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## Specialization: The Who, What, and Where

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## The Who, What, and Where

By John W. Gillett and Arthur A. Hiltner

The question of whether the accounting profession should formally recognize specialization has been debated for years. Clearly, before the early 1980's, the profession was not ready to formally support such a move. However, it is only necessary to look at recent issues of professional journals and other accounting literature to be aware that specialization in accounting is no longer a question; it is already present.

Two groups currently are involved in the accreditation of CPA specialists. First, the AICPA is offering a Certificate of Educational Achievement (CEA) in Personal Financial Planning. The areas of Controllershship, Government Auditing and Accounting, and Microcomputer Consulting Services are to follow.

The CEA Program is a series of educationally demanding, integrated courses on a specific subject. The stated objective of the program is to provide CPAs with the knowledge, skills and **recognition** needed to compete successfully in the personal financial planning area.

Secondly, the National Accreditation Board for CPA Specialties, Inc., is offering Accredited Specialist Programs in the areas of Computer Systems, Governmental Auditing, and Financial Planning. In their promotional brochures, the National Accreditation Board for CPA Specialties, Inc., states that "there is a need — both a public need and a need on the part of the profession — for a program of

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*... the accreditation of specialists is at a sensitive point in its historical development.*

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accrediting CPA specialists."

It appears from these actions that the accreditation of specialists is at a sensitive point in its historical development. While it is here to stay, the future direction of its formal implementation is not yet clear.

In order to gather evidence on the issue of specialization in the accounting profession, two questionnaires were developed. The questionnaires were designed to provide evidence in helping to answer the questions of (1) which body should have the primary role in accrediting specialists, (2) what areas should be initially included as specialties and (3) what criteria should a CPA meet to be designated as a specialist?

### The Surveys

One of the questionnaires used in this study was mailed in May 1987 to a random sample of 500 CPAs selected from a list of current AICPA members. (A second questionnaire was sent to non-respondents in June 1987.) The list consists of accountants who are staff members, partners, principals or sole practitioners in accounting

firms throughout the United States, thus providing a national perspective to the study. There were 187 responses to the survey resulting in a response rate of 37.4 percent.

Of the accountants participating in the study, 69.7 percent considered themselves to be affiliated with a "local" firm. The location of the firms' accounting practices was divided almost evenly between cities with populations of 500,000 and over (45.7%) and cities smaller than 500,000 (54.3%).

The other questionnaire used in the study was also mailed in May 1987 to all executive directors of Boards of Accountancy and executive directors of societies of CPAs. (A second questionnaire was sent to non-respondents in June 1987.) There were 36 responses to the survey from the 54 executive directors of the Boards of Accountancy giving a response rate of 66.6 percent. Thirty of the executive directors of the 54 CPA societies responded giving a response rate of 55.6 percent. The results of these questionnaires are presented in the next section.

### Findings

The survey gathered evidence in three unresolved areas: (1) who should have the primary role in the accreditation of specialists, (2) what areas should be initially included as specialties, and (3) what criteria should be met in order for a CPA to be designated as a specialist.

### Primary Role

A question asked of all three

groups was: Which of the following should have the primary role in the accreditation of specialists? If a respondent felt more than one of the bodies should be involved, a ranking of the choices was indicated with one being the first choice.

### **Responses of CPAs in Public Practice**

Of the 182 CPAs in public practice who responded, 49.5 percent favor the AICPA as the body to have the primary role in accrediting specialists. Nearly 14 percent favor the societies of CPAs, 25.8 percent favor Boards of Accountancy and 10.4 percent support the National Accreditation Board for CPA Specialties, Inc. Eighty-six of the 182 CPAs believe that more than one body should be involved in the accreditation process. A total of 134 out of the 182 (73.6%) favor a group with a national base being involved in the process. The total of 134 consists of 113 that selected the AICPA as the 1st (90) or 2nd (23) choice and 32 picking the National Accreditation Board for CPA Specialties, Inc., 1st (19) or 2nd (13) minus 11 who selected both bodies 1st and 2nd. Therefore, it appears that a substantial majority of the survey respondents believe that the accreditation process should be administered on a national basis with uniform requirements.

