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# Accountant of the future

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# The Accountant of the Future

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**A**N ACCOUNTANT may bear numerous titles in the financial world and perform an equal number of functions. He may wear the hat of the financial VP, the treasurer, the controller, the internal auditor, the cost accountant, the tax specialist, the computer program specialist, the financial researcher, the management consultant, the commerce professor, or the CPA. Basically, he is anyone who measures and communicates financial data. He is the one I want to talk about tonight.

The accountant of the future—say, of the year 2000—is going to be a man (or woman) quite different from you or me. It might be interesting to speculate on just what kind of man he'll be; but for many of us, this would be just an exercise, for many of us may not be practicing accountants in the year 2000. And for those of us who will be, our practical side is, instead, calling out for help today. There are enough changes bewildering us now without worrying about what will be happening 30 or 35 years from now. So let us discuss the accountant of the future not in terms of the year 2000 but in terms of the next five years. That should be a short enough period to satisfy our practical instincts. And for those of us who are interested in the future, consider that this is not just five years, but a five-year piece of a much larger whole.

## **GROWTH**

One thing seems very clear: There are going to be more of us. And it doesn't matter whether we call ourselves accountants, auditors, controllers, treasurers, or what have you, or whether we work in industry or government, in costs or budgets, in auditing or taxes—we will all be accountants.

Suppose we experience the growth in the next few years that we have seen recently. Are there going to be enough jobs to sustain this growth? After all, accountants won't appear without there being jobs to fill.

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This is really an easy question to answer. Not only is accounting going to share in the inevitable growth of business that comes with an increasing population, a higher standard of living, and a new technology; accounting will also share in a new internal growth, as businessmen come to recognize the increasing value of accounting services and as accountants add new and useful techniques to the already dazzling innovations of recent years.

Having predicted even greater growth over the next five years, we are now entitled to ask: How do we get there from here? What do we have to do?

### EDUCATION

Well, interestingly enough, there's little we have to do to enter into the current of this new growth, for it already has a momentum that will carry us for at least the short run. But we must be prepared to ride with that current—to keep our heads above water. That requires training—and training depends on education.

What does this mean for the individual accountant?

It means that the accountant who graduates from college five years from now, to qualify himself better for the demands of the future, must have a greater breadth of education than you or I may have had.

There is a three-part goal that I believe we should bear in mind when we talk of improvement in accounting education. First, accountants should be as well educated for personal fulfillment and citizenship in our society as the graduates of the finest liberal arts college. Second, they should be as well grounded in general business understanding and in the management process as the graduates of the finest schools of business administration. Finally, of course, they should receive a distinguished, professional education in accounting.

If our colleges can provide this kind of qualitative, balanced education, then our future accountants will emerge not only with the training in current techniques, but with a well-developed intellectual imagination.

Certainly, though, the universities should not be expected to produce a finished professional. Education is a continuing process. The expansion of the accountant's services, coupled with the increasing complexity of financial operations, means that he will not necessarily

receive all the training during his academic life that he will require for his future development as an accountant.

### **PROFESSIONAL DEVELOPMENT**

Professional development courses have been set up by most of the important accounting organizations. These organizations have done a commendable job in arranging programs on timely and important topics and in securing the services of competent lecturers and discussion leaders.

But no one of us should rely on the presentations of our professional organizations alone. Certainly they will supply a certain amount of guidance and facts for our use. But we must establish our own self-education programs to achieve our personal goals. It is imperative that we keep abreast of current accounting and financial literature so that we remain knowledgeable of the refined principles, standards, and techniques of our profession.

### **EXPERIENCE**

But anything learned needs practice—for development, for refinement, for reinforcement, for confidence, for maturity—and these come only from experience. Shakespeare had Hamlet say, "There are more things in heaven and earth . . . than are dreamt of in your philosophy." Perhaps we can vulgarize those lines somewhat and say that there are more things in accounting than you could ever learn in any school. Experience is truly the great teacher. And more important for us, since we are engaged in a very practical art: Experience is truly a practical teacher.

### **THE COMPLETE MAN**

Now, if all we have after this is a well-trained, experienced accountant, we have repeated the errors of the past and forfeited our claims to the future. The accountant of tomorrow, as he should be today, must be a true professional man. For while I haven't spoken about it directly, perhaps I should now make this very obvious, yet easily overlooked, observation: While the accountant of tomorrow is changing, the rest of the world also is changing all around him, and he must keep pace. The accountant of tomorrow will want more than

just a good job; he will want a proper place in our new society; one where he can participate, fulfill his role as a citizen, and be recognized.

