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Should Continuing Education be a Professional Requirement?

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*Presented before the National Conference
on State Legislation, Saint Louis—October 1970*

THIS IS THE FIRST TIME I've been at a state legislation conference although I've heard so much about the activities you carry on at these meetings. The state legislation committee of the Institute has over the years certainly been the most helpful to the various committees I've been associated with.

A couple of months ago there appeared in several national magazines an advertisement for Great Books. Some of you may remember it. There was a picture of a cemetery in the middle of winter and there was a tombstone. The tombstone read, "Here lies the mind of John Doe who at the age of thirty stopped thinking. Some people die at thirty, but they aren't buried until they are seventy."

I don't think this is true of many CPAs, although perhaps of some. There was a time when all our learning could take place during our early years. We reached a point of becoming knowledgeable and then spent the rest of our lives producing on the basis of that knowledge—but that doesn't work any more. Today, keeping up to date is the big problem, and so the educated man is the man who knows how to learn. Recently, the National Industrial Conference Board published the second section of its series, "Combatting Knowledge Obsolescence," and there are a couple of paragraphs in the introduction that I should like to read to you if I may.

Education has long been recognized as the key to continued progress. About twenty-five centuries ago Confucius said, "If your plan is for one year, plant rice—for ten years, plant trees—for a hundred years, educate men."

During the present century, knowledge is multiplying at a rate unparalleled in history. According to one estimate, there is a hundred times as much to know now as was available in 1900. And by the year 2000 there will be over 1,000 times as much.

"Nowadays," the employee magazine of a manufacturing company points out, "most managements—and certainly top management of our company—firmly believe that nothing is more important than training and educating people to assume more responsibilities. We realize that our company's most vital natural resource is its employees. Their talent and growth potential determines the success and growth of the company . . ."

In another typical example of management thinking in this direction, the president of a public utility says in his annual report to the work force: "Education does not end with the school diploma, times are changing and changing fast. . . . It is now apparent that the knowledge explosion has missed few, if any parts of our business. The need to keep pace with these developments is obvious . . . and the need for continuing education cannot be overemphasized. The future of our company depends on the skills and ability of our people."

And I too think it is beyond question that the future of our profession depends on the continued competence of the members of our profession.

COMMITTEE STUDY

As you probably are aware, there was a committee appointed to study the question, "Should Continuing Education be Made a Formal Requirement of the Profession?" We were appointed last Fall and we were assigned the objectives of examining the desirability of a formal requirement, studying the various ways that such a requirement might be imposed, and reporting these back to the Board of Directors of the Institute.

Originally we were asked to include also a study of specialization and the kind of education and accreditation that might be related to it, but this in itself is a major item, and so since then another ad hoc committee has been appointed and is engaged in studying that subject. The chairmen of our two committees are attending each other's meetings so that we can work together on this.

Our committee has prepared a paper setting forth the various questions and the various aspects of this major question as we see them and some of the alternative possible answers to the question and a few—very few—tentative conclusions of the committee. We sent this paper, along with a questionnaire relating to it, to the members of Council, to the state boards of accountancy, to the Board of NASBA, and to the state society executive directors. My comments are patterned very much on this

paper, and many of you have undoubtedly seen it and may already be familiar with what I have to say. I hope all of you will bear with me.

Continuing Education Defined

We have replies at the Institute office from more than one hundred and fifty respondents, and while it is not my thought to report to you officially on these, here and there I have noted from the compilation some of the feelings that seem to be indicated. First, we thought we had best decide on some meaning for continuing education, and we concluded that perhaps a good definition would be "formal programs of learning that contribute to the professional competence of an individual after he has become a CPA." Each one of those words has meaning. In other words, when we say "contribute to the professional competence," we're not thinking about strictly cultural education. When we say "after he becomes a CPA," we're talking about continuing education and not the education necessary to acquire the common body of knowledge for CPAs.

Curriculum for Continuing Education

In our survey, considering the results so far, there has been obvious approval of the idea that this kind of education would include taxes, SEC practice, and data processing. Interestingly, though, only about two-thirds of those who responded thought continuing education should include speaking, effective writing, and mathematics. I was really pleased to see that there were a few people who think it should include such subjects as music, art, and principles of religion. When we considered the need for continuing education, we immediately concluded: There is no question about this knowledge expansion; this is going to continue; and continuing education is an alternative to becoming obsolete and is just an absolute and complete "must."

