop that "good understanding" is not so obvious. Any determination of the quantity and nature of the contents of the economics study necessarily involves trade-offs between the essential and the desirable, and between economics and other disciplines which can also contribute to the knowledge of the accountant. But it is clear that, as part of his general education, the student should study both macro-economics and micro-economics at the introductory level. Other recommended economics will be discussed in the section on general business.

Elementary Macro-Economics. It is important, at the outset, that the accountant acquire an overview of the operations of the economy as a whole. This overview should include consideration of national income measurement, monetary and fiscal theories and policies, employment, economic growth, international economics, business cycles, forecasting, and government policies with respect to economic planning, taxation, and spending. The student should be given a basic knowledge of the tools of analysis and measurement including the gross national product, the multiplier involving the effect on national income of such factors as investment, consumption and government spending, and the equation of exchange involving the supply and velocity of money.

Elementary Micro-Economics. Roy and MacNeill adequately describe the content of the elementary course in micro-economics as follows:

The beginning CPA should . . . have knowledge of the nature of the economic forces that affect the firm, their effects, and their interactions. For example, he should be aware of the relationship of price to demand, of the factor of elasticity, of the effect of degrees of competition. He should understand cost behavior and the various concepts of cost (marginal, implicit, etc.), labor productivity, the theory and philosophy of government policies toward business. These factors must be understood conceptually as they affect decision and policy making within the firm, and conversely as those decisions and policies in turn affect the economy.

Within this conceptual foundation of micro-economics,

the beginning CPA should be familiar with the economists' approaches to analysis involving, for example, price equilibrium in relation to supply and demand behavior, and marginal revenue and cost behavior. He should know some of the specific instruments of government control such as antitrust machinery, regulation of public utilities, prohibitions on price discrimination, and restrictions on international capital movements through such means as the equalization tax and the taxation of the earnings of foreign subsidiaries of domestic corporations.²

Elementary Accounting—3-6 semester hours

Elementary accounting is included in this section on "general education" because we believe that an educated person in our society should learn the rudiments of the subject, whether he anticipates a career in either the private or the public sector. We feel that this course is of unique importance.

We are aware that enrollments in the elementary accounting course greatly exceed the enrollments in subsequent courses. While we appreciate that some of the attrition is due to intentional screening out of those who do not have the capacity to be successful in accounting careers, we are convinced that an even greater portion of the attrition is accounted for by those whose exposure to the first course is disenchanting.

In harmony with our suggestion that the elementary course in accounting is appropriately included in "general education" and that it be recommended for all students, the content and organization of the course should be appropriate to the needs of those who may not elect to concentrate in accounting. It should emphasize the functions of accounting in a business-oriented society and the conceptual framework on which accounting rests. Procedures should be introduced to the extent necessary to illuminate the concepts being presented, but the primary emphasis of the course should not be on the mastery of procedures. Such a course, we believe, will be equally appropriate as the foundation course for

² Roy and MacNeill, *Horizons for a Profession*, pp. 226-227.

those who elect to study the subject in greater depth and may, in fact, attract a larger number of the better students to further study.

Introduction to the Computer—2-3 semester hours

We believe that a basic knowledge of computers, what they are and what they can do, should be part of any student's general education and is essential for those planning to enter accounting careers. His introduction to this ubiquitous device should come relatively early in his college career, and he should have the opportunity to use it as a valuable tool in some of the courses he takes subsequently. In this elementary course the student should acquire a basic knowledge of at least one computer system—the functions of the component parts, the general capabilities of the system, and the more universal terms associated with the computer. He should develop a working knowledge of at least one computer language sufficient to permit his programing and debugging a simple problem. His sophistication relative to computers and information systems will be further developed in another course described under the heading, accounting.

Mathematics, Statistics and Probability—12 semester hours

From his study of mathematics, statistics, and probability, the prospective CPA should become familiar with the mathematical techniques which have application to the solution of business problems; he should develop a facility with symbolic notation; he should be able to reduce complex problems to their essential elements; and he should be able to express the relationships of these elements in quantitative terms.

