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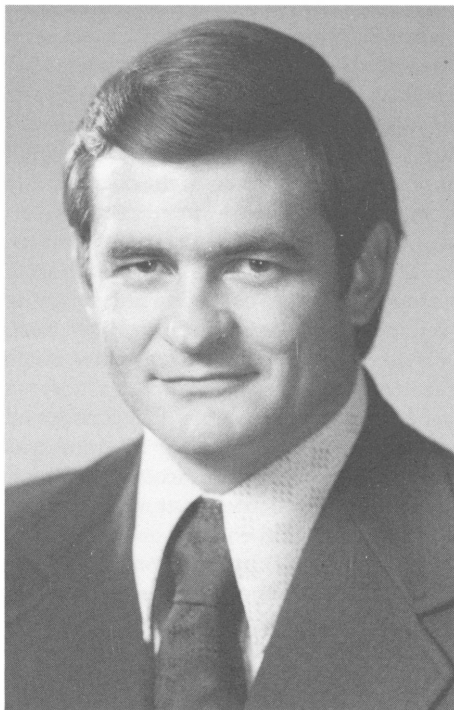
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Academic Institutions and the Education Needs of the Accounting Profession

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The author examines the needs of the accounting profession for more continuing education and the difficulties encountered by schools of business in responding to these needs.



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With all the expectations for higher technical demands on practitioners of accountancy, the question arises as to what direction the profession of accountancy will take to meet these demands. There is the dual problem of: (1) preparation for entry into the profession, and (2) the renewal and buttressing of current practitioners. It has been suggested that academic institutions, already oriented to the educational process, form the logical base for confronting these problems. The purpose of this article is to review the prospects of whether academic institutions will meet the educational challenge of the accounting profession.

The academic institutional structure, as it exists today, has a strong bearing on the future of accounting and accounting education. To the extent that the academic sphere is unable to provide what is needed for the accounting profession, the deficiency will have to be overcome within the profession itself. Essentially this is what has occurred in the continu-

ing education area. Professional societies and associations are carrying the brunt of continuing education. From an educator's point of view, they have an almost complete monopoly. While charges of empire building may have some validity, the fact remains that academic leadership in the area of professional development is in short supply.

Accountability and the Growth of the Profession

Greater professional responsibility. The accounting profession faces an enlargement of its realm of responsibility far beyond any previous experience. The needs for highly specialized knowledge and skills overshadow the tradition of resistance to specialization by accountants. For decades, enterprises have been run by broadly oriented businesspeople, and accountants have sought the mantle of being the "businessman's businessman."

Increased reporting needs. Probably the

evolution within accountancy is similar to the experience of other professions. There is a growing requirement of accountability for specific disclosures brought on by greater involvement of governmental entities as well as demands from users of services provided by accountants in both the public and managerial arenas. A pressing need exists for more information better suited to the economic allocations and business commitments that must be made.

Broader scope of services required. What is happening in accounting is really no different from what is happening, has happened, or will happen in any of the other professions. That is, as our society becomes more dynamic, increasingly complex, and broadly involved, the service provided by accountants will be both broadened and narrowed — broadened in range of clients and services rendered and narrowed in terms of the service performed by individual practitioners. The training and preparation of entry-level

accountants must therefore adjust to meet the new environment. The adjustment or innovation can occur in the academic instruction phase of an accountant's career or by some means after employment. The alternative to academic preparation is greater involvement in on-the-job training and other professionally oriented study. While the demands thrust on the profession certainly have influenced academic training for entry into the profession, probably of greater significance is the reorientation and education of those individuals already practicing for the public.

Professional specializations. There is a current move to recognize specializations and technical subareas and toward admission into the profession within its ethical standards.¹ Some of the technical areas under consideration include non-accounting fields now excluded from professional membership. Examinations in these specialty areas are planned as a means of identifying competent practitioners before they are admitted to the American Institute of Certified Public Accountants.

In many cases, technical reorientation will restrict the scope of services performed by individual professionals to the end that a greater reliance on specialists, either from the accounting profession or other fields, will be required to fill gaps left by a practitioner's own narrowing specialty.

