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**AMERICAN INSTITUTE
OF
CERTIFIED PUBLIC ACCOUNTANTS**

LONG-RANGE OBJECTIVES SEMINAR

**STOUFFER'S LOUISVILLE INN
LOUISVILLE, KENTUCKY
JANUARY 6 AND 7, 1966**

VOLUME I

**YODER & COMMONS
COURT REPORTERS
231 SOUTH FIFTH STREET
LOUISVILLE, KENTUCKY 40202**

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AMERICAN INSTITUTE
OF
CERTIFIED PUBLIC ACCOUNTANTS

LONG-RANGE OBJECTIVES SEMINAR

STOUFFER'S LOUISVILLE INN
Louisville, Kentucky
January 6 and 7, 1966

CHAIRMAN:

Gordon Ford, Yeager, Ford & Warren
Louisville, Kentucky

PARTICIPANTS:

- | | |
|-----------------------|-----------|
| Nolen C. Allen | (Nolen) |
| Jerry G. Beard | (Jerry) |
| A. Kenneth Bunger | (Kenny) |
| Charles Edwards Coyle | (Charlie) |
| R. Milton Goolsby | (Milton) |
| Arthur G. Hendricks | (Art) |
| Harry M. Hudson | (Harry) |
| J. H. Keller, Jr. | (Joe) |
| Frank G. Overton | (Frank) |
| Laurence T. Summers | (Larry) |

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1 Duard N. Thurman (Duard)
2 William E. Tuttle (Bill)
3 Martin Welenken (Martin)

4 ***

5
6 P R O C E E D I N G S

7
8 (The meeting was called to order by
9 Chairman Gordon Ford.)

10 CHAIRMAN: Gentlemen, at this meeting
11 we are going to discuss the future practice of public
12 accounting. John L. Carey has written a book on the
13 plans for the future, and developed a lot of questions,
14 and we are going to try to develop information on
15 this for the future of the accounting profession.

16 To the best of my knowledge, there has
17 never been a meeting of this kind before in Kentucky,
18 either in the CPA profession or in any other profes-
19 sion. There have been six or eight similar seminars
20 held over the last six months in some other state, and
21 I have the transcript of those seminars.

22 You are a group selected from a number
23 of suggested participants on the basis of intelligence,
24 experience, and interest in the profession. You
25

1 represent large accounting firms, the individual
2 practitioner, the national firms, and practically
3 every size and type of firm in between. The oldest
4 person here besides the moderator, who doesn't count
5 -- and I am not supposed to give you all my ideas, I
6 am trying to get yours, really -- is Duard Thurman.
7 He is 45. He has at least 20 or 25 years' expectancy
8 to practice. Most of you are younger. Martin and
9 Larry I think are the youngest, they are 29, so if
10 they practice to 65, they have about 36 years to go,
11 and that will be in the year 2002 when they retire.

12 So the purpose is not to get a group of
13 people 65 or 70 to try to develop a blueprint for the
14 future of the profession, but people who will really
15 be practicing.

16 Now, this is a hand-picked, select
17 group, so if we have made a mistake, we just made it,
18 so that's it.

19 The purpose in asking you to come, as
20 you know, is to get a representative cross section
21 of opinion on what ought to be done about some of the
22 problems which the profession faces in the future.
23 The Institute's new Planning Committee, of which I
24 happen to have the great honor, I feel, of being
25 Chairman, has been asked to come up with a long-range

1 plan for the Institute and the profession by 1968.
2 In the next two years the Committee will concern it-
3 self mainly with getting the reactions of the CPAs
4 all over the country to the propositions in the book,
5 "The CPA Plans for the Future," as well as any other
6 problems which may have been overlooked in the book
7 which may concern any of you.

8 This seminar is an organized effort to
9 get well-considered and representative opinions on
10 some of the major problems. We have a stenotypist
11 here who will take down everything that is said, yet
12 it would be unfortunate if a frank expression of your
13 views were inhibited by the fact that a record is
14 being made. If anyone hesitates to say what he really
15 thinks or to ask any questions, no matter how critical
16 or unconventional they may seem, much of the value of
17 this seminar has been lost.

18 As I said earlier, what would you think
19 of our asking the stenotypist not to take the names
20 of the speakers, but just to put the word "Partici-
21 pant" in front of each paragraph to indicate when a
22 different person is speaking? It really isn't so
23 important to know who said what as to know what was
24 said.

25 (The group voiced assent.)