We believe that the minimum program to achieve these stated objectives will require 12 semester hours. It clearly must include differential and integral calculus, modern algebra, statistics, and probability. The committee agrees with the authors of *Horizons for a Profession* that the objective is "conceptual understanding" rather than "manipulative skill." Additional course work in applications of quantitative techniques to the solution of business problems will be discussed in the section on general business.

Other General Education—25-18 semester hours

This is the portion of the “general education” which cannot be definitively identified with the demands of professional practice. Whether specified by the faculty or left to the election of the student, these hours should be devoted to supplementing the study of the humanities, the physical or social sciences, and the arts in order to provide the student with a rounded exposure.

Summary

The allocation of 60 semester hours devoted to general education appears in Table I, below.

Table I

	<u>Hours</u>
Communications	6-9
Behavioral sciences	6
Economics	6
Elementary accounting	3-6
Introduction to the computer	2-3
Mathematics (modern algebra, calculus, statistics and probability)	12
Other general education	<u>25-18</u>
Total hours	60

General Business

Supplementing and building upon the knowledge gained in the general education courses, the general business courses provide an understanding of the major functions of the business society—production, marketing, and finance; an understanding of some of the social forces which influence business; and extend the student’s understanding of some of the topics having particular business application.

Economics—6 semester hours

The introduction to macro- and micro-economics described in the earlier section should be supplemented with additional study of this important discipline. In the light of the professional demands to which the CPA will be subjected, the committee believes that further study in theory and in the monetary system will make the greatest contribution to the total education of the accountant.

Intermediate Economic Theory. The area of economics is so important to an understanding of the operations of the business society and the particular activities of the CPA that the elementary courses are inadequate to provide requisite competence. Study beyond the principles courses should include further study in the general theory, typically offered under a title such as "intermediate economic theory."

The Monetary System. Although we are inclined to take our money system and its operations largely for granted, it is in fact a highly complex system with which the CPA should be thoroughly familiar. It is also desirable that the CPA understand the workings of the institutions involved in the banking system. As recent events have indicated, the international implications of our monetary and banking systems should be adequately treated.

The Social Environment of Business—6 semester hours

The subject matter which the committee envisions being discussed in this section may be offered under a number of course titles—business and government, administrative law, government regulation of business activity, or perhaps others. But in addition to the traditional topics encompassed by courses bearing such titles, attention should be given to the social forces which impinge upon business. Such topics as organized labor, black power, urban blight, the poverty problem, etc., might fruitfully be considered.

Business Law—6 semester hours

The CPA's work embraces legal matters in so many ways as to require that he have a relatively extensive knowledge of those parts of law associated with the world of business. He should be aware of the meanings of constitutionality, of the interrelationships between federal and state law, of jurisdiction, and of the respective roles of common law and equity, statutory law, and administrative regulation in our legal fabric. But beyond this, he needs to be familiar with the law of contracts, agency, commercial paper, sales, property, wills, estates and trusts. It is not intended that he be competent to practice law or to be expert in legal matters; rather,

his knowledge should be sufficient to enable him to recognize relevant problems, to apply the underlying principles of law to accounting and auditing situations, and to seek legal counsel, or recommend that it be sought, when it is appropriate to do so.

Production or Operational Systems—3 semester hours

This course should be designed to familiarize the student with the nature of production, both job order and continuous process, and to introduce him to the problems (and some of the quantitative approaches to their solution) of production planning and scheduling. It should introduce him to production terminology and to production processes (in a non-technical way) in order that in subsequent study of cost accounting he can recognize the cost accounting system as a partial model of the production process.

Marketing—3 semester hours

Extensive knowledge of marketing is not required of the CPA. He should, nonetheless, be familiar with the channels of distribution and the major institutions involved in the process. He should be familiar with the problems of pricing, expanding upon the aspects of pricing theory studied in economics. And he should understand the marketing function sufficiently that he can understand the ways in which accounting may contribute to the solution of marketing problems.

