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A COMMENTARY ON CPAs IN 1908

The editors of the *Journal* have chosen in this issue to reprint the comments of two distinguished speakers on the occasion of the annual meeting of The American Association of Public Accountants at the time of that organization's coming of age — its 21st birthday in 1908. Not coincidentally this present year of 1987 represents the 100th birthday of the Association, and thus also of the organized profession of public accountancy in the United States.

The Association, of course, was a predecessor of the American Institute of Certified Public Accountants, which now represents the bulk of CPAs in the United States in all of the manifold areas of practice. One of the first and major accomplishments of the new organization was to legitimize its claims to professional status for accountants by persuading the legislature of New York in 1896 to pass a bill "To regulate the profession of public accountants," the first such statute in this country.

Mr. Thos. Cullen Roberts, Secretary of the Association in 1908, and the first speaker, devoted his time to a recounting of the trials, the tribulations, and ultimately the accomplishments of the new organization and the men who created it. The Association attained success in obtaining legal recognition through the passage of the New York "C.P.A. Act," suffered failure in trying to establish an institution of higher education for accountants, and along the way experienced some difficulty in attracting and keeping Association members. (At the time of the first annual meeting in 1889, eighteen of the then thirty-two members were in arrears with the payment of their dues.) High ideals motivated the organizers, forming, as they did, "a society or guild for . . . mutual benefit and advantage . . . by compelling the observance of strict rules of conduct . . . and by establishing a high standard of professional attainments . . ." Mr. Roberts ended with a perhaps overly rose-colored remembrance that during his tenure as Secretary "all members work(ed) together in perfect harmony."

Mr. James G. Cannon, although a holder of a certificate as a member of the old Institute of Accounts of New York City, spoke in this instance for the users of the services of professional accountants, specifically for bankers. He was sympathetic, but complained of much that was being done in the profession and offered comments in the form of constructive criticism. Aspects of regulatory monopoly bothered him. He pointed out, for example, that the failure rate in taking the examination was about 66%, most rejections coming in "Practical Accounting," where the questions were so difficult as to make it appear that this was so in a deliberate attempt to eliminate candidates. Mr. Cannon spoke in favor of an examination of broader scope and for repeal of the experience requirement for certification (which is "a hardship to many men"). He took much credit for urging bankers and others to require the services of public accountants, and praised the value of those services to the financial community.

Does It Matter?

All of this celebration is ancient history, comparatively speaking, in the minds of today's accountants, and yet a landmark of no little significance. Why a landmark? Why significant? What can we in today's complex and only imperfectly understood social and commercial milieu learn from the struggles and difficulties and aspirations of our comrades of 80 years ago? A simpler time with little relevance to the late 20th century and the tribulations of contemporary professionals? Perhaps not. Surely not!

History remembered is necessary to today interpreted. Shakespeare said in *The Tempest*, "What's past is prologue;" Francis Bacon observed in his *Essays Of Studies*, that "Histories make men wise." In other words, we need to know our past or we cannot in the least understand our present. So relevance is in part created by a very real necessity to know whence we came.

Further, the problems of the past, as outlined by Messrs. Roberts and Cannon are very much the problems of today. It is instructive to contemplate the recurrence of particular issues in the consciousness of the profession and how they tend to appear again and again, in different guises to be sure. But recurrence nonetheless indicates a continuing effort to wrestle with what may well seem intractable issues. And the fact that the effort is continuing is in itself significant. Those who expect quick and facile solutions to current problems little understand how gradual improvements at the margin are necessary in

professional affairs, and how radical progress seldom can be expected.

Most important to a consideration of the relevance of yesterday to today in the accountancy profession is what E. D. Hirsch, Jr. [1987] has referred to as “cultural literacy,” or a common heritage of basic precepts, facts and concepts necessary to a true understanding of verbal communications in a particular society.

Although Dr. Hirsch speaks to society at large, his comments are pertinent to the accountancy profession specifically. If we as professionals do not have a broad acquaintanceship with our common heritage — historical and contemporary — then written and oral communications are meaningless. Words in their dictionary meaning are precise but unintelligible without context. Context, in turn, depends importantly on historical framework. Who can appreciate the full meaning of the accountant’s reference to the “historical cost model” without a background encompassing other possible accounting models, their infirmities, their implications for investors, and indeed their relevance in presenting financial information in varying situations?

Education and the Professional

The whole topic of professional education is an example of recurring and continuing matters of concern to professionals. The sad, but hopeful, struggles of accountants in the late nineteenth and early twentieth century to establish a school of accountancy foreshadow what concerns us today. Imagine, a year into the existence of the School of Accounts and the faculty recommends its dissolution! State boards of accountancy today gradually but steadily are increasing the educational requirements for certification. Professional schools of accountancy are being established, citing medical and law schools as models. Studies are being made of the common body of knowledge necessary to the practice of public accountancy, and academic efforts are being made to meet such necessities.