The United States is heading into a period of increasing involvement of the public in their society and in their government. We see it all around us. Whether or not we approve of the vocal college student, or of the marches, the sit-ins, the petitions, the New Left, the New Right, the protesters—these all represent people who for better or for worse are taking an interest in what's happening. They are involved.

If the accountant is to keep pace, he must be more than an accountant. He must be involved in civic and social service to his community. Government service particularly should be sought and considered a responsibility.

The accountant has achieved a certain expertise in matters of governmental fiscal and monetary affairs. He has a moral responsibility to share these special abilities in a manner that will benefit his fellow citizens. He is obliged to keep a watchful eye on local, state, and federal legislation—offering suggestions, pointing out deficiencies, or opposing strongly, as each individual case demands.

The accountant can also aid society through active participation in churches and schools, and in the civic affairs and organizations of his community, by adding the skills achieved and advice received through his education and experience.

## **THE INDIVIDUAL AND HIS ORGANIZATIONS**

In many ways I am an individualist. I believe firmly that each man makes his own reputation and that he does so by dint of hard work and perseverance. Everything we've talked about so far has been related to what the individual can do to help himself and so, indirectly, his profession.

But just as we are often judged by the friends we keep, so our profession is judged by the actions of both the best and the worst among us. Call us idealistic, call us selfish—our aim is still the same: We want every accountant to be a good accountant; we want to be proud of our profession and of everyone in it. But how to ensure this? This is a job too big for any individual; at best, the individual can do his share—and perhaps more than his share. But that is not enough. This kind of job requires professional accounting organizations—to

set standards and goals, to provide professional development programs, and to provide the public relations that will tell the world about us—and give us our desired, as well as deserved, image.

But perhaps I'm jumping a bit ahead. Before we can make known our achievements as accountants, we must first function satisfactorily as accountants. This is where our professional organizations come in again. They give us the manpower and talent to move forward the principles and techniques of sound and meaningful accounting. Some men sit in an ivory tower and think far ahead into the future; others sit in a different kind of tower—one that has windows—and they see and hear what is going on now, and plan for today's pressing problems. We need both kinds of men—both kinds of towers. We can only get them through the broad membership of our professional organizations.

## RESEARCH

The Orthodox Jews have long had a tradition called "kest"—a form of traditional dowry whereby the bride's father supports the couple while the groom continues his Talmudic studies. In much the same way, through our dues and contributions, we are offering the research staffs of the NAA, the AAA, and the AICPA, the opportunity to pursue the studies and investigations that personal financial responsibilities would otherwise restrict.

Research, whether pure or applied, provides the necessary intellectual foundation the profession must have if it is to grow. In the past, accounting research has been sparse and unorganized, though much of the work of various individuals had added immensely to the principles that guide us today. At present, however, progress is being made in expanding research programs on an organized basis. For example, the NAA and AICPA are but two of the organizations that have formal research departments. Under the supervision of a director of research, and with guidance supplied by project advisory committees, formal studies are being conducted and the results published for the thoughtful consideration of the membership.

It is incumbent upon each of us to press for an expansion of these accounting research programs, for they serve as a basis for the profession's future growth.

**THE ACCOUNTING PRINCIPLES BOARD**

As a CPA, I am proud of the extent to which the Accounting Principles Board of the American Institute of Certified Public Accountants has made a progressive study into the development of sound accounting theory. One of the objectives set for the Board in 1959 was the "continuing effort to determine appropriate practice and to narrow the areas of difference and inconsistency in practice." During the past year and a half the Board tackled several complex accounting problems and, as you are probably aware, has issued Opinions on such topics as accounting for leases, the cost of pension plans, and accounting for the results of operations. The Board will shortly issue perhaps its most significant Opinion to date—"Accounting for Income Taxes."

But of more importance than the Board's past accomplishments are its plans for the future. The Board has always recognized the dynamic economy and changing conditions of the business environment; today it is studying such problems as Financial Statements Restated for Price Level Changes, Conglomerates, Rate-Regulated Industries, Accounting Changes, Bank Accounting, Railroad Accounting, and the whole question of what constitutes Substantial Authoritative Support. The Board's long-range plans include consideration of Research and Development Costs, Foreign Operations, Shareholders' Equity, Goodwill, Extractive Industries, Intercorporate Investments, Materiality, Working Capital, and Discounting.

I believe you will agree that this is an ambitious plan—but it must be so because of the many unsolved problems of major importance. We have no reason to feel apologetic about the existence of these problems. We should recognize that our present perplexing situations are not any indication of dilatory action in the past, but rather arise largely from changing conditions, the increasing complexity of business operations, and the expanding scope of our services to business and to the economy as a whole. Our candid acknowledgement of these problems and our constructive approach to resolving them is a healthy condition—a mark of the maturity and vigor of accountancy. In fact, I know of no other industry or profession that has undertaken such a comprehensive program of self-appraisal and improvement, and I feel that we have every reason to be proud of this progressive endeavor.