Direction of Continuing Education

As I think about my own experience in the early thirties, when it was assumed that any education a young man in public accounting would get he was going to get on his own and that in some way or other the knowledge of his elders would brush off on him, I am gratified to note the contrast of the present with that earlier period. Today, in my own firm, it is a rule of thumb that every man spend at least ten days of

firm time annually attending professional development programs—either those developed within the firm or those offered by the professional societies. Personally and long range, I foresee, perhaps twenty-five years from now, most of us in professions spending a fifth of our time joining with others, away from our practices, on campuses or in education centers, educating one another by exchanging the latest knowledge. The American Institute's Professional Development Program is an evidence of the movement in this direction. During the last year, there were some 23,000 registrations in the program, probably representing about 15,000 different CPAs.

Recognizing that many CPAs attend courses and programs other than those sponsored by the Institute and state societies, it still is fairly apparent that there are probably many CPAs who are not engaging in regular programs of continuing education for themselves.

REQUIRED CONTINUING EDUCATION

What we conclude from all this is that there is an obligation on the part of every one of us to freshen his knowledge by continuing education throughout all his professional life. And so we conclude that there should be a requirement, imposed by the profession, for continuing education.

Institute Policy

In this regard, the official policy of the Institute is found in a 1961 resolution, which says: "It is an objective of the Institute to provide encouragement to CPAs to continue study and self-improvement throughout their professional lives by providing formal recognition of advance study and superior attainment." This was reaffirmed by Council in 1962 after Council rejected the idea of an academy of professional accounting as an incentive to continued study. It still is an objective of the Institute although, so far, no formal-recognition plan has been adopted. Of course, this is significantly different from the concept of *requiring* the continuing education, and so a change in the official policy of the Institute is called for. It was interesting that in the results of the survey so far, more than half of those who responded answered "no" to the question, "Do you think that in the past the Institute has given sufficient emphasis to continuing education?" Then we asked, "Do you think that, even if the

requirements should be imposed by state regulation or by some other method, the Institute should nevertheless in some way strengthen its requirements or put more emphasis on it?" More than ninety per cent said, "Yes, we do think the Institute should do this."

Kind of Continuing Education

Next comes the question of *what* kind of continuing education there should be. We have already said, education that "contributes to the professional competence of the CPA," but then with some of us being tax specialists, others industrial accountants, some old experienced seniors and partners, and others raw beginners, not all would necessarily follow exactly the same curriculum or the same pattern of continuing education. One person responding to our questionnaire said: "I am a tax specialist; I really believe there should be some plan that would require me to spend a little more of my time in fields other than taxes. I do feel that, left on my own, I am inclined to spend too much of my time just on my specialty only." Obviously, the requirement should be drawn fairly broadly.

Audience to be Addressed

Then there is the question, "To *which* CPAs should the requirement be addressed?" And the answer, philosophically, "To all CPAs." There are, however, some 75,000 members in the Institute out of about 120,000 CPAs in the country. Of those in the Institute, about 30,000 are not in public practice, but are probably employed in industry, government, and educational institutions; and some are retired. Since the public interest is said to be involved to the highest degree in public accounting, however, perhaps it is chiefly to those in public accounting that the requirements should be addressed. In passing, I might say that I have a strong feeling about this matter of public interest and where it is involved. It just seems to me that it has been a mistake for us over the years to put so much emphasis on the idea that public interest is concerned only in public accounting; and in the minds of some, that only in the public accounting where the attest function is involved.

It seems to me that the public interest arises in practically everything we do. Certainly public interest is at stake in the work of government auditors. I think the results of our survey will show that many of

you feel the same as I do—that we ought to broaden this concept of the extent to which the public interest is concerned.

Special Cases

Obviously, some CPAs need these programs more than do others. When we think about members of the Accounting Principles Board and the amount of time and study they are putting in, maybe there should be some system for excusing from attendance at official classes those who give that kind of evidence. There have also been suggestions that in some cases the trial boards, upon determining that there was failure to keep abreast of or to carry out generally accepted principles, might in effect, as part of an agreement to let a CPA avoid citation, sentence him to attend certain classes.

