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The Common Body of Knowledge of CPAs

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THERE are many CPAs today in practice thirty years or more who well remember the circumstances of their first jobs. Some of them are college graduates, but many of them are not. Some would testify that the key question asked them by the prospective employer was whether they had any general-ledger bookkeeping experience. This was *the* prerequisite for a start in public accounting. The ambidextrous junior, the one who checked with both hands, was a real find, and if he could check with both hands simultaneously he "had it made." How times have changed! We of that vintage have lived through an exciting growth of a dynamic accounting profession. Its members, the CPAs, are accepting ever-increasing responsibility for the fast-growing accounting function. The growing body of knowledge both of the accounting function and of the accounting profession has brought about radical changes in education and in the characteristics required for the profession. And there is no leveling-off in sight!

Let us now get back to earth and look at some of the expressions used in the statements just made and consider some of the questions they raise.

WHAT IS THE ACCOUNTING FUNCTION?

In 1949 William A. Paton referred to the two closely related phases of accounting: "(1) measuring and arraying economic data; (2) communicating the results of this process to interested parties."

The term accounting function was originated by the American Institute of CPAs' Long-Range Planning Committee. Herman Bevis of that Committee has defined it as *the measurement and communication of economic data*. Many are engaged in this activity: bookkeepers, clerks, operators of equipment, auditors, controllers, tax experts, and

* *Note.* The subject of The Expanding Body of Knowledge of CPAs has had serious consideration in recent months by the Executive Committee and by members of the staff of the American Institute of CPAs. The Executive Director has prepared comprehensive memoranda for the Executive Committee. Much of the material in this paper was drawn from these discussions and memoranda, but the views expressed and conclusions reached are those of the author, and do not necessarily coincide with the views of the members of the Executive Committee, Institute staff, or the other partners of his Firm.

many more. They are found in business, government, eleemosynary institutions, and public practice.

WHAT THEN, OR WHO, IS "THE PROFESSION"?

In answer to that question we do not find authoritative pronouncements, or complete agreement. Some think of the entire accounting function as the profession; others think of the profession as limited to the work required in the expression of independent opinions on financial statements by CPAs. For the purpose of this discussion the profession is considered to comprise all CPAs, but only CPAs—those who have achieved recognized qualification to practice independently or authoritatively in the accounting function. They are engaged in public accounting, in private accounting, in government accounting, and in the teaching of accounting. While the others earn their livelihoods from the accounting function, they are not members of the profession. Sometimes non-CPAs, and who therefore are not members of the profession, do work similar to or identical with that done by members of the profession. This is typical of a profession in the development stage.

ANALOGY TO MEDICINE

The picture is not too different from that of the medical profession in relation to the whole field of medical care, except that medicine has quite a few years of development behind it compared with us. The MDs are the members of the medical profession and the sole members of it; nurses, technicians, pharmacists, other members of hospital staffs, etc., all work in the field of medical care but are not members of the profession. In the more mature era of the medical profession the doctors exercise a high degree of control over all those engaged in medical care, as well as over the schools in which the medical arts and related skills are taught.

WHAT IS THE BODY OF KNOWLEDGE OF THE ACCOUNTING FUNCTION?

The accounting function, the measurement and communication of economic data, encompasses a vast, growing body of knowledge. This body of knowledge has not been defined, and its definition will not be found in this paper. That it should be defined is brought out later. To appreciate its growth we need think only of a few major contributions to it—the federal income tax, the Securities Acts of 1933 and 1934, the wartime regulations, and the recent developments in data processing. Probably the greatest expansion lies in the future. More

and more the value of accounting in management is being recognized. More accountants are being selected as heads of our biggest and most progressive business organizations. We talk scientific management, business-information systems, operations research, behavioral science, statistical sampling, organizational structure, and micro-economics. Accountants and accounting are not the servants of management, but are a growing integral part of management itself and are making the greatest contribution to the sophistication of the management group.

WHAT IS THE COMMON BODY OF KNOWLEDGE OF CPAS?