A new breed of general practitioner. In order to handle the broad span of business and accounting activity, a new breed of general practitioner will emerge — one with much greater skill and adaptability than we attribute to those who now handle the wide range of accounting services. The generalist will acquire new stature because of the need to be better versed in a greater number of topic areas.

Individual CPAs can avoid some of the problems associated with the broad scope of technical demands simply by limiting clientele to those with service needs in more narrowly defined areas. Another approach would be to augment the professional staff with other specialties as client needs expand.

Extending the Scope of Technical Accounting Skills

There are three basic reasons for greater emphasis on higher technical accounting knowledge and skill:

¹Report of the Committee on Scope and Structure," discussion draft, *Journal of Accountancy*, January, 1975.

- (1) the growing complexity and dynamics of our society,
- (2) the increasing involvement of governments at all levels, and
- (3) the needs associated with capital formation.

New parties of interest in accountability. The intricate web of our society is so involved that neither government nor business can make decisions on the basis of traditional cost-benefit analysis. Too often material factors influencing the final result extend far beyond the primary parties to the transaction. A familiar scene in the minds of both business people and bureaucrats is the involvement of all sorts of interests from ecology to technology. Importantly, these interests have learned to bring their views to bear on many economic and social issues directly affecting business and government. The ultimate result is a new era of accountability as more segments of society are enforcing demands for "an accounting" of both prospects and results from a wider range of activities.

The measurement maze. The broadened concept of accountability alone seems staggering, but, when accountability is immersed in the attendant measurement difficulties, all the rules are subject to seemingly arbitrary realignment. Even when limited to the relationships already acknowledged in the decision-making process, the conflicting goals of so many elements in society create measurement and reporting dilemmas of irreconcilable magnitudes. The concerns of groups with interests in certain environmental objectives, for example, may conflict with economic motives of political leaders, while the rights of property owners diverge from either of the other parties. Even an agreement as to common measurement units and time frames may not occur.

To whom is an accounting due. Complexity has always been a part of our environment. The only difference now is the relative change in power to influence the direction of economic events and to pass judgment on the result. For instance, ecology on our continent was a consideration even before Pilgrims landed at Plymouth Rock. The forces that shaped the environment operated from a different power structure. Basically, what we have is a realignment of power in a dynamic situation where the power source, the level of power, and the definition of power are not clear. Consequently, the accountability associated with economic activity operates within equally undefined dimensions.

New activism by the SEC. In the past

several years the Securities and Exchange Commission has taken a much more active role in business. In certain key areas the business community failed to respond adequately to the accountability requirements as determined by powers that influence SEC policy. Few of the SEC moves reflect as abrupt a change as the new posture on disclosure of financial forecasts. The switch from almost absolute prohibition of forecast reporting to a permissive, if not encouraging, posture was indicative of the active mode of the SEC in accounting matters after many years of a rather passive, yet prodding, force in the shaping of financial disclosure. Just in the past few months new policies have been published regarding capitalization of interest expense and increased disclosure requirements of publicly-held corporations. Such items as product-line information, multiperiod summaries, and share-price history are decidedly more extensive than prior requirements. Since a vacuum was created by inadequate response to shareholder and other public needs, strong leadership in the SEC brought its power to bear to fill this void. The SEC by inaction in other areas may, in its own right, create deficiencies. However, the SEC generates more pervasive questions about the direction and goals of accounting in the face of its obvious power and its newly found propensity to exercise that power.

Capital needs of governmental units. Capital formation by political subdivisions receives more intense scrutiny as citizens become aware of the cost incidence of financing. As smaller political subdivisions provide more services for constituents, they necessarily are going to be more involved in economic activity. Whether translated into bricks and mortar for education, fire protection, transportation systems, or recreation facilities, the raising of capital and its employment by smaller political entities brings a whole sphere of government into broader play in our economic life. At the same time new elements of accountability are added. Political managers find themselves restricted by fiduciary responsibility to higher levels of government as well as to bond holder trustees. In addition to greater involvement in capital formation and other economic activities, governments are actively expanding their influence through various forms of regulation — all requiring some measure of accountability.