Then there are those individuals who by nature are learners, who are always reading the latest material, who are always well informed and up to date. Should we have a system whereby an individual could take some kind of examination once a year rather than provide evidence that he has sat in a class for so many hours?

COSTS

Another point brought up before our committee following a recent meeting of Council was that the Professional Development Division of the Institute is operating at a very substantial deficit. Practitioners in the smaller firms so often say, "If it didn't cost so much we could go." They are not realizing that the actual cost of operating the program is far more than those attending are paying in tuition. As you know, the Board of Directors of the Institute has ruled that within three years the Professional Development Division should be self-supporting—that those who receive a service should be the ones to pay for it. Some members of our committee suggested that if education is going to become a requirement and a public matter, as is education in our public school system, then it should be paid for by the public and not just by those who attend. There should be some system whereby the education is provided for out of our dues. In answer to a large firm that points to its substantial investment in its own programs, it might be said, "Everybody has the right to send their children to private school if they wish, but nevertheless they have to pay their school taxes to support the public schools."

HOW SHOULD CONTINUING EDUCATION BE IMPOSED?

Then there is the broad question, "How should the requirement be imposed?" There are several possibilities, no one of which seems ideal. One, of course, would be that everybody retake the CPA Examination every three years. This doesn't bother me very much, because I retire in two years.

State Regulation

One obvious method—and we are indebted to Iowa for paving a way or getting started so that we can observe how it will work, at least in one state—is to provide for it by state regulation. Several other states have this in the planning stage. Of course, not every state requires periodic re-registration. I think, out of a count made early this year, there were thirty-some jurisdictions that require annual registration and nine bi-annually, but there are five that have no requirement. And then the amendment of state laws is a slow and difficult matter, and since we have the problem of uniformity at an early date, what can practically be included in state laws? The committee has been advised by some of the members of one state society that, according to the state attorney-general, a requirement could probably not be applied *ex post facto* to the existing CPAs; and any new obligation could only apply to new CPAs certified after the effective date. So this could be one of the problems.

Institute Membership

Naturally, we could provide that continued membership in the American Institute of CPAs be dependent on meeting the requirements. This would certainly be uniform and could be accomplished much faster than by amending the laws of every state. It would be affirmative, active leadership, but on the other hand it would not reach the 30,000 or 40,000 CPAs who are not members of the Institute. And from a strictly practical standpoint, such a stipulation might result in too many resignations. The Institute, as an organization, needs the financial support of as many members as possible.

National CPA Certificate

As you are all aware, Lou Kessler has suggested a national CPA certificate be authorized, the CPA certificate to be issued by the American

Institute and the license to practice to continue to be issued by the states. Under a plan of this kind, perhaps the maintenance of the national certificate could be made contingent on continuing education, or perhaps a requirement could be enforced or supervised in connection with state licensing. An ad hoc committee has been appointed to consider the pros and cons of a national CPA certificate. One might think this certainly would be a very long, long-range matter, but I was surprised to see in the results of our survey so far that a large percentage of those who replied think this is an idea that is practical and should be actively pursued.

State Society Membership

Some of the same advantages and problems inherent in Institute membership also relate to state society membership. Such a plan wouldn't reach nonmembers; it could result in a loss of membership; and there might be a lack of uniformity.

Code of Ethics

There are those who think we should just make it a requirement of the Code of Ethics. The American Dental Association, for instance, has something in their Code of Ethics to the effect that each member must continually refresh his knowledge and skill. There are others who think that this idea is too lacking in positiveness; that it would be impractical to enforce; and that it would really only be going through motions.

Advanced Accreditation

We could reconsider membership in academies or sections. In the past, when these various proposals to recognize advanced study or competence in a certain area have been brought up before Council, they have been rejected, although the matter continues to be under discussion. Some of you heard Justine Davidson's talk on specialization at the Institute meeting. Perhaps the ad hoc committee will have something to say regarding advanced accreditation. It was not our assignment to reconsider recognition of specialties or the establishment of academies and we don't intend to do so. If something along this line should develop, though, it could become one way of requiring the continuing education.

