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Opportunities in Public Accounting

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I HAVE been asked to “kick-off” tonight’s meeting by talking to you regarding the opportunities in the accounting profession—specifically in the field of *public* accounting. Although I am responsible for interviewing students for possible employment with the firm with which I am associated, my talk to you tonight is not going to be from the standpoint of opportunities with Haskins & Sells as such, but rather with the opportunities in the profession generally. I want to tell you something about what you might expect in the profession, what it is like, and what we do. Also, I would like to indicate briefly what we in the profession expect from those of you who are interested in becoming a part of it.

You are probably well aware that there is an increasing demand today for good accountants. Of all of the professions, public accounting is one of the fastest growing. Just to give you some indication of the rapid growth our profession is experiencing, let me give you a few statistics. In 1900 there were approximately 250 certified public accountants in the United States. By 1940 the number had grown to 20,000. Today the total is more than 70,000. Most projections indicate that this spectacular rise in the number of CPAs will not fail to continue. As our economy expands, the need for accountants expands. As businesses become more complex, this, too, increases the demand for accountants. I am sure that you will agree that our economy is still expanding, despite temporary lapses, and that, certainly today, business is becoming more and more complex.

TYPES OF SERVICE

What does a certified public accountant do? I think the services offered by the certified public accountant fall into four major categories. First, there is the type of work that comprises the backbone of our practice and that is auditing. Secondly, there is tax work. Thirdly, management advisory services. And I would classify all other services under the fourth category and entitle it miscellaneous.

Auditing consists of a systematic examination of financial statements, including the testing of the underlying records and the reporting of an independent opinion concerning the fairness of the statements in presenting the financial condition and operating results of an enterprise.

Credit grantors as well as underwriters of security issues require independent reports on the fairness of financial statements of companies in which they are interested. Also, the managements of these companies realize the importance of furnishing to stockholders informative financial reports that are supported by an objective opinion formed by independent certified public accountants. Many governmental and regulatory agencies now require or strongly urge that they be furnished with audited financial statements of companies that come under their regulatory authority. For these same reasons many smaller companies and privately owned businesses now recognize the need for independent audits.

In the field of taxation our work consists, of course, in the preparation of income tax returns and also many other types of tax returns. I feel, however, that one of the most important facets of our tax practice is that of advance tax planning. With today's very high tax rate, it is of the utmost importance to consider not only what business steps should be taken, but how and when they should be consummated. With a corporate income tax rate of 52 per cent (on incomes over \$25,000) you can readily see that in many instances the tax impact is a compelling consideration. In the case of individuals with tax rates running all the way to 91 per cent the impact of such taxes can be staggering.

The third category, management advisory services, is not new to the CPA. However, its importance and regularity have increased greatly in the last few years. These services include the survey, design, and installation of accounting systems. They also encompass work with general accounting systems, cost systems, budgetary controls, production and inventory controls, profit planning, and all other aspects of record-keeping, internal reporting, and internal control. Obviously, this often includes the application of punch-card systems electronic equipment, or other modern business methods.

The fourth category, miscellaneous, includes many diversified services. Let me quote just a few examples. One example of a service that I feel would fall into this category is provided by a recent experience of our Firm in assisting a client in connection with a Federal

Trade Commission hearing. Other services in this general category in which we participate would include, for example, assistance to a client in preparing a small-business loan application, acting as an expert witness or arbiter in a dispute over financial matters between companies or between a stockholder and a company, or assistance in settling a use-and-occupancy insurance claim. Other very important services rendered relate to corporate acquisitions, liquidations, mergers, and reorganizations.

From the foregoing résumé you can see that public accounting is quite diversified as well as complex. Specialization is an obvious result. In our Firm, although we want all our men to be at least familiar with most aspects of the accounting profession, we attempt also to develop specialists. We have men who devote the major part of their time to tax matters and become so-called tax experts. We also have men who are systems specialists or specialists in the field of management advisory services. With the rapid advances in today's business machines, it is impossible for a CPA to keep abreast of these developments unless he specializes. Therefore, within the field of management advisory services we have men who are skilled specifically in punch-card accounting or in electronic data-processing equipment.

TYPES OF FIRMS

Having given you a brief description of some of the services we render, I should like now to discuss briefly the various types of public accounting firms.

