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Independence of Academic Accountants

Accounting Educators May Need Norms of Professional Conduct

By Al Hartgraves, Ph.D.
Oscar J. Holzmann, Ph.D.

The idea of independence is as basic to the performance of certain professional accounting functions as the notions of "thrust" and "lift" are to the design and engineering of airplanes. Independence is the very premise for the public accountant's audit function, an essential part of which is objective review and investigation. Within the confines of the academic world, independence has long been perceived as a quality which fundamentally undergirds the professional educator's freedoms of pursuit of knowledge and expression of scholarly convictions, and the concept of classroom sovereignty.

Little has been printed in the accounting literature, or elsewhere for that matter, about the independence of academic accountants. Recently, *Accounting Education News* devoted portions of two separate issues to discussing alleged incidents where accounting professors had apparently refused to testify as expert witnesses on behalf of plaintiffs against defendant CPA firms. [1979, p. 1] *Accounting Education News* also printed excerpts or summaries from numerous responses to the original editorial. The respondents raised many interesting points, some supporting the suggestion that there may be an independence problem among academic accountants and

others dismissing the cited incidents as isolated, rather than reflecting a pervasive problem. [1 Bid, p. 37] Currently, the American Accounting Association's attention to the faculty independence question has also brought to surface a number of issues which deserve examination. These issues are examined from the vantage point of the academic accountant. The discussion of these issues is preceded by a brief historical background of the interrelationship between private contributions and academic independence.

A Historical View

Conflicts between academic freedom and contributions to educational institutions are not a recent phenomena. The first such encounter of import is recorded as having occurred in the late eighteen hundreds when Professor Henry Carter Adams was dismissed from Cornell University for having delivered a pro-labor speech which ignited the wrath of a large contributor of the university. [3 Metzger, 1955, p. 145] A plethora of similar cases was recorded in the following years into the early nineteen hundreds as the great universities of this country were achieving academic viability at great financial costs—in many cases largely borne by the noted

philanthropists of the day, the Carnegies, Vanderbilts, Stanfords and Rockefellers, among others. These were also times of momentous social conflict throughout the country, times when the intellectuals felt compelled to take positions on issues such as women's suffrage, prohibition, and labor reform. Inevitably, conflict ensued between the liberal professor pursuing his discipline and the conservative board of trustees often dominated by big business.

The crises of the early nineteen hundreds changed the concept of academic freedom and, actually, led to stronger freedoms of academic pursuits and expression. Out of this period of history grew today's staunchest defenders of these freedoms, the American Association of University Professors and the widely adopted system of academic tenure. Although accounting education was not a part of the academic institutions which struggled through the conflicts just described, it continues to reap the spoils of those early battles for, as occurs in so many other disciplines, the integrity of the educational process is strengthened in accounting by the freedoms available to its educators. Is it possible, however, that increasing links between accounting educators and public accountants present a threat to these freedoms?

Public Accounting and the Academic Community

The public accounting community, and much of the business world, are rather closely linked with the academic accounting community. These links take a variety of forms: (1) cooperation in the recruiting of accounting students, (2) accounting firm or business sponsored faculty residency programs, (3) university adjunct professorships for CPAs and other practitioners, (4) funded professorial chairs for distinguished professors, etc. These joint programs likely exist for the benefit of both parties. While some of the benefits may be intangibles difficult to measure, they are usually specified in the literature about these programs and are well understood by the parties involved. In any case, it is hard to see how these kinds of links between academicians and practitioners could possibly be a threat to the freedom of the

academic arm of the accounting profession. Therefore, one should not look here for such threats.

On the other hand, sometimes the link takes the form of a financial grant. Grants may be used for scholarships, curriculum development library additions, faculty recruitment, travel, and various other needs. The contributor may benefit from increased goodwill on the part of the faculty and students of the receiving institution and a better trained future pool of graduates from which to hire. All rights and obligations of the parties should be understood at the time a grant is accepted. The educator or academic administrator involved will want to make sure that none of the attendant obligations may impinge on academic freedom. Acceptance of a grant including limitations of academic freedom should raise serious questions concerning the professional ethics of the administrator or educator involved. Nonetheless, this is an individual decision, and it should not be perceived as evidence of the decay of independence among academic accountants. To be sure, the expectations of some parties concerned with academic freedom may be too extreme.

One writer responding to the *Accounting Education News* editorial on academic independence indicated that "academics have been conspicuously absent from accounting related moral and ethical issues." [ibid, p. 7] In the extreme, this observation suggests an accounting educator transformed into an aggressive public-minded watchdog ready to identify and condemn the unethical behavior of any preparers of accounting information who thereby aim to mislead financial statement users. This role might be exemplified by the public posture taken by Professor Abraham Briloff, the "Ralph Nader" of the accounting profession. There may be a need for more activists in the ranks of educators, but it would not seem reasonable to perceive their alleged scarcity as evidence of weakening independence or to expect that such a professional posture should become the expected norm for academic accountants.

First, it is somewhat naive to expect *all* members of a profession to be totally independent of important

Accountants have been conspicuously absent from accounting related moral and ethical issues.

sources of financial support. This view applies to many professions in our society. As an example, a common political issue lies in whether attorneys who are legislators and/or members of regulatory bodies should in any way be associated with legal firms representing the interests of those affected by the legislation or regulation under their consideration or jurisdiction. Regardless of the individual solutions reached on this matter at the state and federal levels, the underlying potential conflicts of interest should not be seen as compromises of the independence of the legal profession as a whole. When we attribute the quality of independence to a person, an organization, or an entire profession we must do so with an understanding of the practical limitations in the circumstances.