It is worth noting, however, that somebody on the committee just could not see why we should give people gold stars for maintaining their competence, which is just part of our professional obligation. There is the old argument that any kind of an advanced accreditation would in itself tend to degrade the CPA's certificate and would in effect create a kind of super CPA. The results of the survey so far indicate a general negative attitude regarding this approach.

GUIDELINES

Then there is a question of what the formal guidelines should be. Since the evidence was that many states were actively working on the problem of recognition, and knowing that Iowa had already adopted a plan that would be considered by the various states, the committee thought it might be well to get out promptly a set of tentative guidelines so that those who want to get right at required continuing education would have the thinking of our committee. The hope is that we would not get too many diverse requirements throughout the states. The set of guidelines we recommend is somewhat similar to those adopted by Iowa.

Basic Requirement

We would have a basic requirement that, in the three-year period immediately preceding the re-registration, a candidate would have completed 120 hours of acceptable continuing education. We would require that this 120 hours be measured in full hours only and that a program would have to be at least an hour long to count. Only the attendance or class hours would be included and not preparation hours. We had quite a bit of discussion about the place of the lecturer or the discussion leader in programs of this kind, and we felt that to the extent the efforts of the leader contribute to his own professional competence, he should be allowed credit for it. On the other hand, if he teaches the same course time after time, he should not be taking credit every time he teaches it. The effective date should always be three years after the program is adopted. With respect to any individual, it should become effective three years after his initial registration. The Boards should have authority to make exceptions in regard to health or military service and matters of that kind.

Program Types

Then there is the question of what kind of program should qualify. The overriding consideration is that programs should meet the definition of being "formal programs of learning which contribute to the professional competence of an individual after he becomes a CPA."

The Professional Development Programs of the Institute and the state societies and the credit courses of universities and colleges would qualify provided they met this definition. As to the latter, each semester-hour credit should equal fifteen hours towards the requirement and each quarter-hour credit should equal ten hours. Then we grouped four other types of programs, with some additional provisos. The four are: the technical sessions at meetings of the Institute and of the state societies and chapters, university or college non-credit short courses, the formal, organized in-firm educational programs, and the programs of other accounting and industrial or professional organizations. The provisos are that for each program an outline be prepared in advance and be preserved and available, that the course be at least one hour long, that the program be conducted by a qualified instructor, and that there be a record of registration or attendance. In addition to all these requirements, formal correspondence or other individual study programs would provide credit if they require registration and provide for evidence of satisfactory completion. There should be some system for giving recognition to such programs; otherwise it would be unfair to those in the very small communities where they could not conveniently attend regular programs.

Administration of Programs

From the standpoint of the controls and the reporting systems, we thought that for the time being we should require the candidate merely to submit a signed statement of the continuing education in which he had participated over the three-year period, including a list showing the sponsoring organization, location of the course, the title and content, the dates attended, and the hours credit claimed for it. In their answer to our survey, some persons seemed to think we may be naive about this system and that there should be more stringent requirements. I believe, however, the committee rather feels that, for the time being, a self-policing or self-reporting system would work.

COMMITTEE'S PROGRESS REPORT

The committee has had five meetings up to this time. We are meeting again for two days early in November to consider reactions to the questionnaires. We are very interested in getting your help and your comments. We hope to have a report to the Board of Directors of the Institute in time for the Board to submit the report to the Spring meeting of Council, provided the Board approves and decides to do so. Jim Shannahan and I would be very interested in hearing from any of you. To the extent that we can, we also will be very pleased to answer what questions you may have. In a moment, I will sit down and you can present these questions, and either Jim or I will tell you what we think.

IN CONCLUSION

As Jim said, I came up from a church convention, and I think some of you know that I am also a lay preacher, and I never let any opportunity to speak go by without imparting just a small sermon. So to conclude, I should like just to read to you this piece on self knowledge from Norman Vincent Peale.

Greek philosophers maintain that self knowledge is the beginning of wisdom. How should we pursue it? One way is to take time each day to practice inner quiet. That will help you get better acquainted with your own thoughts and feelings. Encourage your best reactions until they take over. Believe in yourself, in your abilities, for you are what you think. To know yourself, visualize a really great person, that's you.