Finance—6 semester hours

The subject of finance is much more intimately related to the work of the accountant than are the functions of production or marketing. Accounting measurements, analyses, terminology, and statement format are intrinsically financial. Consequently, the exposure of the prospective CPA to the study of finance must be more than superficial.

The CPA should be thoroughly familiar with the concepts and analytical approaches necessary to evaluate capi-

*tal needs and alternative sources of capital. He should understand the effect of depreciation and the impact of taxes on cash flow. He should be able to use the various tools of financial analysis such as the many ratios and rates of turnover, the comparison of discounted cash flows under alternative capital investment decisions, and the measurement of the cost of alternative sources of capital. . . he must have some knowledge of the institutions that comprise the (financial) environment, their nature, their activities, and the terminology they employ.*³

Since depth of understanding is required of the finance area, six hours are allotted to this subject. One possible approach to the organization of the subject matter into two 3-hour courses is to devote one course to the financing of short-term capital needs and the other to the financing of long-term needs.

Organization, Group and Individual Behavior— 9 semester hours

The purpose of this sequence is to relate knowledge of the behavioral sciences to the practice of management in the context of the organization. The emphasis should be on what is relevant to managers in their work in the organizational setting. The topic has four facets: individual, group, intergroup, and total organization relationships. The sequence should reveal the phenomena that occur in uniformities that are present at each level and develop in the student a literacy with regard to the factors involved and the way they play themselves out in each setting. Both as a consultant and as a systems designer, the accountant needs awareness of the human factors involved in systems design and in personal situations.

Quantitative Applications in Business—9 semester hours

Building upon the mathematics studied earlier, these courses deal with business problems which are susceptible to quantitative solu-

³ Roy and MacNeill, *Horizons for a Profession*, pp. 260-261.

tion. The courses should include practice in optimization models, such as linear programming, the application of queueing theory, critical path methods, and simulation in business. It would also involve developing sampling situations, statistics, statistical decision theory, and Markov processes. The courses should be problem oriented and directed to the development of understanding and methodologies, the data they need in order to be utilized, and their limitations.

Written Communication—3 semester hours

This course is intended to reinforce the learning about communication the student achieved in the general education course in communication and concerns itself with the student's ability to communicate effectively in the business context. The student must become conscious of the fact that in written communication he is deprived of the use of inflection, facial expression, gestures or other techniques which supplement the words used in face-to-face verbal communication. He is limited to the selection of words, the way they are put together, and punctuation in order to create in the reader the desired reaction. He must therefore give appropriate attention to the position and self-interest of the reader and to the connotations of the words which he uses—to what he includes and to what he leaves out.

Business Policy—3 semester hours

Business policy is the integrative course in which one is required to bring together the understanding of the functional fields of business to which he has been exposed, the attitudes and skills which he has obtained. Of all the courses in the business school, this is the one best suited to the use of the case method.

Summary

The hours devoted to the study of general business are utilized as shown in Table II, page 53.

TABLE II

	<u>Hours</u>
Economics (intermediate theory and the monetary system)	6
The social environment of business	6
Business law	6
Production or operational systems	3
Marketing	3
Finance	6
Organization, group and individual behavior	9
Quantitative applications in business (optimization models, statistics, sampling Markov chains, statistical decision theory, queueing, PERT, simulation)	9
Written communication	3
Business policy	3
Total hours	<u>54</u>

Accounting

The committee is aware of the growing practice in the undergraduate business schools of limiting the number of hours that the student is permitted to take in any one area. And to the extent that the trade-off of depth of understanding in one area accomplishes the objective of honest breadth of understanding, we are inclined to be sympathetic with the objective of the practice. Nonetheless, we are concerned with the preparation of young people for careers in professional accounting, in which breadth of education does not justify deficiencies in accounting understanding. If it were necessary to sacrifice accounting competence in order to gain the desirable breadth of education, we would need to oppose that trade-off. However, we do not believe that we are faced with a choice between essential and desirable education—we believe that both can be achieved within the limits of the five-year program. But we believe that accounting faculties must review carefully their present offerings and may need to restructure their courses in order to attain the objectives outlined below within the limits of available time. We conclude that the optimum accounting study will require 30 semester hours beyond the elementary course.