### **Responses of Directors of Societies of CPAs**

While 55.6 percent (30/54) of the directors responded, only one of them indicated that the societies should have the primary role. In a further analysis of the responses on this issue, 14/25 (56%) of the respondents indicated that the AICPA should have the primary

role. The lack of support by directors for the societies having the primary role appears consistent with the responses of CPAs on this issue. Only 13.7 percent of the CPAs selected the state societies as the primary accrediting body.

### **Responses of Directors of Boards of Accountancy**

Of the 38 (70.4%) directors responding, only 17 indicated that they had considered the issue sufficiently to give their opinion on this matter. Of those 17 respondents, seven indicated that the boards of accountancy should have the primary role. One other respondent stated that boards should definitely **not** have the primary role. Two of the executive directors commented on the fact that their accountancy law does not permit advertising of specialties. With the AICPA selected by four of the 17 respondents and the National Accreditation Board for CPA Specialties, Inc., selected by three respondents, a total of seven respondents favor a group with a national base for the accreditation process.

### **Areas of Specialization**

The surveys gathered evidence in two areas: (1) what should initially be included as specialties and (2) what action is already being taken or is expected to be taken within the next 10 years.

### **Responses of CPAs in Public Practice**

The 500 CPAs were asked to express their opinion on what areas should be initially included as specialties. Table 1 summarizes the participants' responses. The responses are presented in decreasing order of the percentage of respondents who agreed that the area should be included as a

specialty. The table illustrates that the top four choices of the respondents are Personal Financial Planning, Taxation, Governmental Auditing and M.A.S.

In a further analysis of this issue, ►

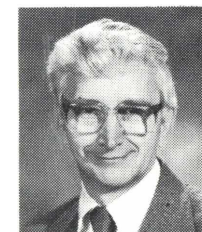
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*... CPAs in this study want a group with a national base to have the primary role in the accreditation process.*

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# Specialization

the responses of those accountants (69.7%) that considered themselves to be affiliated with a "local" firm were isolated from those accountants (30.3%) that did not consider themselves to be "local." The top four choices (although not in the same order) of both local and non-local groups of respondents remained the same as that of all participants.

## Responses of Societies/ Boards of Accountancy

In order to gather evidence on what specialization is currently available or may be available in the near future, the executive directors of state societies and boards of accountancy were asked to respond to the following statement. If your society/board of accountancy has authorized, or is studying the advisability of authorizing, the use of specialist designations by CPAs, please indicate those areas where: (1) action has already been taken, (2) action is expected to be taken within a 1-5 year time frame, and (3) action is expected to be taken within a 6-10 year time frame.

The responses to this question indicate that no boards of accountancy are currently authorizing specialization or expecting to authorize it in the next ten years. One board currently licenses municipal auditors but does not consider them as a specialty. Another board licensed a dying class (about 44 remaining) of public accountants who only do municipal accounting and auditing. Eleven of the boards indicated that they have not yet considered this issue. Therefore, it appears that boards of accountancy are not currently in a position to assume the primary accreditation role.

There are three state societies that are currently authorized to accredit specializations, four others

**TABLE 1**  
**PREFERRED AREAS FOR SPECIALIZATION**  
**CPAs' Responses**  
**(Data in Percentages\*)**

	Yes	No	Opinion
Personal Financial Planning .....	73.1	17.7	9.1
Taxation .....	71.5	20.7	7.8
Governmental Auditing .....	68.8	21.6	9.7
M.A.S. ....	63.2	28.2	8.6
Financial Auditing .....	46.0	43.1	10.9
Management Accounting .....	34.8	50.6	14.6
Financial Accounting .....	22.4	61.8	15.9
General Practice .....	14.1	71.2	14.7

\*Due to rounding, percentages may not total 100.

