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## 1938 — A Significant Year in Accounting Education

By Dale L. Flesher and Tonya K. Flesher

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This year marks the 50th anniversary of a significant event in the history of accounting education. It was in 1938 that New York became the first state to require CPA candidates to hold a four-year college degree as a requisite for sitting for the CPA exam. The requirement, although not put into effect until 1938, was based on a law passed in 1929. Since 1938, 45 other states have followed New York in requiring CPA candidates to hold a bachelor's degree.

Surprisingly, the impetus for the New York law requiring a college education for CPAs came neither from the accounting profession nor from educators. The New York State Society had supported a bill to improve the New York CPA Law. That bill was largely devoted to matters such as the organization of the Board of CPA Examiners and the definition of its duties and powers. The bill contained nothing related to education. While the bill was in the state senate, a Senator Sullivan added an amendment requiring CPA candidates to hold a college degree. The bill, as amended, passed the senate unanimously. The Assembly concurred with only two negative votes, and the bill was quickly signed by Governor Franklin D. Roosevelt [Webster, 1938, p. 119].

The education provision in the law was little noted at the time, perhaps because it would not take

effect for nine more years. Senator Sullivan, however, did note in the Education Department Report for 1929 that "one excellent provision in the law is that it makes it necessary for all certified public accountants to be graduates of professional schools after 1938. Here as in architecture, the practice is put on a truly professional plane" [Webster, 1938, p. 119]. Unfortunately, Senator Sullivan died soon after the passage of the bill, so there was never any discussion with him as to exactly what motivated his amendment.

It is interesting to note the proportion of CPA candidates who were college graduates prior to 1938. For the years between 1929 and 1934, fewer than 8% of the New York CPA candidates had graduated from college. Surprisingly, the pass rates were not notably different between degreed candidates and those who had only a high school education.

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Only in accounting theory did the college graduates do better than their lesser educated competitors, and this was offset by the business law area in which the high school graduates did nearly twice as well as the college-educated candidates [Webster, 1938, p. 121].

### The 1938 Accounting Curriculum

For purposes of the law, the criteria as to what constituted an acceptable four-year program in accounting were established by the Board of Regents of the State University of New York. In general, a candidate must have attended a school which had:

1. Adequate equipment and resources, including suitable facilities for practical instruction
2. An adequate professional library
3. A sufficient number of full-time salaried instructors with satisfactory professional training
4. A satisfactory course of four years, each year being of at least eight months duration
5. A major in accountancy and allied subjects, including at least 24 semester hours of accounting, 8 hours each of business law and finance, and 6 hours of economics

6. A requirement for admission that included the satisfactory completion of a secondary school course of study [Webster, 1938, p. 120].

The New York law stipulated that the 24 hours of accountancy should include principles, auditing, reports, systems, and policy and ethics. Judging from a 1936 article, the inclusion of a systems course was unexpected. Apparently, systems was not a traditional part of most accounting programs prior to that time [McCrea and Kester, 1936, p. 113].

Despite the minimum requirement of 24 semester hours of accounting courses, educators advocated an even greater number of hours. A 1938 committee of the American Accounting Association recommended that an accounting major consist of from 39 to 48 hours of accounting courses ["Syllabus . . .," 1938, pp. 195-198]:

Elementary Accounting	6 hours
Intermediate Accounting	6 hours
Cost Accounting	6 hours
Statement Analysis	3 hours
Managerial Accounting	3 hours
Auditing	5 hours
Accounting Systems	3 hours
Tax Accounting	6 hours
Specialized Accounting (such as stock brokerage, municipal, public utility, hospital, or charitable organization accounting)	4 hours
CPA Problems	3-6 hours

The committee's recommendations included everything envisioned by the New York legislators except for a course in policy and ethics.

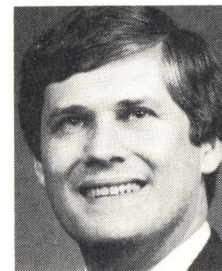
Not everyone was happy with the recommendations of the AAA committee. One criticism was that insufficient emphasis was placed on governmental accounting. A course in governmental accounting was

included only as an elective in the category of Specialized Accounting. Too, the committee's report implied that a program which omitted governmental accounting would be the wisest in the long run. A footnote in the committee report stated, "Graduates from this program would probably be convinced in later years that more work in general subjects (liberal arts) would have been beneficial" ["Syllabus . . .," 1938, p. 196].