There are a number of types of firms engaged in the practice of public accounting. First, there is the individual practitioner who himself performs accounting services or who may have several assistants working with him as well as the necessary secretarial help. There is also, the partnership, a very common form of CPA practice. In view of the need for specialists, as mentioned earlier, it is natural that partnerships should come into existence. Parenthetically, it should be noted that CPA firms are not permitted to incorporate for the reason that they should not and do not wish to limit their liability and responsibility. To do so would be considered a breach of professional ethics—as it would likewise be regarded in the medical and legal professions.

Partnerships, of course, can be of varying sizes; there is the local

practice of two or more partners whose services are principally confined to one locality, and there are the so-called regional or statewide practices in which the partnership has offices in several locations. Then there are the national and international firms having offices in many cities throughout the United States and in many parts of the world. Such extensive organizations of course enable these firms to give better service to their clients with national or international operations.

STAGES OF INDIVIDUAL ADVANCEMENT

Within the profession there are several stages that indicate the accountant's degree of experience and advancement. Generally, these fall into five categories. First is the assistant accountant, a category usually further divided between the junior assistant and the senior assistant accountant. Many firms identify these classifications simply as junior accountants or semi-senior accountants. Then there is the in-charge or senior accountant. Next comes a group consisting principally of supervisory personnel, bearing various titles such as principal, manager, or supervisor. Different firms, of course, use different designations. At the top of the order is the partner or individual practitioner. Very briefly, let me review the responsibilities of each category particularly as the individuals composing it would act in performing an audit. In an audit the junior or assistant accountant's duties, as the name implies, would be to assist the in-charge accountant in conducting the engagement. This would include work in connection with a detail testing of transactions of the client. It would include such operations as the checking of postings, footing of books of original entry, examination of documents in support of entries in the journals. It would include counts of petty cash funds, reconciliation of bank accounts, assistance in connection with the procedures to be followed in the confirmation of accounts receivable, and assistance in the physical observation and checking of the inventories.

The assistant accountant might also be called for work in the office, such as performing bookkeeping services for clients. In this connection, I should like to point out that bookkeeping services would not be in conjunction with an audit but rather would be a separate service that might be offered by the CPA.

In our Firm, and I am sure it is true in most CPA firms, all work going out of the office is checked for mathematical accuracy and is

compared with the original draft. This is done in what we call our comparing and proving department, to which the new assistant accountant often is first assigned. Frequently the assistant does not appreciate the importance of this work; nevertheless, it should be obvious that anything going out of the office must be mathematically correct and be exactly as drafted. Since it is impracticable to have the reviewer check the accuracy of detail during his review, such checking is accomplished beforehand by the comparing and proving department. Working in the comparing and proving department gives the assistant an opportunity to gain some insight into the various practices of our profession, and enables him to gain valuable impressions concerning a great number of clients, the scope of operations, the manner of handling of auditing problems, and the form of various reports. Probably some of these duties seem to him dull and routine. However, their importance in the conduct of an audit cannot be over-emphasized.

In connection with tax work, the assistant accountant might often be asked to prepare tax returns that are not of a complicated nature.

As the assistant accountant progresses, he graduates from the junior-assistant or junior-accountant stage to that of the semi-senior accountant. This stage of advancement falls between the junior-assistant category and that of the senior or in-charge accountant. During the period of his semi-senior or senior assistant accountantship he will supervise certain smaller engagements and have other assistants working under his supervision. He will also begin to undertake tax work of a more complicated nature.

During the next stage, that of in-charge accountant, he will direct the day-to-day execution of the engagement to which he is assigned. It would be his responsibility to review the client's accounting system and internal control and to determine the appropriate auditing procedures and the extent of testing, etc. This, of course, would be also under the general supervision of the principal or supervisor, but it is primarily the in-charge accountant's responsibility. The in-charge accountant will have frequent contact with the client and discuss many aspects of the accounting records and reports with officials of the company being examined. The senior accountant supervises the work of the assistants on his job. It is his responsibility to make the assignments of work and to follow through to see that they are properly executed.