**TABLE 2**  
**SPECIALTIES ACCREDITED OR TO BE ACCREDITED**  
**Society Directors' Responses**  
**(Number of responses\*)**

	Currently Authorized	To Be Authorized in 1-5 Years	To Be Authorized in 1-10 Years	Total
a. Financial Accounting ...	1	1	2	4
b. Financial Auditing .....	0	1	2	3
c. Taxation .....	0	3	1	4
d. M.A.S. ....	0	3	0	3
e. General Practice .....	0	1	1	2
f. Personal Financial Planning .....	2	3	2	7
g. Governmental Auditing .....	1	2	1	4
h. Management .....	0	1	2	3
i. Computer Systems .....	1	0	0	1

\*Currently 3 State Societies are accrediting specialties and 5 plan on accrediting in the next 10 years.

that expect to take action in the next 1-5 years and one more expecting to take action in the next 6-10 years. The areas of specialization expected to be available are shown in Table 2.

In addition, Table 2 shows that

seven State Societies either authorize or plan to authorize Personal Financial Planning within 10 years making Personal Financial Planning by far the most popular state society sponsored specialty.

## Specialization Criteria

The next area to be discussed deals with the potential steps that might be taken by the profession to deal with the specialization process and the steps that are currently being taken.

## Responses of CPAs in Public Practice

The following items have been raised in the literature as means of dealing with the specialization process. The CPAs were asked to express their agreement, disagreement, or lack of opinion thereon, regarding whether each is an appropriate means of dealing with specialization. In order to be designated as a specialist, a CPA should:

	Agree	Disagree	Viable Responses
a) Pass a test to establish basic competence in the area of specialty .....	77.5%	12.1%	182
b) Complete at least a specified minimum number of CPE hours in the area of specialty .....	95.1%	2.7%	182
c) Have worked a specified minimum number of hours in the area of specialty .....	72.9%	16.1%	181
d) Have been a CPA for at least a specified number of years prior to becoming a specialist .....	65%	20.7%	183
e) Be required to pass a retest at specified intervals .....	42.3%	39.5%	182

The responses of CPAs in public practice show that a substantial majority of the survey respondents favor testing, experience, and CPE as criteria to qualify for specialization designation. As a group, they do not appear to favor retesting.

## Responses of Societies/Boards of Accountancy

The state societies and boards of accountancy were asked to

comment on items (a) through (e) in the preceding section with their emphasis to be on the steps that they are currently requiring or considering requiring.

While the survey did not find any boards of accountancy currently authorizing or considering authorizing specialization within the next 10 years, it did find that eight state societies are involved in this issue. Seven of these answered the question on what criteria should or is being required. The results of the tabulation of the responses follows:

Item a (to pass a test): 1 requires, 6 are considering requiring.

Item b (to have CPE training): 2 require, 5 are considering requiring.

Item c (to have specialty experience): 1 requires, 5 are considering requiring.

Item d (to have been a CPA for some time before becoming a specialist): 1 requires, 3 are considering requiring.

Item e (pass a retest): 4 are considering requiring.

## Summary

The results of the surveys indicate that CPAs are concerned

with specialization accreditation. The results also indicate that the CPAs in this study want a group with a national base to have the primary role in the accreditation process. A majority of the respondents also want the first areas of specialization implemented to be Personal Financial Planning, Taxation, Governmental Auditing and M.A.S. They favor testing, experience, and CPE as criteria to qualify for specialization designation.

The executive directors responding indicate that boards of accountancy are not currently authorizing specialization or expecting to take such action any time within the next 10 years. The state societies' executive directors responding indicate that they are involved, or becoming involved, in the accreditation process but indicate that they should not have the primary role. ➤

### POSITION SPECIFICATION

COMPTROLLER with 10 to 15 years' experience for major division of Fortune 500 Company involved in Forest Products, Real Estate Development, Utilities Management and Acquisitions. Major component is an NYSE Master Limited Partnership.

Requirements: CPA (MBA a Plus). Prior experience with one of the top 13 accounting firms. Current in FASB, including taxes, investment analysis, consolidations accounting, SEC Reporting, and ROI. Plant or Corporate Controller experience required. Excellent presentation skills. Reports to CFO. Located in Connecticut.

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# Specialization

**What body should have the primary role in the accreditation of specialists?**