While we feel that conceptual understanding is to be desired over procedural skill, we do not believe that a trade-off is required here either. The allotted time is sufficient to achieve both if it is used well. As we said in our discussion of the elementary account-

ing course, procedures can and should be introduced when they illuminate concepts being presented.

The accounting portion of the curriculum is described in four main areas: financial; managerial; taxation; and auditing. The overall objective is to give the student an understanding of the functions of accounting, the underlying body of concepts that comprise *accounting theory and their applications to accounting business problems and situations.*

Financial Accounting—9 semester hours

Financial Reporting Theory. This portion of the curriculum should deal with financial accounting measurement including such areas as the determination of periodic income, revenue recognition, cost allocation, and the flow of funds. Inventory valuation, depreciation theory, liability recognition, and corporation equity measurement are a few of the many areas within which financial accounting theory should be studied. In addition, an understanding of the fundamental nature of accounting would be incomplete without a good knowledge of the means by which accounting data are communicated, and this embraces a study of accounting statements, their form of presentation and accounting terminology.

Applied Financial Accounting Problems. While it is neither necessary nor desirable to delve into every possible situation which might be encountered in the practice of accounting, certain topics are important to an understanding of the complexities comprising the world of business and finance. Corporate combinations, for example, involve special application of the principles of measurement and realization in such matters as consolidations, conglomerates, and poolings of interest. Peculiar valuation and presentation problems are encountered in the development of statements of business in financial difficulty, of decedents' estates, trusts, and nonprofit organizations. It is not recommended, however, that there be exhaustive coverage of myriad ramifications of these areas; the objective is to familiarize the student with the kinds of problems that exist and the application of accounting principles and practices to their solutions.

Contemporary Financial Accounting Issues. The student must be made to understand that accounting is a living, growing discipline and must be made aware of and become involved with the issues of the day. The topic coverage of this segment of the curriculum will change even more frequently than any of the other segments. Issues that are the subjects of the AICPA Accounting Principles Board Opinions would be included as well as important subjects of research.

Cost Accounting—6 semester hours

Cost Determination and Analysis. An accounting student should be exposed to the broad range of cost accounting concepts and to its terminology. His study of the measurement and accumulation of costs will include such topics as direct and indirect costs, the rationale behind cost allocation procedures, cost-volume relationships, and the application of burden.

Cost Control. Under this category it is contemplated that the student will develop a familiarity with the controls that are afforded in the application of cost accounting concepts to the design of the information system. Included here are flexible budgets, responsibility accounting, profit center analysis and standard costs.

Cost-Based Decision Making. It was stressed at the beginning of this section on accounting that the student should be made aware of the functions of accounting, and so it is believed important that he know how cost accounting can contribute to decision making and planning. Typical problems might involve make or buy decisions, product mix, capital budgeting and inventory planning. The methodologies might include present value analysis, models, and incremental analysis. The objective is not to develop expertise in all of these tools, but to expand the student's knowledge to embrace these kinds of approaches to decision making and above all to make him aware of the need to identify the relevant data.

Taxes—3 semester hours

Tax Theory and Considerations. Because the tax law is complex and continually changing, it is neither possible nor desirable to

provide in the curriculum enough time to cover exhaustively the subject of taxes. But if a student is to work with the problems of a financial nature, some knowledge of taxes and their impact on decision making is essential. To place in perspective the multitude of tax laws, regulations, administrative and judicial rulings, it is necessary to have a broad appreciation of the tax structure and its role both as a source of revenue and as a device to control the economy. Basic ideas must be understood such as the importance of a corporation distinguishing between interest and dividend payments, the definition of a capital asset, limitations on certain deductions and the relief afforded by the carryback and carryover provisions. Again, it is not expert knowledge that is required but an understanding of the reasons behind each of these provisions and the impact of their interrelationships.