A new capital market. The needs of an increasingly capital-intensive society means that any new economic activity, as well as maintenance and continuing sup-

port of existing activity in the area of new technology, will require a capital market somewhat different from the present state of the art. Consequently, as new sources and new means of capital formation are employed, a new era of disclosure and accountability arises. The effect of inflation, the broad field of forecasting, and other managerial disclosures will be required by new suppliers of capital seeking better information before surrendering resources. We can no longer afford slack in capital formation either in government or in the private sector. Few would argue with the notion that too much capital flows to inefficient activities. A better means of assessing the productivity of a particular economic endeavor is needed before we can properly channel available resources. Quite likely this need will add strength to earlier demands for disclosure of the kind of information sought by proponents of forecast publication.

Accountability for resource use. Another area of concern is the accountability for human resources. The topic is rather overworked in the literature and underdeveloped in terms of practice — partly because the measurement and reporting requirements for that particular resource are not adequately understood. By the same token, the measurement and reporting needs for other economic resources likewise give evidence of deficiencies.

Accounting Competency Takes On A New Meaning

Continuing education needed. The need for continuing professional training seems so obvious as to preclude serious debate. In many states various professional accounting organizations require their members to become directly involved with continuing education. Given a static state, with no new knowledge and no new service demands with which to contend, it seems logical to assume that periodic refresher courses would be required even if the practitioner were actively engaged in that area. To assume otherwise implies near perfect prior training and a superhuman proficiency at recall and utilization of learning inputs. The need for a review of basic fundamentals and a reevaluation of their applications would exist even if there were no new demands on our profession.

When we add the demands of society on the profession and the evolution of ideas within the profession, new stress is added for continuing professional education and training. Consequently, the requirement for continuing education is widely accepted. The president of one

state professional association remarked to this writer that, "In order to perform the professional services clients expect and pay for, it is *necessary* that we continue to learn and improve. . . . Even the state legislature felt so strongly about the issue that they have made law (continuing education requirement) what common sense, economics, and professional pride should have dictated."

How to meet the professional education needs. The most prominent concern of continuing education centers on the means of fulfilling the demand. It seems only natural that a great deal of attention has been directed to academic institutions. When professional education is the subject, colleges and universities occupy our first thoughts. Some advocate establishing academic institutions as centers for continuing education as well as entry-level training. However, the current record shows very little in the way of continuing professional education for accountants under the auspices of the academic community. This observation leads us to explore the reasons for the seemingly illogical exclusion of academic institutions from professional development programs in accounting. Concern extends beyond continuing education to the implications for all accountancy because of the situation evident in many of the prominent institutions hosting academic accounting programs. The system which declines to pursue the challenges and responsibilities of the continuing education process has serious implications for the future training of entry-level accountants as well as those already practicing in the profession.

Academic Institutions And Educating The Professional

As established earlier, the demands on the accounting profession are going to require substantial renewal of technical knowledge in addition to adapting new areas of study.

Resistance by academic institutions to professional accounting training hinges on four major issues:

- (1) The supply of professionally competent faculty with the appropriate experience to handle continuing education assignments of a very practical nature.
- (2) The lack of transferability between academic course preparations and some continuing education counterparts.
- (3) The increasing orientation of business school curricula to an "academic" as compared to a "professional" emphasis.

- (4) The commitment of resources necessary to produce and maintain a professional program for accountants.

The supply of professionally qualified faculty. Of particular significance to academic participation in continuing education is the supply of faculty professionally qualified to teach in these programs. Professional qualification refers not only to the conceptual and theoretical background but also to the level of experience necessary to orient the subject matter to the practitioner. In the first place, most accounting faculty work loads will not permit substantial commitments without reduction in the basic degree programs. In addition, the pedagogical approach of some continuing education programs may even be foreign relative to some more basic academic studies. For instance, academic study might emphasize the conceptual framework, whereas the practitioner-oriented program would be geared more to case applications. This is not a criticism of either approach. Most degree program students would not have had sufficient experience to relate to the more practical applications. On the other hand, often much of the college and university curriculum for accountants has been "academic" to the point of ignoring the professional aspects.