1 CHAIRMAN: I believe that we have
2 agreed that this would be a good idea.

3 Now, we are not here to make decisions,
4 but only to elicit information, opinion, and get your
5 points of view on these problems. We are not going
6 to take any votes, and it isn't necessary to reach
7 a consensus or anything. What I want to hear from
8 you, and from as many of you as possible are your
9 ideas, your thoughts on every point that comes up.

10 After each kick-off speaker has intro-
11 duced his topic or his question, there will be about
12 a half an hour for free discussion of that topic.
13 Make your points as sharp and as brief as possible.
14 Don't hesitate to disagree with anything anybody says,
15 and don't hesitate to disagree with anything in the
16 book, and don't hesitate to be critical of the
17 American Institute or the Kentucky Society or the big
18 firms or the little firms or the medium-sized firms,
19 or the schools or anybody else or anything else in-
20 volved in our affairs.

21 The only rules are that we call each
22 other by our first names, that we not get mad at each
23 other, that we stick reasonably closely to the time-
24 table so that everyone will have a chance to deal
25 with the topic which has been assigned to him. With

1 this in view, I may have to cut off discussion on
2 some topics in order to move along to others, with
3 the understanding, of course, that if we get through
4 in time, we can revert in the closing hours to any
5 point that may not have been fully developed. You
6 might raise your hand when you wish to speak so as to
7 avoid all talking at once.

8 Now, this session is set up to start at
9 one o'clock today and go through to 4:30 or five,
10 whenever we want to, and then to start in the morning
11 at nine o'clock and then have lunch tomorrow and then
12 perhaps finish by four or five o'clock tomorrow after-
13 noon.

14 Now, are there any questions?

15 PARTICIPANT: I understood we were
16 going to get a transcript of this.

17 CHAIRMAN: Yes.

18 Now, you have here a brief biographical
19 sketch of the persons present. I think that's help-
20 ful, because we have all of us, based upon our back-
21 ground and history, a different approach to these
22 problems and we may have different problems.

23 Milt, somehow or other I didn't pick
24 up your age from your sketch. How old are you?

25 PARTICIPANT: 34.

1 PARTICIPANT: I wish I had withheld
2 mine.

3 CHAIRMAN: You have got me here, Duard,
4 so you are not the oldest. Frank is 36. I didn't
5 get his down. Larry is 29, Duard is 45, Bill is 44,
6 Martin is 29.

7 Now, I sent each one of you nine -- or
8 more, really, there are several more, because there
9 are subsections under them -- key questions that the
10 Planning Committee, our Planning Committee has
11 developed here. Now, these are not the only ques-
12 tions. They are just some key questions, and I think
13 this first one is very important, and we might start
14 with that, and I had asked Frank and Duard to both
15 have some thoughts on this, and the first question
16 is, What is the professional practice of accounting?
17 For some reason or other, the Planning Committee has
18 the idea that we must try to describe the practice
19 of public accounting before we can develop a blue-
20 print for the future. And actually we have spent a
21 lot of time on this and we haven't made too much
22 progress; so how can it be described in terms which
23 will attract public respect and guide CPAs to most
24 constructive efforts?

25 (a) Does it embrace bookkeeping,

1 write-up work, computer-service-bureau operation?

2 Duard, have you given thought to this?

3 Are you prepared to make some remarks? I have asked
4 you and Frank both to talk on this. Do you want to
5 start?

6 PARTICIPANT: It doesn't make any
7 difference.

8 CHAIRMAN: O.K. Start off. That's
9 in keeping with age.

10 PARTICIPANT: Age, that's right.

11 First, I might say that the accounting
12 profession has been looked at from the standpoint of
13 the person participating in it. I think because of
14 this we all have a different idea what public ac-
15 counting is, and I think what the American Institute
16 is trying to do is trying to enlarge our vision of
17 what might be called the practice of public account-
18 ing.

19 Back in Bulletin Number 1 of the
20 Terminology Bulletin, accounting was defined.
21 "Accounting is the art of recording, classifying,
22 and summarizing in a significant manner and in terms
23 of money, transactions and events which are, in part
24 at least, of a financial character, and interpreting
25 these facts."

1 With that statement of what accounting
2 is -- and I am sure the question we have here today
3 is not what the professional practice of accounting
4 is, but probably what the professional public prac-
5 tice of accounting is -- isn't that correct?

