

7-1974

Education: From the Classroom to the “Real World” – and Vice Versa Dr.

Patricia L. Duckworth

Follow this and additional works at: <https://egrove.olemiss.edu/wcpa>



Part of the [Accounting Commons](#), and the [Women's Studies Commons](#)

Recommended Citation

Duckworth, Patricia L. (1974) "Education: From the Classroom to the “Real World” – and Vice Versa Dr.," *Woman C.P.A.*: Vol. 36 : Iss. 3 , Article 5.

Available at: <https://egrove.olemiss.edu/wcpa/vol36/iss3/5>

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in Woman C.P.A. by an authorized editor of eGrove. For more information, please contact egrove@olemiss.edu.



Education

From the Classroom to the “Real World” — and Vice Versa

Dr. Patricia L. Duckworth, CPA
Metropolitan State College
Denver, Colorado

Nowadays accountants do not learn their basic skills on the job any more but in the classrooms of high schools, proprietary colleges, community colleges, four-year colleges, and universities. And accounting teachers frequently learn some of their skills in an accounting job. They give up a demanding and relatively well-paid position in public practice or industry for a teaching position which, on the surface, appears less demanding.

This constant interchange between the classroom and the “real world” is the theme of this column as two women describe their experiences.

The first is Jacquelyn Sammons, President-elect of the Denver Chapter of ASWA for 1974-75, who accepted the position of Instructor of Accounting at Midwest Business College in Boulder, Colorado. She has a Bachelor of Arts from Western State College in Gunnison, Colorado, and has worked as a staff accountant for a local CPA firm, as an assistant controller for a syndicated real estate sales company, and as a vice president of a small life insurance company.

The Educator or the Educatee?

The night before my first day in class, I sat at my desk wondering what had possessed me to take this job as an Instructor of Accounting and Business Administration at a business college. At various times I had wondered whether I could teach, whether I would enjoy teaching, and whether I had anything to offer potential accountants. The only thing going for me that night was the feeling that with

my various job experiences, I did have something to offer students.

After the first week in class, I was not so sure that I had anything to offer; it seemed I was the one in need of instruction. Encouragement and help were forthcoming from other teachers, the students, and the textbooks — complete with teacher’s manuals. I found that teachers work together; experienced teachers help each other as much as possible, and they have especially helped me.

My real education came from the students. Their attitudes are as varied as our attitudes. For the most part, they are bright, intelligent, aware, demanding that we be “on the level” and at the same time challenging our authority and knowledge. There are those who are lazy, who want something for nothing, and rather than look for the answers, just do not do the work. With both types of students in the classroom, the best solution for me has been to have the first group help the second group. Some days nothing works and I become very frustrated, other days have been sources of joy.

To my amazement, the more prepared I was for class, the worse the classes seemed to go. One day I neglected to prepare a lecture and nearly panicked. Hurriedly, I looked through the lesson and did an ad lib lecture. Later comments from the students confirmed my own thoughts; it was one of my better lectures. Now lessons are prepared, but not as thoroughly, leaving time for interaction between the students and me. Questions are more pertinent and discussions are easier. Students are free to make suggestions regarding the class.

Another part of my education came

from the textbooks. After using and reviewing many textbooks, my thought is that the textbooks should be written by someone with experience in the accounting profession. The Certified Public Accountant, Certified Management Accountant, Public Accountants, bookkeepers, controllers, internal auditors, and all other persons in the field of accounting should be writing the books, explaining debits and credits, the reasons for the bookkeeping procedures, accounting methods used and all pertinent options (remember cash basis).

According to an article in *The Journal of Accountancy* last year, what is being taught and what should be taught in our schools, colleges, and universities are a long way apart. Instead of complaining, then proceeding with costly job training, why not have a joint meeting between the accounting societies and the educational societies and begin to clarify the needs of the accounting profession? Textbooks could be written to fit the needs of the profession and help the teacher understand these needs so he or she can revise teaching methods and goals. The effort would benefit both groups, and the student would be better able to make the transition from one world to the other.

My education has just begun. What about your education?

The second woman to describe her experience is Marjory S. Fishman, who received a scholarship grant from the Boston Chapter of ASWA in 1973. She received her Bachelor in Business Administration from the University of Massachusetts at Amherst in May 1974. Her high academic achievement earned her an Accounting Excellence Award from the

Department of Accounting at the University and one of The Woman CPA Awards from the Boston Chapter of ASWA. Upon graduation she started working for Price Waterhouse & Co. in Boston as a staff accountant.

A Student's Internship

During the January 1974 intersession I had the privilege of interning in the Boston office of Haskins & Sells. I am writing this paper describing the events leading up to my employment and the knowledge I gained in order to encourage other students and educational institutions to participate in such programs.

I first thought about an intersession internship while taking Auditing in the fall 1973 semester. I decided to bring up the subject during my on-campus interviews with public accounting firms.