Tax Problems. In addition to a broad background in the field of taxes, the accountant should be able to apply tax principles to the solution of problems of some complexity. These cases should involve individuals, corporations, partnerships, trusts, estates, etc., and should include some that involve the interrelationships between various entities. Only when these interrelationships are seen can the student develop a sense of the impact of taxes on decision making and planning.

Auditing—6 semester hours

Audit Theory and Philosophy. Auditing, whether that of the independent accountant or the internal auditor, contributes to the reliability of financial and other data. How this is done comprises auditing theory and philosophy and it is an essential part of an accountant's knowledge. This knowledge includes such topics as evidence, authorizations, basic techniques including sampling, review of internal control and arithmetic controls and reconciliations. Also included are the role of the independent auditor, his legal responsibilities, his code of ethical conduct and his standards of reporting, field work, and competence. In addition, there should be an understanding of the role of the internal auditor as he functions within the management organization as a vital control element.

Audit Problems. As in other areas of accounting the student's understanding of auditing principles is reinforced and expanded by exposure to problems and cases. Subjects might include statistical sampling, internal control, auditing computerized systems or SEC cases as well as the more traditional problems dealing with, for example, the confirmation of receivables, inventory observations and the fixed asset audit. We believe that there is no way to successfully simulate an audit engagement in the classroom and that long detailed practice sets traditionally take more scarce time from an already crowded curriculum than is warranted by the results generally achieved.

Computers and Information Systems in Business— 6 semester hours

Building upon the student's earlier exposure to the computer, this course explores the strengths and weaknesses of the computer in the business context, develops skills with higher level languages and with simulation techniques, and develops understanding of the relative strengths of the human being and the machine in symbiotic man-machine interaction. It also involves the investigation of complex systems, the techniques of analyzing and flowcharting them, the development of a basic skill in system and design, and an understanding of the control procedures required.

A Four-Year Program

While the committee considers the five-year program to provide the optimal preparation for careers in accounting, we are aware that far greater numbers of potential entrants to the profession must, for one or another reason, settle for a four-year undergraduate degree. In due course we believe that the educational requirements of the profession should encompass the model program. But, in the meantime, what should be included in a program that can extend only to four academic years?

Our answer to this question would be to the effect that the four-year program should match the model five-year program in scope but should treat the topics at less depth. For example, the nine

TABLE III

Alternative Programs in Accounting

General Education	Semester Hours		
Communication		6-9	
Behavioral sciences		6	
Economics		6	
Elementary accounting		3-6	
Introduction to the computer		2-3	
Mathematics (modern algebra, calculus, statistics and probability)		12	
Other general education		<u>25-18</u>	
		60	
General Business	Five Year	Four Year	
Economics (intermediate theory and the monetary system)	6	6	
The social environment of business	6	3	
Business law	6	4	
Production or operational systems	3	2	
Marketing	3	2	
Finance	6	4	
Organization, group and individual behavior	9	6	
Quantitative applications in business (optimization models, statistics, sampling, Markov chains, statistical decision theory, queueing, PERT, simulation)	9	6	
Written communication	3	2	
Business policy	3	3	
	<u>54</u>	<u>38</u>	
Accounting			
Financial reporting theory	}	9	6
Applied financial accounting problems			
Contemporary financial accounting issues			
Cost determination and analysis	}	6	3
Cost control			
Cost-based decision making			
Tax theory and considerations	}	3	3
Tax problems			
Audit theory and philosophy	}	6	3
Audit problems			
Computers and information systems in business		6	4
		<u>30</u>	<u>19</u>
Electives		<u>6</u>	<u>3</u>
		<u>150</u>	<u>120</u>

hours which could be devoted to communication in the model program might need to be reduced to six hours in the four-hour program. An outline of the four-year program as compared to the model program is presented in Table III, opposite.

