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Advertising — Yes/No

The Opinions Behind The Vote



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In February, 1978, members of the American Institute of Certified Public Accountants were asked to vote on amendments to the Institute's bylaws and Code of Professional Ethics. The Board of Directors urged adoption of the proposals covered by the referendum, including modification of the ban on advertising, as demonstration to critics that the accounting profession is resolved to correct perceived deficiencies in conduct.

Many members of the traditional professions are currently experiencing troubled times. Their anxiety stems from a barrage of criticism and actions by various agencies focusing on several practices heretofore considered to be cornerstones of professional conduct.¹ A particular area receiving much attention has been the ban on advertising. The Justice Department and the Federal Trade Commission (FTC) have already taken action against several professions

such as pharmacy and medicine and it appears that an inquiry into the advertising ban on accountants is imminent.²

According to a March 25, 1977, *Wall Street Journal* article, the FTC will launch an investigation of the nation's state boards of accountancy and accounting associations to determine if they are responsible for restriction of competition.³ The same article reports that the Justice Department has filed suit challenging Texas regulations against competitive bidding by accounting firms.

The purpose of this article is to report the findings of a study conducted to determine the attitudes of Certified Public Accountants toward advertising their services. Three specific areas investigated within this overall topic were the attitudes of CPAs concerning (1) institutional advertising, (2) individual firm advertising, and (3) the means and extent of individual advertising.

The study was undertaken in an effort to provide information that may be useful in developing new professional guidelines. In addition, an attempt was made in the analysis of the data to determine if certain demographic factors such as age or the size of the city in which a person works influence attitudes on advertising.

The Study

During November, 1976, a pretested questionnaire was mailed to 380 CPAs licensed to practice in the State of Indiana. The sample was randomly selected from the register of CPAs published by the Indiana State Board of Accountancy. The survey instrument was composed of Likert-type statements and requested the respondents to indicate their degree of agreement or disagreement on a six-point scale, from "strongly agree" to "strongly disagree." Of the 380 questionnaires mailed, 189 usable responses were received, resulting in a 49.7 percent response.

Demographic Profile of Respondents

Prior to examining the findings of the survey, it may be helpful to outline briefly the demographic features of the respondents. In Table 1 is a summary of those demographics. Included in the nonpublic group were an attorney, a bank officer, teachers, and all others not in public accounting. A local firm was defined as one having two or more partners (as well as individual practitioners) but one where the respondent did not consider the firm to be classified as regional. Three respondents did not designate their employment category.

The CPAs were asked to indicate their job title which was used to classify respondents according to job level. Job Group 1 comprised those persons with job titles such as "President," "Owner," "Partner," and "Controller." Group 2 included respondents with jobs ranking just below those in Group 1. Generally, they are persons having some supervisory responsibility and include "Secretary-Treasurer," "Manager," and "Assistant Controller." Group 3 consists of lower ranking employees such as "staff accountants" and "cost accountants." Group 4 was composed of faculty. Thirteen respondents failed to indicate their job title.

In summarizing this demographic data, several generalizations may be made. Over 50 percent of the respondents are under forty-five years of age, certified ten years or less and from cities with a population of over

100,000. Almost half of the respondents are in local practice and approximately three-fourths are in high-level job

positions such as partner, president, owner, or controller. These generalizations are important

when viewing overall responses since the demographic factors may have a biasing effect on the results.