On the other hand, some are becoming concerned with the trend toward too narrow an educational background (the “trade school” approach, if you will) and put forth the case for a more liberal education for professional practice, not just the practice of a profession. A committee of the American Accounting Association recently finished a major study on this topic and concluded that, among other things, future accountants should complete a general education program providing

background in the humanities, arts and sciences before undertaking any general or specialized accounting training. The objective of the committee was to consider educational requirements appropriate for all accounting students, not just for those intending to hold themselves out as public accountants. In the broadest and most desirable sense, however, the "profession" should encompass all trained in the discipline, and the committee's conclusions are relevant as well to those whose historical efforts are here being described.

Such a fundamental as a consideration of ethical problems may be neglected or given short shrift in today's college curricula more often than not. The presence of difficult moral issues is indicative of the very existence of a profession and their study is neglected at the peril of producing a generation of pragmatists. It is interesting that, although academe may not be devoting much obvious time and effort to ethical matters, the profession very emphatically is doing so. A major restructuring of the code of professional standards is even now under way, and a proposal to that end will be put before the AICPA membership this fall. Elements of this proposal of particular interest include required quality control (peer) reviews for firms and expanded educational requirements for future candidates for AICPA membership. As of August, 1987, 39 state CPA organizations have endorsed the planned changes.

Examinations and the Professional

Mr. Cannon complained of the severity of the professional examination of his time, saying in effect that it was being used to keep prospective accountants out of the practice so as to preserve a monopoly position for those already admitted. Whether this actually was true is not so important as the perception of its truth. The general public (laity), not being capable of independently judging competence in a discipline requiring specialized education, must of necessity rely upon peer validation of professional credentials. (How do you find a "good" doctor?) Examinations are an integral part of the social necessity for proof of the basic (minimal?) competence of those who hold themselves out to the public as "qualified," but tension remains between necessity for reliance and suspicion regarding motives.

Even today a controversy is raging (not too strong a word) over the uniform CPA examination and changes proposed to it. The very existence of a uniform CPA examination, administered in every jurisdiction and recognized throughout the Un-

ited States as a part of the ritual through which every aspirant to the title must pass, is itself a major accomplishment of the profession. Without it, the uniformity of practice would suffer, perhaps irrevocably.

Nevertheless, changes in the format and coverage of the examination now are being proposed to take account of a recent study (soon to be repeated) of the knowledge, skills and abilities ("KSAs") necessary to the practice of public accountancy. Discussions are taking place regarding the kinds of KSAs that should be recognized in the examination, the level of cognitive skills that should be tested, and how this should be done. While the outcome is still in doubt, the very fact of the discussion is evidence of the vigor of a mature profession in search of its future.

Accounting as a Profession

Social scientists who have studied the characteristics of professions and the factors that distinguish them from occupations have identified some elements descriptive of the course an occupation follows on its way to full professional status. Barber [1965] for example mentions, specifically, several that are relevant here. He states that a profession, among other things, (a) has a high degree of generalized and systematic knowledge, and (b) possesses a high degree of self control of behavior. Leaders of professions attempt to promote and develop these characteristics. The concerns of leaders of the early accountants — as well as those of today — evidence clearly the extent to which professional accountants aspire to acquire these characteristics for themselves and their associates.

The early attempts to strengthen the budding professional Association are clear evidence of a striving for professional status. The very stated objectives of the early Association included an acknowledgment of significance to an emerging profession, and that is the necessity for self control of behavior ("compelling the observance of strict rules of conduct"). The interest in developing a school of accounting is another such acknowledgment. The essays of Messrs Roberts and Cannon, and indeed the anniversary celebration itself, clearly chronicle this developmental pattern.

Lest we think that history and the profession of accountancy began with the formation of the American Association of Public Accountants in 1887, it did not. Of course, the CPA in the United States owes much to his forbears in the United Kingdom, and the knowledge and traditions of the Chartered Ac-

countants who followed investment funds to this country. Nevertheless, Bryant and Stratton's 1861 textbook set out advice to aspiring accounting students in what we would consider today to be quaint and unworldly language:

.... Be in earnest. Whatever is worthy of your attention at all, is entitled to your best energies of thought and action. Do not despise the day of small things. If you would be sure of success in any department of life, earn it. Do not place a false estimate upon yourself, but accept the estimate of others as the safest standard upon which to act. Never despair of obtaining what you desire, and have a right to possess. Seek to rise upon your own merits, rather than through the favor of friends. Do not defer action, in hopes of some better starting point in the future. In whatever you do, act from principle, appealing to your own conscience, and the revealed Word for decision in every doubtful case [Bryant and Stratton, p. 10].

This in a text on accounting and "commercial science!" Representative of the best aspirations of the founding fathers of The American Association of Public Accountants? Probably so. Words to live by as we today struggle to form new codes of ethics, new methods of practice, new professional schools and organizations? Not bad. Not bad.

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