The pronouncements of the Board have been and will be consistent with the objective of narrowing the areas of difference and

inconsistency in practice. They will not and should not eliminate all differences. The goal should be for fair presentation rather than a rigid uniformity that may distort the financial picture as much as the application of unsound practices. We need to examine the alternative accounting practices and determine whether they exist because of varying conditions or circumstances. If it is found that variations in accounting methods are accommodating variations in conditions, then the methods are not alternatives and their elimination could result in unfair presentation of financial condition or results of operations. If varying conditions or circumstances do not underlie the situation, then the undesirable practice should be eliminated in an orderly way over a reasonable period of time.

I hope that each of you will take an active interest in the development of accounting principles—mindful that theory which is not good practice is not good theory, and that practice which is not compatible with sound logic and reasoning is not good practice. I urge you to give careful attention to the accounting research studies and the exposure drafts of proposed Accounting Principles Board Opinions. Your comments to the APB are most welcome, for they serve as useful guidance to the Board in the consideration of varied and complex topics.

## **PUBLIC RELATIONS**

In the past quarter century, particularly with the growth of scientific management and the increasing "need to know" of the small investor, the accountant has become conspicuously exposed to the public. This exposure has created a need among businessmen, lawyers, bankers, financial analysts, educators, government officials, politicians, and even the general public for a fuller understanding of who we are, what we do, why we do it, and how our functions affect the society in which we live.

If we consider that our services are generally channelled to non-accountants, we realize that inappropriate concepts may have been formed concerning the nature of our work. I do not believe there are too many people who still cling to the image of an accountant as Dickens' Bob Cratchit—perched on a high stool with a green eyeshade and a quill pen. There remain, however, certain misunderstandings



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about accounting, and these misunderstandings are often a basis for the criticism we sometimes receive.

Our public relations work should not be left to our professional societies alone. This is the responsibility of every accountant—in public practice, in industry, in government, or in education. We should all be cognizant and proud of our attainments and our contributions and take advantage of every opportunity to explain to our friends, associates, and acquaintances the nature and objectives of our work and its effect on their lives, as well as the benefit to our nation and economy. But an effective, continuous public relations campaign should be based on what we do as well as what we say, for the public learns more about accounting from what they see than from what they hear. In fostering an understanding of our services, it is incumbent upon each of us to demonstrate technical competence applied with intelligence, diligence, ingenuity, and integrity.

It seems inevitable that our image will be disseminated in terms of the future media and the “coming” modes of expression. I don’t think we’re ready yet for psychedelic experiences to get across the message of our profession; but I do note that a movie my firm recently prepared to acquaint our clients and the profession with our new “Auditape” computer program elicited at least two requests for the very jazzy soundtrack on the film. That must be a first for the accounting profession.

### **THE CHALLENGE OF TECHNOLOGY**

Until recently, accounting moved in quite ordinary channels. An accountant was an accountant, to put it as simply as I can. He grew by learning more about accounting. Forgive me if this sounds like the obvious. What I want to point out is that from here on out the accountant must become something more than just an accountant. The accounting profession is faced now with the new challenge of technology. Just as many of your children are learning the “new math” in school today, so we accountants are going to have to learn the new math of today’s mathematical and electronic age. While we will probably learn only as much as we need for the work, I suspect that this will be enough to make us something more than just accountants.

## STATISTICAL SAMPLING

Statistical sampling is one concept in which each accountant should become thoroughly versed. This is a tool that can be applied to almost all areas of financial and operational accounting.

Each of you are aware, from your work, of the increasing number of transactions that take place in today's businesses. At the same time you recognize the pressure this puts on the control responsibility you maintain.

The application of statistical sampling should help solve this growing dilemma. The size of business generally prohibits an examination of an entire population, from a standpoint of both cost and practicality. Testing is in order. But testing is ineffective if we cannot pass judgment on what the results of our testing tell us about the population as a whole. Statistical sampling plans have therefore been devised to determine the tests to be made and to measure sampling reliability and precision with reference to errors in populations. Basically, this concept is a means of obtaining a reasonable degree of assurance that populations sampled do not include a material amount of errors.

These plans are widely applicable today in such areas as inventory, receivables, and document examination, to mention but a few. Application of statistical sampling by the accountant will be imperative in the future, and will be made more convenient by the growth of electronic data processing, and by the development of new routines for selecting samples and evaluating the results of sample inspection.

