

1959

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Recommended Citation

Haskins & Sells Selected Papers, 1959, p. 089-095

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Opportunities in Public Accounting

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Presented at 14th Annual Career Conference of the Collegiate Chamber of Commerce, State University of Iowa, Iowa City—February 1959

IF I were given but a few seconds to describe opportunities in public accounting, I would say that they are excellent and unusual. If given five minutes, I would explain briefly what is excellent and what is unusual about opportunities in public accounting.

EXCELLENT

The opportunities are excellent in the sense that the demand for services of CPAs is constantly increasing, owing not only to the growth of the American economy and the increased accounting incident thereto, but also to forces within that economy that cause accounting to become more complex with each passing year. Twenty-five years ago financial officers of industrial companies found it possible to keep themselves reasonably well informed concerning matters such as taxes (federal, state, and local), SEC regulations, and accounting methods and procedures. In 1934, income taxes were not a major factor in business affairs, the SEC was in its infancy, and mechanical accounting equipment was considered a luxury. Year by year all of these matters have become more complicated. In fact, the work day is not long enough for any single person to stay abreast of changes in the fields of accounting and taxation. By necessity, financial officers of industrial and financial concerns have turned to the public accounting profession for assistance in these matters.

UNUSUAL

The opportunities are unusual in the sense that, in public accounting, the individual has a chance to satisfy each of what the psychologists consider man's four basic drives more completely than in almost any other activity. These four drives, or motivations, are recognition, new adventure, response, and security.

- *Recognition.* The profession's long-established code of ethics has elevated the CPA to a respected place in the business world and more recently the profession has gained respect for contributions to governmental and other civic affairs.

- *New Adventure.* The CPA is an explorer in the American economy. His clients may include heavy and light industries, finance companies, banks, insurance companies, retailers, governmental units, colleges or schools, both large and small. First-hand knowledge of his client's affairs causes him to have broad interests and an awareness of changes in our dynamic economy—changes the layman often finds difficult to comprehend.
- *Response.* Services of a typical CPA include answering questions addressed to him by his clients. These questions arise when new or unusual situations develop within the client's organization, and usually the questions are submitted to the CPA only after the client has studied the problem for a period of time and has exhausted all routine reference materials without finding solutions. Sometimes the CPA has had experience in a similar situation; thus, the answer may appear to be relatively easy for him. On the other hand, the solution may be very difficult and may require research or other references. In any event, the CPA does whatever is necessary to advise his client and his advice is always deeply appreciated.
- *Security.* The lifetime earnings of a typical CPA can probably best be described as fully adequate. Often these earnings exceed that of other professions. The CPA's clientele is usually diversified to the extent that no single client accounts for more than a small percentage of his annual gross income. Thus, the CPA has a great deal of security in contrast to the high salaried business executive whose income often depends upon the performance of a single company in a single industry.

This concludes my five minute summary of the opportunities in public accounting. In the time remaining, I intend to discuss public accounting generally. If any of you have specific questions about the profession, I shall be pleased to attempt answers to them during the question period that follows.

* * * * *

No doubt much of what I have said about public accounting sounds interesting to you, but in a distant sort of way. To consider

the short range opportunities, let us use three headings, each starting with the letter "W" — What, Who, and Where.

WHAT

The work of a CPA or a CPA firm may be divided into four parts —auditing, tax services, management advisory services, and miscellaneous services.

Auditing is his primary function and the primary purpose of an audit is the expression of an opinion on the fairness of the financial statements of the business under examination, taken as a whole. An audit may be defined as an examination of financial statements, but it is not and does not include the preparation of financial statements. The balance sheet, the income statement, and other schedules in a typical financial report are the representations of management. In many instances the CPA makes recommendations that are followed to the letter by management and he may in fact draft the statements, but he does not prepare them. Auditing work commences at the point where the bookkeeping has been completed. The auditor tests the accuracy of the bookkeeping, but his main work extends greatly beyond the checking of recorded figures; his main contribution lies in the judgment he applies to such matters as determining the acceptability of accounting principles, the consistency of their application, the reasonableness of management's estimates, the possible effect of contingencies, and the adequacy of disclosures.

Tax services of the CPA include preparation of tax returns and consultation on tax matters not directly related to the preparation of returns. The general nature of this phase of the work is rather well known and doubtless needs no further clarification.

Management advisory services, the third part of the work of a CPA, can best be explained by citing examples. A large CPA firm may undertake a study of the entire accounting system of a company employing thousands of persons and operating in every state of the Union; the purpose of the study may be to consider advantages of centralized or decentralized accounting. An individual practitioner may be called upon by a client in the auto repair business for advice concerning optimum service parts inventories. Between these extremes are many possibilities.

The fourth part of the work of a CPA, miscellaneous services, includes special investigations and surveys. The CPA often serves as an expert witness in court proceedings in which accounting matters are pertinent. The settlement of an insurance claim often requires the services of a CPA. The detection of minor fraud on the part of a client's employees falls within this classification of miscellaneous services rather than among auditing services; this point is to be emphasized because many years ago the detection of minor fraud was a primary purpose of auditing. Today, minor fraud detection is considered a management function and the services of a CPA in this connection are of a special nature.