And now as to the common body of knowledge of CPAs: We have added at this point "Common," and "CPAs." This is not too difficult. All we are talking about is "What a CPA should know." A short, quick answer is *everything* and sometimes it does seem that way. Perhaps thirty years ago the body of knowledge of the accounting function and the common body of knowledge of CPAs or what a CPA should know were one and the same thing. Today, however, the expanding accounting function calls for more and more specialization. *Let's agree that no one CPA could have command of the whole body of knowledge of the accounting function.*

Again an analogy can be made to medicine. There was a time when the practice of medicine was almost entirely in the hands of a group of general practitioners, each of whom knew all there was to know about curing our ills. Today there are fewer and fewer medical men engaged in general practice. We know that it requires a great number of specialists to encompass the whole body of knowledge of medical care.

There must be, however, some core of the minimum general knowledge about the accounting function that the members of the profession should have. Just as the body of knowledge comprising the accounting function is expanding, so also is the common body of knowledge of CPAs expanding.

A COMMON BODY OF KNOWLEDGE OF CPAS HAD BEEN ASSUMED BUT NOT PRECISELY DESCRIBED

A number of important studies have been made in which the existence of a common body of knowledge is assumed. The Commission on Standards of Education and Experience for CPAs applied to accountancy the seven essential characteristics of a profession. One

of these is the existence of specialized knowledge. The Commission said this:

There is a common core of accounting knowledge that all CPAs must possess. This includes an understanding of the principles and problems applicable to the recording and reporting of business activities, the examination and interpretation of financial information, and the control and utilization of assets. Since the work of the CPA borders that of other professions, particularly engineering, economics, and law, the CPA needs some understanding of these fields.

In addition to the areas of knowledge listed above, the CPA must be trained in such fields as accounting systems, cost determination and control, and taxation. The principles and procedures applicable to these fields, and to those listed immediately above, are not so fully developed, and some of these fields are not so exhaustively documented as are comparable areas in the older professions. However, tremendous strides have been made in the past fifty years in defining and codifying auditing standards and procedures and principles of accounting.

The special reports of the Institute's committee that studied the Commission report (known as the Bailey Committee), the Committee on Qualifying Experience (known as the Hansen Committee), the report of the CPA Appraisal Commission, and the report of the American Accounting Association's Committee on Standards of Accounting Instruction, all assumed the existence of a common body of knowledge without attempting to describe it.

THE COMMON BODY OF KNOWLEDGE OF CPAs, PRESENT AND FUTURE, SHOULD BE DESCRIBED

The need for a description of the common body of knowledge of the CPA profession is urgent. It can be classified under five main areas. There is close interrelation among these areas, and decisions made with respect to one of them have important reactions on the others.

WHERE WILL THE BUDDING CPA GET HIS KNOWLEDGE?

A major problem facing the schools today is what to teach. Shall the schools teach the accounting student how *to be* a CPA or shall they teach him how *to become* a CPA? These two are very different.

With the realization that the CPA of twenty years from now will need different qualifications from the CPA of today, perhaps the schools' main emphasis should be on preparing a man for his own development—giving him a liberal education, teaching him how to study, sharpening his desire and ability to learn. This man will have no problem, proponents of this idea say, in acquiring the technical know-how required to get started when the time arrives.

Under the influence of the Gordon and Pierson Reports there are growing trends toward including more liberal arts subjects in the business school curriculum, and suggestions that a large part of the accounting curriculum be eliminated because it is too "vocational." It is being seriously suggested that undergraduate academic education for a prospective CPA should be virtually the same as that for a prospective business manager. This would shift responsibility to the employer or the profession for providing much of the technical training that has come to be expected from the colleges and universities, or would make postgraduate education for accounting mandatory.

But some ask: Does the profession not have the right to expect that the young men coming out of college will be able to do productive work the first day of his employment? The individual practitioner who sees his practice expanding to where he can employ an assistant needs more than a man willing and able to learn.