An article in the December 1938 issue of *The Accounting Review* took exception to this treatment of governmental accounting and argued that such a course should be taken by all prospective public accountants [Hackett, 1938, p. 390]. It was noted that there was a trend toward state laws requiring all municipalities to have annual audits by CPAs and that governmental accounting was enough different from commercial accounting to make the application of general accounting principles meaningless. As his final point (and to many his strongest point), the author noted that regardless of the importance of governmental accounting to a practicing accountant, the topic's coverage on the CPA exam was steadily increasing. The summary statement was, "Governmental accounting should be studied by the prospective public accountant not only because he may meet such a question on an examination, but also because he should know governmental accounting so that he may better meet his everyday problems" [Hackett, 1938, p. 392]. The debate over the proportion of liberal arts courses and specialized accounting courses, particularly governmental, has continued without resolution.

As has often been the case, the AAA committee may have been ahead of its time in their

recommendation if the curriculum offered at the authors' university, the University of Mississippi, is any indication. The 1938 Ole Miss catalog shows that only 24 hours of accounting were required for an accounting major. A total of 30 hours, which included two electives, was offered. The Ole Miss program required only three hours each of intermediate, tax, and cost accounting. Also, there was not a systems course, a statement analysis course, or a specialized industry course. There was, however, an advanced accounting course (branch accounting and consolidations), and a course entitled Machine Drills. Six hours of CPA Review were required. The



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two electives were advanced accounting and a second semester of intermediate [Catalog, 1938, pp. 199-202]. All of the courses were accompanied by mandatory laboratories for students to work problems. The only degree offered was the Bachelor of Science in Commerce. No master's degrees were offered.

Master's degrees in accounting were being initiated at a few schools — most notably Columbia University. Because of the impending CPA law, Columbia inaugurated a Master of Science in Professional Accountancy program in 1936. The degree was offered in a new College of Accountancy, which was housed in the School of Business [McCrea and Kester, 1936, p. 116].

### **Accounting Laboratories**

In many respects, accounting education in colleges and universities in 1938 was very similar to that of today, except that there were fewer students. However, there was one difference and that was in the use of accounting laboratories where students worked problems. A 1938 survey of 105 business schools, including the 48 members of the AACSB (an acronym for the organization then called the American Association of Collegiate Schools of Business), found that laboratories were used at 72 percent of the schools. An accounting laboratory was basically a workroom that was "properly supervised and equipped for the purpose of providing a place in which students may solve their accounting problems and practice sets, and obtain help if necessary" [Hufford, 1939, p. 179].

In most schools, the labs were mandatory, at least through the junior level courses, and problems

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had to be worked in the lab in order for the student to receive credit. Labs were typically held one or two days per week in the afternoon for a period of two or three hours. In the case of voluntary labs, a study found that those students who spent the most time in the lab received the best grades in the respective accounting subject [Hufford, 1939, p. 181]. Today, nearly fifty years later, accounting labs are experiencing a resurgence in popularity.

### **Summary and Conclusion**

Prior to 1938, very few CPA candidates were college graduates, but that changed due to a New York law that was eventually supported by the American Institute of Accountants (now the AICPA). The move by New York to require a college degree for CPA candidates proved to be a golden opportunity for accounting departments in universities throughout the country. Even in states where a college education was not mandated by state law,

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such education became a necessity because of the changing nature of the CPA examination.

Consequently, the New York requirement affected CPA candidates everywhere.

A half-century later, several states now require the equivalent of a master's degree before permitting a candidate to sit for the CPA examination, and the AICPA has passed a rule requiring all new members after the year 2000 to have five years of education. Some accountants have questioned the need for a fifth year, but the big question may be why it has taken 50 years to increase the educational requirements by only a single year. In 1938, most schools offered fewer than a dozen accounting courses. Today, a few large schools offer more than 20 courses just in taxation. Given the increased material that must be covered in the accounting curriculum, it is senseless to think that an education equivalent to that of 1938 is sufficient for accountants.

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