Table 1
Demographic Factors

Employment		Job Level		Age		Years Certified		City Size	
	%		%		%		%	(000s)	%
Nonpublic	36.0	Group 1	68.8	35 and below	31.2	10 and below	50.8	500 - 1,000	33.9
National and Regional Public	14.8	Group 2	17.4	36 - 45	28.6	11 - 20	19.0	250 - 500	0
Local Public	47.6	Group 3	3.2	46 - 55	24.3	21 - 30	13.8	100 - 250	28.0
No Response	1.6	Group 4	3.7	over 55	14.3	over 30	4.2	50 - 100	6.3
	100.0	No Response	6.9	No Response	1.6	No Response	12.2	25 - 50	6.9
			100.0		100.0		100.0	below 25	24.3
								No Response	.6
									100.0

Overall Attitudes

Attitudes of the respondents as a whole can be summarized in the three main areas that the study focused upon. The first of those areas was institutional advertising. Respondents were asked to

indicate their degree of agreement or disagreement with the statement "The American Institute of CPAs should sponsor nationwide advertising (or public relations) activities to bring to the public's attention the services provided

by CPAs." The questionnaire contained a similar statement concerning statewide activities by state associations. The data in Table 2 shows that a large majority of the CPAs in the study agree with institutional activities.

Table 2
Attitudes Toward Institutional Advertising

	AICPA Advertising	State Association Advertising
	%	%
Strongly Agree	36.0	31.7
Agree	36.5	31.2
Somewhat Agree	14.8	16.4
Somewhat Disagree	1.1	3.2
Disagree	7.4	12.2
Strongly Disagree	4.2	5.3
	100.0	100.0

Results on the question of individual firm advertising were the reverse of the above although not quite as overwhelming. The statement presented to the respondents was "CPAs in public practice either as individuals or firms should be allowed to engage in advertising activities." The responses indicate that almost 70 percent of the CPAs responding disagree to some extent with firm

or individual advertising. However, even though a majority indicated disagreement, it is interesting that a sizable portion (approximately 30 percent) does not object to the practice.

In view of recent activities by the FTC and the Justice Department, the fundamental question may soon be one of dealing with the nature and extent of advertising activities. For example,

should the profession establish guidelines in an effort to govern the content of advertising activities? The CPAs in this study felt strongly on this topic. Eighty-four percent of them agree to some extent that advertisements should be limited to announcing the services they provide. Almost 88 percent disagree with the advertisement of fees (Table 3).

Table 3

Attitudes on Content of Advertising

	Limited to Services	Advertising of Fees
	%	%
Strongly Agree	22.8	2.6
Agree	45.5	4.8
Somewhat Agree	15.3	4.8
Somewhat Disagree	3.7	7.4
Disagree	7.9	30.2
Strongly Disagree	4.2	49.7
No Response	.5	.5
	100.0	100.0

On the related question of advertising media, the study participants were asked to express their opinion on the use of five media assuming CPAs were allowed to advertise. The five choices were "yellow page 'block' ads,"

"newspaper ads," "billboards," "radio ads," and "T.V. ads." The most popular of the choices provided was yellow page "block" ads with approximately 69 percent agreeing. Next was newspaper ads with 45.5 percent in agreement

followed by radio ads and T.V. ads with 13.7 percent and 13.2 percent respectively. The most unpopular means of advertising was billboard ads with only 2 percent agreeing to any extent and 68 percent disagreeing (Table 4).

Table 4

Attitudes on Advertising Media

	Yellow Page	Newspaper	Billboard	Radio	T.V.
	%	%	%	%	%
Strongly Agree	10.6	5.3	1.1	2.6	2.6
Agree	34.9	14.3	.5	2.1	1.6
Somewhat Agree	23.3	25.9	.5	9.0	9.0
Somewhat Disagree	3.7	6.9	6.3	5.3	3.7
Disagree	12.2	19.6	23.3	24.3	25.4
Strongly Disagree	15.3	28.0	67.7	56.1	57.1
No Response			.5	.5	.5
	100.0	100.0	100.0	100.0	100.0

In summary, the CPAs participating in this study strongly favor institutional advertising by the AICPA and state associations but disagree with in-

dividual firm advertising. If CPAs are allowed to advertise, the respondents feel that advertisements should not contain fees but be limited to the announce-

ment of services. Finally, this announcement should be made in the yellow pages or in newspaper ads but definitely not on billboards.