## THE COMPUTER

The American public has become acutely aware of the development of electronic data processing with the news coverage of the Internal Revenue Service's new computer installation—unaffectionately termed "The Monster of Martinsburg." The residents of this state may also know of the computerized scouting reports of the University of Tennessee football team. There were nine teams this past season that were aware of the effectiveness of the Volunteers' EDP.

Traditionally, accountants have been charged with accounting for an enterprise's activities, evaluating performance, developing guides to future action, protecting the company's assets through the establishment of internal controls, and communicating financial information to

stockholders, management, and appropriate government agencies. It seems clear that for the accountant to perform these services effectively and efficiently in an increasingly complex business environment, he must avail himself of fast and reliable information sources.

The accountant with a general understanding of data processing should, and will, be called upon to advise management concerning the establishment and continued effective use of a computer system. Four basic points should be considered in evaluating a system's information output—speed, relevance, reliability, and cost; and each of these concerns the accountant.

The speed of data processing is its most obvious attribute. Perhaps little more need be said about this except that perhaps in the next five years, and certainly in the next 30 or 35 years, we will see a revolution in speed that will fail to astound only because the new feats of computer technology will have become commonplace to an indulged public.

With some machines today having an output capacity of over 1,200 lines a minute, and this bound to increase, one consideration about a computer system that is often overlooked is that of the relevance of the data presented. The accountant must recognize that irrelevant output is costly, from the standpoint both of the machine's processing time and of the time of personnel engaged in preparation and analysis. The computer's function should be solving the problem or narrowing the avenues of difference in the decision-making task of management—not merely generating paper.

Accountants, by their nature, have always been concerned with the reliability of data. This precept continues to be true in an era of data processing. We now find ourselves evaluating the dependability of the machines and establishing controls over their operations. But to continue doing so we must keep up with the pace of computer technology. In the area of controls, perhaps we ourselves should be initiating appropriate changes in technology to meet our objectives. Now is the time to speak and act.

Those of us in public accounting must also face the problem of reliability of electronic data processing. We found that auditing a computer program had generally required (1) specialized knowledge of computers or programming languages and (2) special programs for each type of application to be processed. My firm approached

the problem in a manner that adapts to the new techniques used by management with a minimum of specialized training and without impairing the quality of our work. We developed a set of generalized computer programs called *The Auditape System* and have made it adaptable to the various types of computers on the market.

Auditape can execute three general functions. First, it can perform the basic arithmetic computations. It can perform initially or verify the accumulation of control totals on as many as six fields of data simultaneously, or the addition, subtraction, multiplication, or division of individual amounts in any two specified fields. Second, the System can prepare special analyses that may be needed but are not available from regular reports. The System thereby eliminates the costly expense of special programming for each individual report. Third, the System performs an Audit Sample Routine, which is an extension of our Statistical Sampling Plan. The routine computes the approximate optimum sample size required to obtain statistical precision and reliability and selects the items to be included in the sample.

The Auditape System has proved successful in our practice, and we have made it available to our clients for internal audit and other management needs. We are now making it available to other business and governmental organizations as well as to the profession itself as we continue to develop and refine its applications.

The last item for consideration, but by no means the least, is that of cost. A short time ago it was presumed that only the corporate giants could afford to acquire data processing equipment and efficiently maximize available machine time. Today, computers are accessible to almost any business organization, regardless of size or industrial classification. The equipment can be purchased outright or leased. Smaller companies have found that their need for data processing can be satisfied by purchasing machine time at the numerous service centers that have been established within most cities throughout the country. Moreover, the increase in speed will bring a reduction in cost per operation that will truly make computers universal.

In no other area we have talked about is the future so clear as in this one. Science fiction has become science fact before our very eyes. A new age is with us—some have even likened it to a second industrial revolution. It is not something to be feared, but to be desired.

But it must be met with adequate preparation; that, perhaps, is my most important message today.

### **CONCLUSION**

We have looked at only some of the accomplishments the accountant has made and at what will be expected of him in the years to come. We should bear in mind that the future of the accountant is dependent to a great degree upon the development of our nation as a whole and of its economy in particular. Our future is dependent upon the growth of population, with its accompanying sociological changes, upon the technological advancements that will be made by our scientists and engineers, upon governmental philosophy as decided by the democratic process, and, by no means least, upon the people whom we attract to our profession.

We should also be mindful that to a great extent the future of our nation's strength and its society is dependent upon the development of accounting. Our refined cost techniques, budget developments, and financial forecasting will be an invaluable aid to the growth of business enterprises in a competitive economy. Our reporting practices will be made more relevant to maintain the confidence of the nation's investors. And the basic economic morality that the accountant can engender can provide a pattern for private and public action that will enrich every citizen of the United States.