The design of the individual courses in this reduced program constitutes a tremendous challenge to the faculties. What does one leave out of a nine-hour sequence in quantitative application in business if he must adapt the course for presentation in six hours? We do not propose to answer the many questions of this type which are raised by the necessity of adapting the model five-year program for presentation in four years. We do, however, call the reader's attention to the recommendation that conceptual understanding is to be preferred to manipulative skill. If a trade-off is necessary, knowledge is to be preferred to technique.

The exposition of the component parts of the model program, presented in the foregoing section, applies equally to the components of the four-year program. The sacrifice in depth of coverage is regrettable but inescapable.

Report on Accreditation of Accounting Programs by Standing Committee on Accounting Education

The standing committee on accounting education was established in the spring of 1966 for the purpose of providing a forum for the study of problems in accounting education of concern to the constituent organizations. The committee consists of eight members as follows:

Frank S. Kaulback

Clark E. Myers

Representing the American Association of Collegiate Schools of Business

Richard E. Czarnecki

Edward S. Lynn

Representing the American Accounting Association

John J. Costello

Lorin H. Wilson

Representing the Association of CPA Examiners

James P. Ould, Jr.

Leonard M. Savoie

Representing the American Institute of CPAs

Guy W. Trump, director of education of the American Institute of CPAs, serves as secretary to the committee.

The committee agreed to consider first the problem of accreditation of accounting programs. The problem exists because the laws of many of the states provide that candidates for the CPA examination must "have a degree from an institution acceptable to the board with a major in accounting." Most state accountancy boards do not have adequate staff and resources to undertake to evaluate the educational programs, and the colleges and universities are reluctant to subject themselves to evaluations from more than one agency in any one field. To protect themselves from a proliferation of accrediting agencies, the universities created, years ago, the National Commission on Accrediting, an organization which was charged to recognize only one agency in any academic discipline to undertake the accrediting function.

The National Commission recognizes accreditation of two types—institutional accreditation and program accreditation. Institutional accreditation was made the responsibility of seven regional associations, while program accreditation was designated as the responsibility of the several organizations of the particular academic disciplines. The American Association of Collegiate Schools of Business was given responsibility for accreditation of programs in business administration—including accounting.

The AACSB, in its procedure for accreditation of programs in business administration, seeks to evaluate the entire business program. For example, in an effort to assure that the program shall provide for sufficient breadth, it is required that at least 40 per cent of the four-year program shall be outside the field of business and that at least 40 per cent must be in business, with the provision that economics may be counted as falling either within or without the business portion. To assure that the field of business administration is adequately covered, the curriculum is to include instruction in economics, accounting, finance, marketing, management, commercial law or the legal environment of business, and statistics. In an effort to determine that conditions conducive to the presentation of quality programs exist, the AACSB standards also deal with the preparation of faculty, teaching loads, library, physical facilities, and the like.

The accreditation process requires an extensive application from the applicant school providing documentation which will establish

how the standards are met, plus an on-site inspection of the school by a committee consisting of the deans of three member schools of the association. The recommendation of the visiting committee is reviewed by the membership committee which, in turn, makes its recommendation to the executive committee. The AACSB does not make separate evaluations of the subprograms within business.

In spite of the reasonable nature of the AACSB standards only 120 of the approximately 600 programs in business administration have been able to meet them. On the other hand, almost all of the colleges or universities that offer programs in business administration have been able to achieve institutional accreditation by one of the regional accrediting agencies. The AACSB schools account for about half the undergraduate degrees awarded in business and about 80 per cent of the graduate degrees awarded annually.

This, then, is the setting for the accreditation problem.

State boards of accountancy need a way to determine which applicants meet the educational requirements of the state law, but they typically do not have adequate staff and resources to undertake the evaluation of educational institutions. The schools, already having subjected themselves to evaluation by the regional accrediting agencies and to the inspection by other appropriate specialized accrediting bodies, strongly oppose the formation of still more accrediting agencies. Since a school seeks accreditation voluntarily, the attitude of the schools cannot be ignored. The AACSB, while capable of inspecting the normal number of new applicant schools each year, does not have the resources to undertake the inspection of all schools offering programs in accounting and, on philosophical and practical grounds, opposes the fragmentation of the business programs for accreditation purposes.