WHO

Who should consider entering public accounting? Any college senior who is interested in accounting should give some serious thought to it. Whether you work as the only employe of a CPA practicing alone or as one of thirty or so assistants on the staff of a large firm, you will gain much from several years' experience in public accounting. Very few of you know at this time whether or not you are qualified for, or interested in, a career in public accounting. Therefore, the short term possibilities of public accounting are of more importance to you now. What are these possibilities, for example, on the staff of a CPA firm employing one hundred persons?

During the first few months, a junior assistant may expect to reconcile bank accounts, examine payrolls, inspect vouchers, select and mail requests for confirmation of accounts receivable, observe and test-check physical inventories and numerous other things for which instructions are easily given. Even this routine work offers good experience because all of the firm's clients will not disburse payrolls or take physical inventories in the same manner or with the same degree of efficiency. By being exposed to a number of different situations, the junior assistant gains much knowledge of the best routine accounting procedures.

The second year in public accounting should find the typical college graduate doing much work without direct supervision. A good example of this would be the evaluation of internal control and the determination of tests to be applied in specific circum-

stances, such as inventories of a sales branch or receivables of a regional credit office. He may supervise the work of one or two first-year assistants in performing much of this type of auditing work.

A college graduate may expect to be promoted to the position of senior or in-charge accountant during his third, fourth, or fifth year on the staff of a CPA firm. This promotion will depend upon several factors, the most important of which is merit; staff requirements, age, and economic conditions may also play a part. The CPA is and must continue to be an independent expert. The CPA firm that does not base promotions of staff members solely on merit cannot long continue to be either independent or expert in the practice of public accounting. Now, what are the responsibilities of this person who is a senior accountant?

Generally speaking, the senior accountant is responsible for execution of auditing services performed in the offices of clients. Under supervision of partner, principal, or manager who is usually not present in the client's office, he plans and directs the work of from one to as many as twelve or fifteen staff members, he consults with the client's accounting officers when necessary, and at the conclusion of the so-called field work he drafts audit reports. He may also prepare tax returns, draft special reports concerning such matters as compliance with indentures covering loan agreements, and write letters containing suggestions for improvements in the client's procedures. In short, he is the field captain of an audit team.

During this third, fourth, or fifth year, a senior accountant on the staff of a CPA firm may elect to specialize in tax services and, if qualified, may devote practically all of his time to this part of the firm's practice. Sometime after the fifth year, a senior on the staff of a large firm, if qualified, may choose to devote all of his time to management advisory services.

Those who choose to remain in public accounting on a career basis will find their work stimulating and rewarding in whatever capacity they serve, whether as an individual practitioner or as a manager, principal, or partner of a large firm. Those persons who reject public accounting as a career will find their experience in public accounting renders them well qualified for responsible positions in private industry; this experience also

is helpful in selecting the particular positions and industries in which each of these individuals is most interested and best qualified.

All of you have much to gain by experience in public accounting; therefore, all of you should give it serious consideration.

WHERE

Before selecting where you will work in public accounting, each of you should give some consideration to the several advantages and disadvantages of large and small firms and large and small cities. For consideration of all the details in this respect, you may find it necessary to talk to someone in the profession with whom you are personally acquainted. In the meantime, however, you might give some thought to five general matters pertaining to the subject of location, as follows:

- Supervision in the large firm is diversified. In your early training as a junior assistant you may be supervised and otherwise guided by as many as twenty senior accountants. Subsequently, as a senior you receive instructions periodically from ten to fifteen managers, principals, and partners. It is up to you to learn as much as you can from each of these people; they will be helpful but not overly solicitous.
- Supervision in the small firm can be excellent. By working under the guidance of one man who is expert in his work and who is keenly concerned about your progress and development, you can become proficient in the practice of public accounting in a very short period of time.
- The large city has certain well-known disadvantages which need only be recognized and not enumerated. There are, however, certain advantages which may not be so well known. These include:
 - a. readily available educational facilities, which may be helpful in preparation for the CPA examination,
 - b. diversified industry, which provides security and thereby insures independence of thought and action,
 - c. keen competition, which encourages excellence even from persons who might otherwise not be so motivated.
- Beginning salaries with large firms in large cities are higher but so also is the cost of living. In some situations real

earnings in public accounting will be higher initially and for a period of several years in the smaller city.

- Travel is thought to be more extensive with the large firms in the large cities. For those who do not wish to travel, the necessity to do so in the initial years can be reduced by the presence on a large staff of a number of single men who prefer to travel. In later years, the successful CPA will have certain travel requirements but no more so than successful men in other fields.

SUMMARY

The long-range opportunities in public accounting are excellent. A career in public accounting usually fulfills man's four basic drives—recognition, new adventure, response, and security. The profession also provides opportunities for advancement in accounting to those who, after several years' experience, choose other careers. The compensation is adequate from the start; therefore, it would appear that you have nothing to lose, but much to gain, by going into public accounting upon graduating from college. I am confident that those of you who do so will be very pleased with your accomplishments after a few years.