6 CHAIRMAN: I think so.

7 PARTICIPANT: So after saying that we
8 all look at it from a different standpoint, we know
9 that we have generally three areas of accounting.
10 We have the attest function of accounting which
11 historically came about when third parties started
12 putting their money in joint ventures and corpora-
13 tions, and what was known as the old bookkeeper or
14 accumulator of data became the middle man in trying
15 to satisfy ownership that the stewards of his
16 capital were properly discharging their duties; and
17 of course we know in the event of government inter-
18 vention and regulations and income taxes, we have
19 another area of accounting that came forward -- I
20 say in accounting, at least we were there and we
21 were the logical ones to pick up the reins and per-
22 form a service, and that was taxes, of course, and
23 regulation of business through government control.

24 And all the time this was going on,
25 we have historically had the air of business, while

1 we were performing this function of certifying
2 reports, preparing tax returns based upon the measure-
3 ment of income, we have learned a lot about business,
4 and we have the air of business, and consequently we
5 have been the listening board and the sounding board
6 for the business man, and as such we sort of backed
7 into management services. Now, this is the historical
8 approach to public accounting.

9 And then in trying to define public
10 accounting, we run into difficulty, of course, be-
11 cause we don't want to define ourselves out of some
12 area we have found ourselves valuable to business
13 people in; we don't want to define the area of
14 accounting in such a way that we might give up some-
15 thing that we have more or less accepted and the
16 business man has accepted our services in, so I
17 think this whole approach is trying to define ac-
18 counting so we will not exclude ourselves from
19 services that the business men expect of us.

20 And in the literature of the accounting
21 profession in the last four or five years we have
22 heard a lot about integrated financial services, and
23 I think the larger firms have caught onto this when
24 research methods, data processing, and the computer
25 came along. Actually, the individual practitioner

1 has been doing this all the time; and I must express
2 my ideas about the thing, because that is what I am
3 here for.

4 CHAIRMAN: Right.

5 PARTICIPANT: When a young fellow
6 leaves the protection of the big city, goes out in
7 the country to practice accounting, he has to have a
8 concept of service, and not because he has informa-
9 tion available in all areas, but he is expected to
10 help business men in the total approach. This is
11 from organizing his business to helping him run his
12 business and helping him record his transactions down
13 to borrowing money; in other words, the small
14 practitioner has, ever since he left the protection
15 of his city brother, has actually approached account-
16 ing from the integrated business service approach,
17 and I am glad that you national firms are catching up.

18 PARTICIPANT: Amen.

19 CHAIRMAN: You see, this is supposed to
20 be a frank discussion. It is supposed to be, and we
21 want it to be.

22 PARTICIPANT: And then the question
23 comes about, Can we expand the definition of public
24 accounting to include everything that we are talking
25 about? And we are talking about the measurement and

1 communication of economic and financial data -- that's
2 what we are actually talking about.

3 And then, can we expand the education
4 and training to a point where we can have people
5 coming into the profession trained to a point,
6 educated to the point where he can take over and
7 approach the total service picture to business.
8 This is the problem we have, and I for one think that
9 the common body of knowledge approach has to be it.

10 Now, would you like me to express my
11 ideas about some of these?

12 CHAIRMAN: You mean under --

13 PARTICIPANT: (a), (b), (c)?

14 CHAIRMAN: Yes, sure.

15 PARTICIPANT: Does accounting embrace
16 bookkeeping, write-up work, et cetera? Yes, I be-
17 lieve it does. In the concept of measurement and
18 communication of economic data, it certainly does.

19 Does it embrace the work of specialized
20 technicians? Yes, if approached from the basis of
21 accounting. It's my opinion that we cannot go out
22 and bring technicians into the accounting profession
23 and call them a part of the accounting profession.
24 I think all of this practice has to be started from
25 the accounting standpoint. In other words, we talk

1 about industrial engineering. Industrial engineering,
2 in my opinion, is something that can be approached
3 from the accounting standpoint, and can be very much
4 a part of the accounting profession; it can be ap-
5 proached from the industrial engineering, from out-
6 side of the accounting concept and be a completely
7 different profession.

8 I think we have to realize that we are
9 overstepping, and I think to bring an industrial
10 engineer in with no accounting background and try to
11 enlarge the profession in such a way that we can
12 include him as a member of our profession is wrong.
13 I think we have to start with a fundamental body of
14 knowledge, and from that approach the different
15 fields of accounting from an accounting standpoint;
16 otherwise, we are outside of the accounting profes-
17 sion.