They think formal education should provide accounting knowledge and vocational training for the students' immediate needs on graduation. Perhaps these can be taught in such a manner that they will outrank liberal arts in their broadening effects and development of analytical ability. Perhaps the graduate in these circumstances will acquire the cultural subjects instead of the technical subjects in adult-education courses.

A comprehensive and authoritative description of the common body of knowledge of CPAs of today and a forecast of its future are obviously prerequisite to the kind and source of education a CPA should have to meet the present and future needs of modern business.

IT WOULD HELP IN RECRUITING

It has been suggested that more serious superior students would be attracted to accounting if they realized the broad field it covers. The other leading professions, and indeed some fields which may well be part of accounting, such as management science and operations

research, present a greater challenge because their scope is understood better.

The superior student will not undertake five or six years' formal academic study and an additional experience requirement unless he sees an accounting profession attractive, in competition with other professional and scientific fields.

THE CPA EXAMINATION SHOULD TEST THE EXPANDING COMMON BODY OF KNOWLEDGE

The CPA examination appears somewhat narrow in scope. The aim is for an examination directed to the level of competence required for general practice in a medium-size community, including the audit of a medium-size organization. The CPA examination has been traditionally concerned mainly with the audit and expression of an opinion on financial statements, although from time to time it has included a few questions and problems in cost accounting, taxation, ethics, and such specialties as governmental accounting.

The existence of an authoritative description of the common body of knowledge for CPAs might provide a sound basis for gradual and systematic expansion of the scope of the CPA examination.

THE EXPERIENCE REQUIREMENT NEEDS MORE STUDY

The Committee on Qualifying Experience for the CPA Certificate was limited in its work by resolutions previously adopted by the Institute Council, emanating in large part from the Bailey Report and the report of the Commission on Standards of Education and Experience for CPAs. Any effort to describe the common body of knowledge for all CPAs will require reconsideration of the assumption that the long-established meaning of the CPA certificate includes "demonstrated competence for the practice of public accounting."

Before the Institute officially adopts criteria for acceptable experience, a common body of knowledge for CPAs should be described; those parts of it that can be acquired best through university education and through experience should be identified, and efforts should be made to integrate auditing, tax accounting, and management accounting within one framework.

THE DEFINITION WOULD BE A VALUABLE PUBLIC RELATIONS TOOL

The CPA profession has not yet attracted the respectful attention of the intellectual community to the full extent desired. The persistent

assumption that accounting is equivalent to bookkeeping, and that auditing is merely the verification of the arithmetical accuracy of the books is probably responsible for the limited recognition of CPAs as a constructive, creative profession. CPAs are still too widely regarded as technicians. Their influence as interpreters and advisors is not nearly widely enough understood.

An adequate description of the common body of knowledge of CPAs might help to offset these difficulties, inasmuch as it would reflect the full scope of actual and potential practice of CPAs.

HOW CAN THE JOB BE DONE?

Defining the body of knowledge included in the accounting function and the common body of knowledge of CPAs will be no minor task. Pointing up their expansion both past and future will increase the challenge.

Various approaches to the project of studying the present and future common body of knowledge of CPAs have been proposed and considered by the Executive Committee of the American Institute of Certified Public Accountants.

This approach has been decided upon: Dr. Earl McGrath, who spoke at our meeting in New Orleans a few years ago when he was United States Commissioner of Education, is now Director of the Institute of Higher Education at Columbia University. Dr. McGrath has indicated a willingness to serve as Director of a study of the question in some depth. Policy control over the study would be vested in a commission of practitioners and educators, to be appointed by the Institute.

There is reason to believe that one of the prominent foundations might help to finance the study—and at its meeting October 28, 1961 Council of AICPA appropriated \$50,000 to this important task, contingent on our getting a matching amount from other sources.

Only the future will tell what the future holds—and not all of it is in our control. In many ways we can influence it. Here is a real opportunity for the profession to undertake a task that can have a great influence for the future good of the profession, for all those engaged in the accounting function, and for the economy which is so dependent on it.