The first "Big Eight" firm to recruit on campus was Haskins & Sells. I hoped that H&S would be receptive to an internship proposal since my grade point average was around 3.8. Not only were they receptive, they were enthusiastic. The firm had previously participated in internship programs, particularly with Northeastern University in Boston, and was therefore experienced with such programs.

I want to stress that at no time prior to or after the internship did H&S pressure me into a career decision. The firm made it clear that I was under no commitment to work for H&S after graduation. I was told to enjoy my brief stay with the firm and to learn first hand what public accounting is really like.

After the initial on-campus discussion we worked out the final arrangements, such as the starting date, the salary rate, the working hours, by telephone. I was invited to visit the Boston office during the Thanksgiving recess. There I met several professional staff members and learned about scheduling systems, auditing procedures, advancement possibilities, and other special features of Haskins & Sells. I was very impressed with the people I met as well as with the nature of the public accounting world. Everybody I met during that visit and during my internship answered my many questions honestly and completely and treated me like a professional accountant.

A Computer Audit

On January 2, 1974, I reported to the H&S office to meet with other interns and to learn the details of my upcoming audit assignment. My first client was to be an electronics firm, one of the largest computer manufacturers in the world.

The work to be done was interim work and required a senior and me. I was given last year's annual report, the 10K, and other relevant information to read over.

H&S uses a computer audit program, called Auditape, on some of its audits. As luck would have it, the Auditape was being run the next day at the client's office. It was suggested that I spend the day there with other staff members and learn a bit about computer applications in auditing. That day is undoubtedly one of the most fascinating days of my life.

For a couple of hours the senior on the job explained the client's organizational set-up. He then reviewed the purpose of the Auditape application and showed why it is an exceptionally useful tool for the auditor.

I think I should mention now that I found it very difficult to learn about auditing in the classroom. I had heard of computer applications to facilitate audit work, but I never really understood the why and the how behind such a statement. That one day with the Auditape in a client's office taught me more than I could have learned from several books or lectures. I also found out that the theory learned in a college classroom is invaluable; but the actual viewing and working with a real general ledger brought me much greater understanding.

During the course of this audit I did some statistical sampling from the general ledger and prepared many schedules on productivity and income realization, using last year's workpapers as a guide. The work was more tedious than fascinating, but it was certainly useful. I learned how H&S set up their workpapers and what type of accounting information was useful for interim reporting purposes. I also talked to several people in the client's accounting department to get a better fix on what was going on. The senior on the job took the time to explain to me the internal workings of the company and the reasons for suggestions he was making to the appropriate officials concerning accounting matters. I found it very encouraging to watch him interact with the client's personnel who obviously respected him as a professional.

A Training Session

Between audit assignments I spent a couple of days in the office and was asked to help prepare some corporate tax returns. I explained to the senior in the staff room that I had never prepared such a return. He showed me some sample returns and showed me what steps to follow. He told me to give it a try and to ask him

whenever I was stuck. After many questions and some struggling I managed to complete the return. It was a tremendous feeling. I actually applied some of the techniques learned in college to a real situation. I had thought that the gap between college and the "real world" was very large. Instead of that I found that a good theoretical accounting background plus the right amount of motivation can lead to success.

One day I was asked to report to The Parker House in Boston for formal training sessions. There were six interns and four new hires at that session, plus the personnel director, the managing partner of the Boston office, and two audit managers who would be responsible for the teaching end of it. I was really looking forward to this official training.

For several hours we discussed audit procedures for assets and liabilities, statistical sampling techniques, and typical problems an auditor might face. It wasn't a straight lecturing session but rather a give and take type of discussion with questions and answers flowing from teachers and students. It was a very useful session for me, as I was to apply some of this knowledge to my next audit assignment.

A Year-End Audit

For the remaining two weeks of my internship I worked at a computer consulting firm with a senior. The client's year ended November 30. Our work consisted of applications of auditing procedures to determine whether the financial statements fairly presented the financial position of the company at year end. Therefore this work was to be much more in depth and conclusive.

The senior on this job also explained the assignment to me before the work was started. I met the Comptroller and the President of the company and learned where the important documentary evidence and journals were kept. This was the first time that I ever actually saw a Purchases Register or a Cash Disbursements Journal. This may seem like a small point, but for me it was very meaningful to work with documents that I had only read about in textbooks. Reading about different journals and ledgers is one thing; seeing and touching them is quite another matter. This internship brought a lot of accounting terminology to life.

Using last year's workpapers as a guide I prepared an initial trial balance and started an audit of cash. I had learned

(Continued on page 21)

counting because the amounts involved are becoming "material."

Taxation

A big implication of inflation accounting is its suggested use for tax accounting and the related flow of investment. Brazilian law permits depreciation taken on adjusted fixed assets to be deducted for tax purposes. British accountants are concerned with the issue of whether tax payments should be adjusted so that retained earnings can accumulate to replace plant and equipment. Is depreciation taken at cost on assets acquired years ago a realistic charge against revenue stated in relatively current dollars?