The transition to continuing education programs. Since the academic programs are not normally adaptable to continuing accounting education, a substantial commitment of faculty and other resources would be required. Academic administrators, under current arrangements, are not inclined to obligate available funds in the magnitude required to develop highly technical and specialized courses geared to such a relatively small group. In contrast, many executive development programs are sponsored by business schools on a basis which supports the resources employed. The basic difference is that executive development programs would be more broadly based covering new developments in organization, motivation, or perhaps even new applications of business and economics fundamentals. In most situations there is a greater transfer of course preparation from the academic to the professional because the subject usually receives a very basic treatment. People in business need a broad understanding of the many facets of management brought to bear on their specific enterprise. Accountants, on the other hand, must be technical experts on the highly specialized details of their practice. Because business managers and others rely on services performed by ac-

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countants, the level of preparation and knowledge for technical accounting studies requires the faculty to develop a high degree of skill and professional competence in any specialty course presented.

The resource commitment required. In more direct terms, it is not economically or politically feasible within the broader objectives of a school of business to reduce faculty and other resources available to degree programs for the highly specialized benefit of a group of professionals. Development for such courses must generally come from faculty initiative with little support in terms of time off and research assistance. Accounting faculty members, generally speaking, recognize that personal commitments for such special courses often do not provide the return that alternative activities, such as publications, would yield given the reward structure of most schools of business today. Since development costs of continuing education courses are relatively high and, since the material due to its technical nature often has a high obsolescence factor, the only practical approach is to prepare the course for national distribution while the presentation is still relevant. Furthermore, some topics require dissemination for broad professional benefit even if the return does not cover costs. Few state legislatures and fewer private college boards are inclined to commit the resources to so directly benefit the accounting profession.

Quality control of CEP. In addition to the speculative nature of faculty development of continuing education programs (CEP), the lack of research support and other assistance may undermine the quality of the program. To offset the lack of academic research commitment, the national professional organizations typically provide the development support by contracting with various faculty members and by providing broader support. The ultimate format of the course is determined within the professional organization's continuing education group. Finally, the marketing and presentation of the material is arranged by the professional organization.

Professional and institutional motivation. While the profit motive may be conspicuously absent in the application of financial accounting for educational institutions, the acquisitiveness attributed to free enterprise entities is also prevalent in eleemosynary institutions. As with any other economic activity, academic institutions use scarce resources to develop more valuable economic goods or products. A professional school of accounting, for in-

stance, is very analogous to a factory when you think in terms of the quality of inputs, efficiencies of production, and the demand and prestige of the output. Several observers have noted that professional identity is a key element in the motivation of the student, and, consequently, the value of the product. If the academic program fails to attract the practicing professional, an element of credibility is missing, and the professional identity will be more difficult to achieve. On the other hand, academic programs which enjoy favorable recognition and support from practitioners typically will generate entry-level accountants with a higher sense of professional identity and motivation. Exceptions are always to be found. Some students will succeed in spite of, rather than because of, the academic environment to which they are exposed. A larger group of students, however, require motivation beyond that provided by their pre-academic experience, and many of these have the capacity to develop and to contribute significantly to the accounting profession. The profession cannot survive with an input limited to the very strong students who come to accounting by happenstance to the exclusion of all the other educational opportunities available. The reputation of academic preparation for accounting has a great deal to do with whether or not the best students will gravitate to an accounting program. In any case, academic programs geared to serve only the "best" students may be self-defeating because the motivation of a broader-based group of students will attract more of the better students. The only way the profession can grow in quality and stature is to provide professionally motivated and technically competent inputs so the marginal practitioner cannot compete in the more complex technical service areas.

Conclusion

As long as accounting professionals receive academic preparation in an environment geared to broad management education, the higher levels of technical proficiencies will be developed outside of the academic arena. Furthermore, the subordination of technical education, at a time when accountants are experiencing the stress of professional demands, will serve to broaden the gap between academic preparation and professional practice. The current state of continuing professional education is but a symptom of the relative decline in the academic contribution to the profession of accountancy.