Effect of Demographics

A related factor investigated in this study was the possible effect of demographics on attitudes toward advertising. This phase of the investigation was based on the possibility that differing circumstances may lead to some differences in opinion. For example, a young CPA attempting to establish a practice may be more inclined to favor some degree of advertising than an older practitioner in an established practice. Similarly, a CPA employed by an industrial firm may feel differently about advertising than his counterpart in public practice.

To deal with this dimension of the project, two items from the survey questionnaire were selected and analyzed by demographic factors. Items which generated little or no disagreement were

not useful in this portion of the study; therefore, two particular ones were selected because responses were not overwhelming in either direction. Those selected were the ones concerning CPAs in public practice being allowed to engage in advertising activities and using newspaper ads as an advertising medium.

Table five contains the results of these analyses. The percentages presented for each category represent the proportion of respondents in that category that agreed to some extent (strongly agree, agree, or somewhat agree) with the statement under consideration. For example, in Table 5, 38.2 percent of the respondents in the nonpublic employment group agree that CPAs should be allowed to advertise while 30.1 percent of those in the local practitioner category agreed.

With respect to advertising, the data seem to indicate that CPAs not in public practice are more favorably disposed toward the practice than those in public practice. At the same time, CPAs in local practice are more in favor of advertising than their counterparts in national and regional firms. Further, younger respondents generally favored advertising more than older ones and those from larger cities more than CPAs from smaller towns.

The effects of demographics seem to be less clear on the topic of newspaper advertisements (assuming that CPAs are allowed to advertise). The data indicates that CPAs not in public practice and those in lower job levels tend to favor newspaper advertising to a greater extent than those in other categories. Results in the remaining categories are inconclusive.

Table 5

Advertising by CPAs — Agreement Within Categories

Employment	Job Level		Age		Years Certified		City Size		
	%		%		%		(000s)	%	
Nonpublic	38.2	Group 1	26.1	35 and Below	32.2	10 and Below	38.5	500 - 1,000	37.5
National & Regional	17.9	Group 2	36.4	36-45	37.1	11-20	27.6	100 - 500	30.2
		Group 3	33.4	46-55	28.2	21-30	23.0	50 - 100	24.9
Local	30.1	Group 4	42.9	Over 55	18.5	Over 30	0.0	25 - 50	23.1

Conclusions

This study shows that CPAs responding feel strongly about advertising. Generally, they are in favor of institutional advertising by the AICPA or state associations but against individual firms advertising. They are particularly opposed to the advertisement of fees. These findings support the contention that CPAs do not agree with the past trend within the profession toward advertising. Further, the respondents indicate that they believe some control should be exercised over advertising practices.

The analysis of demographic factors indicates that such factors do have some influence on attitudes toward advertising. Generally, the analysis shows that those CPAs least likely to be affected by advertising (nonpublic) and

those that would probably stand to benefit most (younger, newer CPAs and those in larger cities) tend to favor the practice slightly more than others. Consequently, the results of this study may be biased to the extent that the sample contained a large number of CPAs under forty-five years of age as well as 36 percent in nonpublic positions. On the other hand, about 75 percent of the respondents hold high level positions, a factor that may have moderated the opinions of many who would have otherwise been more favorably disposed toward advertising.

The findings presented here all point to the conclusion that CPAs as a whole are troubled by the prospect of professional advertising. Although variations of opinion exist within the

profession the February referendum was prudent and timely. Presumably the endorsement of more lenient attitudes on advertising would strengthen the public interest orientation of the AICPA Code of Professional Ethics.

FOOTNOTES

¹"The Troubled Professions," *Business Week*, August 16, 1976, pp. 126-138.

²For example, see: "Justices Clear Competition Ads for Drug Prices," *Wall Street Journal*, May 25, 1976, and "FTC Claims Ban," *Wall Street Journal*, December 23, 1975.

³"FTC to Study State Accountancy Boards, Groups for Possible Curbs on Competition," *Wall Street Journal*, March 25, 1977.