Under existing United States tax law, price-level statements are not recognized, and therefore income taxes are assessed on historical-dollar amounts. The effects of inflation on the financial statements of a business enterprise depend on essentially two factors: (1) the amount of the change in the general price level and (2) the composition of the assets and liabilities of the company. Inflation accounting will show higher profits for high-debt real-estate companies and much lower profits for manufacturers with heavy capital investments.¹¹ Is it possible inflation accounting might shift the tax burden from manufacturers to real-estate firms? Would it be inequitable to allow business entities to use price-level adjusted costs for tax purposes and not individuals? These are some implications that inflation accounting might have on our tax structure, although it is a political consideration — not an accounting one.

Working Capital

Under historical dollar accounting it is a virtue to have a good current ratio and sufficient working capital. The contrary is true for inflation accounting. Holding monetary assets results in a purchasing power loss while a gain accrues to the declining value of the liabilities. This suggests keeping the quick assets, cash and receivables, as low as possible to avoid their erosion and borrowing today to repay in depreciated currency in the future. However, bank interest rates are quite high under inflationary conditions, so rather than borrow the financial manager delays paying the accounts payable. This practice by company financial managers would simply result in a major portion of a company's current assets being tied up in accounts receivable.

The amount of the gains and losses on monetary items will vary from one company to another. Companies with rela-

tively small amounts of nonmonetary assets are in a "hedged" position. Companies operating with large proportions of borrowed capital and customer advances will generally have a purchasing power gain while those with the opposite situation will ordinarily show a purchasing power loss.

Summary

It is important not to confuse the dollar as a "unit of money" with a "unit of measure" in financial statements. They are two different things. Restating the financial statements for inflation is an extension of the historical cost basis of accounting. The "standard" has been changed from units of money to units of general purchasing power. It is the price level, not the accounting principles involved, that is changing. Inflation accounting does *not* show changes in value due to technology or market conditions, nor does it introduce replacement cost or current values which exist separately from the concept of general price-level adjusted accounting.

No authoritative body has decided at what degree of inflation price-level statements are meaningful and necessary. The results of a 1972 survey of users of financial statements showed that over twenty-five percent believed the need existed for price-level adjusted statements and that the AICPA should take positive action to encourage the reporting of price-level adjusted data.

If inflation continues to rise at its present rate carrying with it global consequences and inflation accounting is adopted by professional accountants of other countries, then it is probably only a matter of time until price-level accounting is adopted in the United States.

Footnotes

¹Statement No. 3 of the Accounting Principles Board, "Financial Statements Restated for General Price-Level Changes," American Institute of Certified Public Accountants, Inc., June 1969.

²1970 *Accounting Trends and Techniques*, 24th Edition, American Institute of Certified Public Accountants, Inc., p. 42.

³Everett J. Mann, "Inflation and Accounting in Brazil," *The Journal of Accountancy*, November 1967, p. 50.

⁴"Accounting for Inflation Proposed for British Isles," News Report, *The Journal of Accountancy*, March 1973, p. 9.

⁵Neil Ulman, "British Auditors Plan to Reflect Inflation in Company Reports," *Wall Street Journal*, September 14, 1973.

⁶*Ibid.*

⁷Accounting Research Study No. 6, "Reporting the Financial Effects of Price-Level Changes," Staff of the Accounting Research

Division, American Institute of Certified Public Accountants, Inc., 1963, p. 138.

⁸APB Statement No. 3, *op. cit.*, p. 19.

⁹*Ibid.*, p. 14.

¹⁰*Ibid.*, p. 20-21.

¹¹Neil Ulman, *op. cit.*

¹²Don E. Garner, "The Need for Price-Level and Replacement Value Data," *The Journal of Accountancy (Accounting and Auditing Problems)*, September 1972, p. 94-98.

Education

(Continued from page 16)

about bank reconciliations in Intermediate Accounting, but I learned a lot more when I audited a real one.

Most of my duties consisted of setting up workpapers, applying statistical sampling techniques to selected general ledger accounts, and testing. I tested payroll personnel's salary, petty cash voucher authorizations, and voucher invoices. I worked diligently and tried very hard to be accurate and complete. When a question arose, the senior was more than willing to explain the event behind an entry or what the client was attempting to do when an account was debited or credited.

Conclusion

By the end of my internship I knew I had learned an awful lot about public accounting. I was physically tired from the long hours that I had put in, but it was well worth the effort. I learned about the importance of the senior-staff relationship, I learned about the auditor-client relationship and how important it is for a successful and efficient audit, and I learned how theoretical principles can be applied to real life accounting situations.

Perhaps most important for my future in public accounting I learned what I was and was not looking for in terms of my career decision. When I went on subsequent office visits to other public accounting firms I had a good basis for questions. Since I had had some public accounting experience, I was able to ask more meaningful questions and expected more exact answers. I eventually decided to accept an offer from Price Waterhouse & Co. in Boston, but I will always be grateful to Haskins & Sells for giving me the opportunity of interning with them. It was a great learning experience and a very valuable way to spend an intersession.