Secondly, and perhaps much more important, independence in attitude merely requires academic accountants to teach what is good accounting and disclosure. It has not been traditionally perceived as requiring that the trenches be openly manned against those specific others who fail to practice good accounting and disclosure. Nonetheless, accounting educators often go beyond the classroom walls in pursuit of their teaching avocation and usually play a seminal role in bringing about change. Hardly a change has been experienced by the public accounting profession which cannot be traced to the writings and speeches of some accounting educator. The rather quiet, above-the-fray, but, in the long run, effective manner in which academics push for change may in fact be healthier for the maintenance of independence than a more vociferously activist role.

What has been said here so far supports the view that academic accountants, as a profession, do not seem to be engaged in practices that are likely to weaken the independ-

ence they enjoy. Nonetheless, there may be individual actions which conspire against independence. These actions may not be a reason for concern as long as other, independent, points of view are voiced by members of the profession. But, the recent incidents concerning academic expert witnesses suggest that a problem may already exist for the profession.

The Academic Expert Witness

The American legal system provides for the examination, verification, or nullification of evidence in court through expert testimony. College and university professors are often called upon to give expert opinions and interpretations of evidence. Sometimes accounting professors are asked by the plaintiff's attorney to serve as expert witness in cases involving public accounting firms, and other times they are retained by the defendant CPAs.

In the incident cited in *Accounting Education News* an attorney for the plaintiff found it difficult to find a member of academia to give expert testimony, allegedly because the educators asked were fearful of offending the defendant accountants who happened to be contributors to their universities. The possibility of such an occurrence raises some important questions which ought to be examined by the American Accounting Association.

- Do academic accountants have an implied obligation to provide expert testimony in the areas on their expertise?
- Does refusal to testify against a contributor cast a cloud over the academics' independence, or even their professional ethics; or is it in fact just an honest admission that an objective testimony is not possible in such situations, and would thus be inappropriate for an academic person to provide expert witnesses? Is this not really a corollary to the CPA who is prevented from rendering certain professional services to clients with whom s/he has financial ties?
- Should academic accountants relinquish all ties with accounting and/or business firms so as to never be in a position where they have to refuse to testify against those firms on grounds

of lack of independence?

These are difficult questions, some are indeed extreme, but answers apparently are needed to preserve intact the aura of independence which the academic accounting profession has enjoyed.

Several proposed solutions to the expert witness issue have been suggested, including

1. Formalization by the American Accounting Association of a code of ethics for academic accountants setting forth standards pertaining to outside activities of academics, including consulting and expert testimony.
2. Preparation by the American Accounting Association of an annual directory listing names of members who are available to serve as expert witnesses and the area of their expertise.
3. Adoption of a policy by colleges and universities that accounting faculty are encouraged to make their expertise available and that appearing as an expert witness will not be viewed as constituting a conflict of interest.
4. Adoption of a policy by colleges and universities of tactfully notifying contributors in a letter of acceptance of donations that such donations will not affect the school's or its faculty's independence with respect to that firm.

Although each of these proposals has a measure of merit, the American Accounting Association seems to have taken the position that the resolution of the expert witness controversy can best be achieved through a broader examination of the faculty independence question. Accordingly, the president of the American Accounting Association has appointed a Committee on Faculty Independence. The charge to that committee includes the following:

1. To identify sources of possible impairment of the independence of accounting educators and problems that may arise therefrom.
2. To recommend safeguards if any material constraints on academic independence are found to exist.
3. To consider the need for, and

feasibility of, developing a "code of ethics and rules of professional conduct" for accounting academics. [Committee, 1980, p. 1.]

By addressing these broad independence issues, one should expect the committee to consider not only the expert witness problem but also to examine the alleged conditions which contribute to this and other problems. We would expect that a proposed resolution addressing the ethics of academic accountants, including independence, and restrictions thereon, will be forthcoming within the next year.

The profession has reached a point in its growth and development where specific professional conduct norms should be considered.

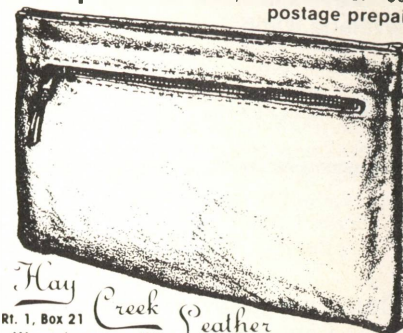
Concluding Remarks

For years the academic sector of the accounting profession has performed its role and function effectively within the larger academic profession guided by the standards and norms of the profession of higher education. As a result of their expanded direct involvement with the commercial sector, academic accountants have found themselves active in areas with little or no authoritative guidance over their professional conduct. Consequently, the judgment of some academics in their relation to the business community has come under criticism. Although the authors do not perceive that there is a crisis situation in the academic community, they do concur with the action of the American Accounting Association in its move to study the question of academic independence.

With more than six thousand academic accountants now employed by the universities and four-year colleges in the United States, the profession has reached a point in its growth and development

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where specific professional conduct norms should be considered. If properly conceived, a statement of professional conduct would serve to improve the overall effectiveness of the academic community and to foster greater respect from all persons and groups with whom the academic community relates and to whom it is responsible. Ω

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