At its first meeting, the committee discussed the background setting described above and reached the following conclusions:

1. Accreditation of accounting programs, however undertaken, should not be based upon a specification of course titles and hours. This approach tends to freeze the curriculum into a rigid mold while the rapidly changing nature of the profession requires flexibility and experimentation with curriculums. Further, the explicit standard tends to become a ceiling for excellence rather than the floor it is intended to be.

Practicing CPAs should be encouraged to take an active interest in college and university business school curriculums, and educators should seek their opinions, to the end that the instruction of their students will be responsive to the present and anticipated needs of business and the profession.

2. State boards and the professional organizations in accounting should work closely with the appropriate educational organizations that have the accreditation responsibility.

3. The accreditation function should be left to the appropriate educational organizations and a separate accrediting agency should not be considered.

The committee reached these conclusions with the firm conviction that the responsibility of a board of accountancy was to determine whether candidates for the CPA examination met the educational requirements as set forth in the law of the state; that candidates from programs differing markedly in content might meet these requirements; that means could be found to have the academic evaluations made by the academic community; and that the academic community was better able to make this evaluation than were the state boards or professional societies.

Further discussion revealed that the committee members were in unanimous agreement that candidates who are graduates of undergraduate or graduate programs accredited by the AACSB and who have had a concentration in accounting at either level should be considered to meet the educational requirements for the CPA certificate. The committee members also unanimously agreed that nonaccounting graduates of either undergraduate or graduate programs accredited by the AACSB, whose schools certify to the board that the program followed by the candidate, supplemented by additional courses, is the equivalent of an accounting concentration, should be considered to meet the educational requirements for the certificate.

The appraisal of the educational qualifications of graduates of programs which are not accredited by the AACSB presents a more difficult problem. However, the deans or admissions committees of the schools whose master's programs are approved by the AACSB are regularly called upon to make this kind of appraisal. Whenever a graduate of a non-AACSB undergraduate program applies for

graduate study in an AACSB accredited master's program, it is necessary that his undergraduate program be appraised to determine its acceptability as the basis for graduate study and to determine whether there is work that must be completed before graduate study can be started (or, alternatively, whether certain requirements of the graduate program will be waived because they were met in the undergraduate program).

It was agreed that if the candidate's *program* would meet the criteria of an undergraduate concentration in accounting for purposes of undertaking graduate study, and if his program had been followed at colleges or universities meeting the quality requirements for regional accreditation, it should be considered as meeting the educational criteria for the CPA certificate. The emphasis on the word "program" in the preceding sentence is to indicate that the candidate's suitability as a candidate for graduate study is not of concern to the board of accountancy—only that his program is equivalent to an acceptable undergraduate concentration in accounting. The committee believes that while standards for admission may vary widely between graduate programs accredited by the AACSB, there is much less diversity in what the schools would consider an acceptable undergraduate concentration in accounting.

It was concluded that, by copy of this report, the Association of CPA Examiners would be asked to recommend to its members that they select AACSB schools with which to co-operate, that they request the assistance of the schools, and that they accept the appraisals of the schools as determining the candidate's status relative to the educational requirements of the CPA certificate.

Similarly, by copy of this report, the American Association of Collegiate Schools of Business would be asked to encourage its member schools to co-operate with the state boards of accountancy both in certifying their own graduates, as outlined earlier in this report, and in appraising the programs of graduates of non-AACSB schools as set forth in the preceding paragraphs.

The members of the standing committee believe that the procedures outlined in this report will permit the members of state boards of accountancy to satisfy themselves that the educational requirements have, or have not, been met. At the same time, the appraisals can be made by the academic community in a manner which does not place an undue burden on the resources of the

AACSB, nor subject the colleges and universities to still another accrediting agency nor limit the freedom of all of the colleges and universities to experiment with curricula to improve the quality of the student who will seek to enter the accounting profession.

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