On the next higher level, the supervisor or principal is concerned

with the conduct of a number of engagements. He regularly confers with the in-charge accountants or senior accountants regarding the various problems of the engagements. He will spend time in consultation with executive officials of the client. It is his responsibility to review the audit papers on completion of the engagement. He must determine that the procedures followed were adequate under the circumstances. It is his responsibility to see that the report is letter-perfect before its final review by the partner.

On the top rung of the ladder is the partner or individual practitioner who, of course, has the final authority and responsibility for every engagement. He must satisfy himself that the engagement was conducted properly. He is responsible for the general administration of the practice and is in contact with the clients regarding all top-level decisions. He has the further responsibility of assigning personnel to the client engagements and has the final responsibility for hiring and firing. In our Firm both a partner and a principal are assigned to each of our clients.

I think the foregoing comments pretty well indicate that in public accounting you will find yourself engaged in a process of continuing education. Also, you will obtain experience in a wide field of endeavor. You will become familiar with the operations of a number of clients in many different industries. Just to illustrate the various industries with which you might come into contact let me cite some of the types of organizations under my general responsibility. I have a number of manufacturing firms, some charitable and fraternal organizations, several small-loan companies, a hotel chain, two private schools, a television station, a pawn shop, a property-management firm, a steel fabrication company, a cold storage plant, an investment company, a large laundry, and for a little diversion, a golf club. This is not a complete list, but I think it does indicate the wide variety of engagements characteristic of the practice of public accounting.

PROFESSIONAL SOCIETIES

I should also like to mention one other aspect of the public accounting profession and that is its professional societies. Some of the most satisfying experiences in a public accountant's career will be in his association with the members of the American Institute of Certified Public Accountants and of his state society. I personally consider that membership in and active participation in professional societies is a

prerequisite for the professional accountant, and I know our Firm takes this point of view as well.

PROFESSIONAL QUALITIES

What kind of men and women are we looking for today in the field of accounting? I would like to quote the following qualifications set forth by John L. Carey, the Executive Director of the American Institute of Certified Public Accountants. He set forth six basic requirements. One, the accountant should have a keen analytical mind and a critical approach to problems. Two, although he needn't be a wizard at arithmetic, he should like figures and have a genuine respect for accuracy. Three, he should be persistent. An accountant may have to spend a number of hours running down just one single important fact. Four, he should be able to keep a confidence, for clients will be entrusting him with their most precious financial secrets. Five, the accountant should like people and be able to sell himself to them. Six, he should be willing and able to work hard. To this enumeration I should like to add several qualifications that I believe are equally as important. I believe the accountant must be decisive and be able to exercise good judgment. Day in and day out he is called on to make decisions, but he must make them only after having made adequate investigation and they must reflect good judgment. Another quality I think is important is the ability to take responsibility and to accomplish the work assigned in a prompt and timely manner. In addition it is important to be able to speak and write well. Unless the accountant can adequately convey his thoughts and opinions to others, much of his talent and efforts will be wasted. He may be a perfectly fine technician in the area of accounting, but if he cannot put his ideas across to the client, his value in the profession is severely limited.

COMPENSATION

I am sure all of you are interested to some extent in the compensation for services in the public accounting profession. Of course, the many firms within the profession have varying policies on compensation. Some pay overtime, some do not. Some have bonus arrangements, others do not. There is also considerable variance in fringe benefits, that is, vacations, insurance coverage, expense arrangements, etc. In general, starting salaries for the junior accountant in public

accounting now range around \$450 to \$525. Your college record, your experience, your over-all capabilities all are factors in determining the amount of the starting wage. Generally speaking, I think you can look for annual increases of approximately 5 to 10 per cent a year. Again, this is determined by your degree of advancement. Speaking in very broad terms, I would say that the salary range of senior accountants would be from a low of, say, \$7,200 a year to approximately \$10,000 a year. Managers and supervisors would probably range from the \$10,000 figure up to \$15,000 or more and, of course, the partners' earnings, depending more or less on the type of firm, would be pretty well unlimited.

CONCLUSION

I have tried to give you a brief rundown of the nature of a certified public accountant's work and the opportunities presently existing in the accounting profession. Let me conclude by saying that the work is probably pretty hard and in many cases requires a good deal of self-sacrifice, but on the other side of the coin there are few fields that are so challenging and rewarding.