18 Some of you won't agree with this, but
19 it's my opinion.

20 Is the scope of practice likely to
21 expand? Yes, I think personally that we are staid,
22 and as a profession I think personally the stereotype
23 approach to certifying reports will have to go one
24 of these days. I believe that we must train our
25 people and be willing to attest to a lot of things

1 that we have never thought about to date, and every
2 time I read the Standard Opinion, I feel like that
3 a professional person has almost abrogated his right
4 to express his opinion about things that maybe he'd
5 like to inject his own personal judgment; and actual-
6 ly, I doubt seriously if the Standard Opinion and
7 the legal responsibilities we have attached to it
8 has done much to expand and enlarge the concept of
9 accounting. I think this is one area we will expand
10 in.

11 Can the persently identified areas of
12 practice -- auditing, taxes, management services --
13 be reconciled in some over-all unifying concept which
14 will also accommodate the probable new areas of
15 practice in the future?

16 I think a broad and liberal definition
17 of accounting in the measurement and communication
18 of economic data, in this concept, based upon a
19 common body of knowledge that we all start from, we
20 can identify in a general way -- not specific, I
21 don't think we want to, because we don't know what
22 20 years from today is going to give us in the way
23 of the field we practice in, the environment we
24 practice in, the business community.

25 Are there basic conflicts among

1 auditor-independence, tax advocacy, and management
2 advice?

3 Of course, we serve from a different
4 standpoint when we go out to certify a report, or
5 we go out to make a tax return, or give management
6 service, but as long as we do not participate
7 directly in making the final decision of a business
8 man, I feel that we can be independent in all these
9 areas and not destroy our independence. I think one
10 of the marks of the profession is to be able to know
11 when his knowledge stops and when his imagination
12 starts, and how much responsibility he has, and to
13 exercise it to his full ability as a professional
14 man. That's one reason I go back again to the
15 historical approach to the standard certificate. I
16 believe this more or less robs us of ingenuity that
17 we should have as a professional people.

18 I realize that we have a long way to go
19 in building a core of curriculum and training -- I
20 take the word back, I think it isn't training --
21 educating first and probably training people for the
22 accounting profession; but give us 20 years and
23 cooperation with the colleges and the common body of
24 knowledge, and forward thinking like this, and I
25 think we can give service, and I think that kind of

1 profession will grow.

2 CHAIRMAN: Duard, I appreciate your
3 statement. It shows me that you have done your home-
4 work, and sometimes all of us come to these meetings
5 when we haven't done our homework, and I think you
6 have.

7 Perhaps we should see what other re-
8 marks we might have on the points that Duard made,
9 before we ask Frank to make a statement on this.
10 Do any of you have any remarks you would like to
11 make at this point, or had you rather hear what Frank
12 has to say?

13 PARTICIPANT: I think it would be
14 better to hear what Frank has to say.

15 CHAIRMAN: Frank, will you please?

16 PARTICIPANT: Well, I am very much
17 impressed with the way that Duard has done his home-
18 work here, as you say, and quite honestly I feel
19 inadequate in talking about this. I have jotted
20 down some notes this morning, and I will try to give
21 you what ideas I do have on it.

22 Just starting with the questions as
23 they are outlined here, 1(a), Does the professional
24 accounting service embrace bookkeeping, write-up
25 work, and computer-service-bureau operation?

1 This is not work that our office is
2 involved in, and yet my own feeling is that this is
3 a very vital part of public accounting service. I
4 think it is a real service. I think it fits in very
5 properly within the most advanced definition of what
6 public accounting is, and that is the measurement and
7 communication of financial and economic data. There
8 are many small businesses, particularly in the
9 bookkeeping and write-up area, that absolutely must
10 have this service.

11 I think that maybe some accounting
12 firms in rendering particularly this bookkeeping and
13 write-up service overlook one area of real service
14 to the client, and that is in developing this client
15 to the point that he can do this work himself, be-
16 cause he is close to it. And I have seen cases in
17 our own practice where we have done this, and as a
18 matter of fact, the client has been able really to
19 improve the profitability of his operation by us
20 getting out of it. In other words, we sit here,
21 in doing this type of work, and in my own opinion
22 render a disservice if we continue to do this simply
23 to pick up a few bucks that are involved in doing it;
24 but I do feel that this is a part of public account-
25 ing practice, and I think it should continue to be.

1 I feel that the prime concern here,
2 however we try to define what our practice is, is a
3 matter of really, independence of judgment and objec-
4 tivity in what we are doing, and the fact that we
5 should maintain ourselves in a position that we have
6 no conflict of interest. Now, I have seen occasions
7 where there has been certified statements that the
8 accounting firm or members of the accounting firm
9 have served as members of the Board of Directors of
10 companies. I think that's an outrage. Now, this may
11 be outright hearsay, but I think that we need to re-
12 consider -- and let me say again, this doesn't involve
13 me personally, but I think we should reconsider
14 whether or not an accountant can render these types
15 of services and still render an opinion on financial
16 statements. I think if he has the proper frame of
17 mind, the proper objectivity in his work and follows
18 through with the proper audit procedures, it might
19 not be out of order at all for the accountant who
20 does this work to render an opinion upon the financial
21 statements.

22 Now, in some of the work that we do,
23 where, for example, we have prepared financial state-
24 ments without audit, we come through then with our
25 name being associated with the statements, we follow

1 through with the standard transmittal letter that
2 states that the financial statements have been pre-
3 pared without audit, and we express no opinion on
4 them. I have had some of my smaller clients to say,
5 "Gee, can't you say something good about these state-
6 ments?"

7 There is something that needs to be
8 done here. Now, maybe it's a matter of education of
9 the client, but in any event, there is quite a
10 service here, and this is a very small part of our
11 practice, but there is a lot of education of clients
12 or education of ourselves here that needs to be under-
13 taken.

14 Now, does the practice of public
15 accounting embrace the work of the specialized
16 technicians? I think there is no doubt that it does.
17 I subscribe very fully to the concept that the work
18 of the accountant is in the problem-solving area.
19 I think that is something that was brought out in
20 the book. I would agree that certainly none of us
21 can be completely competent in all of these areas,
22 and on the other hand, it's people like ourselves
23 who have the greatest knowledge of the client's
24 business that we are serving, probably more so than
25 any one individual in the business.

1 Here is where we are able to render
2 some real service if we can bring in as our as-
3 sociates people who do have these different compe-
4 tencies in operations we serve, industrial engineer-
5 ing, planning service. I am not specialized in these
6 areas, and yet I can spot problems within our
7 clientele where we can serve them and where we can
8 help them.

9 Now, this fits in, I think, quite
10 properly -- and I was really surprised this was not
11 brought out in the book -- one of our responsibilities
12 in connection with an audit is to evaluate the system
13 of internal control. Now, the Accounting Procedures
14 Committee of the Institute has defined internal
15 control to include, among other things -- I will skip
16 the ones that we are really familiar with -- the
17 methods and measures adopted within a business to
18 promote operational efficiency and encourage adher-
19 ence to prescribed managerial policies.

20 Well, right there alone is a very
21 broad foundation for developing the practice of a
22 public accountant; not that you can handle all of
23 these areas, or you, or whoever, but I think that
24 really establishes a very broad basis for our
25 service within the realm of the over-all information

1 system.

2 And I think that, jumping right into
3 the next question, Is the scope of practice likely
4 to expand beyond present areas? I believe maybe Mr.
5 Carey in his book talked about expanding our services
6 with emphasis mainly in the attest area, what we can
7 do in government services, et cetera. As I say, I
8 haven't had a chance to really do the job that I
9 should at reading and studying the book, but my only
10 feeling is that our main area of expansion is in the
11 realm of management accounting, and that is going to
12 come as a result of our audit services, what we see
13 as auditors.

14 I think more and more management is
15 going to look to us to advise them as to how they
16 can increase the productivity and the profitability
17 and the efficiency of their operations, and I think
18 if we don't develop ourselves in these directions,
19 that we are going to be really left out in left
20 field. There will be consulting firms coming along,
21 coming in and doing it, and I think it will be at
22 great cost to our clients.

23 Can the presently identified areas of
24 practice -- auditing, taxes, management services --
25 be reconciled in some over-all unifying concept which

1 will also accommodate the probable new areas of
2 practice in the future?

3 I think probably this brings itself
4 right into the realm of this total information system.
5 I think that is where we are going.

6 Are there basic conflicts among
7 auditor-independence, tax advocacy, and management
8 advice? My own feeling is, absolutely not. I see
9 none whatsoever. I think the big thing here is that
10 the accountant maintain a financial independence and
11 keep his thinking out of directing and decision-
12 making in the management of the clients' operations,
13 but to assist them otherwise -- whether it be taxes,
14 or management services, I see absolutely no conflict.
15 I think, as a matter of fact, to properly serve your
16 client, that you have got to have his interest at
17 heart. I think you have got to have a keen interest
18 in his operation, know his operation, and know how to
19 help him with suggestions as to what should be done
20 to improve his information system, with the viewpoint
21 of improving his profits.

22 CHAIRMAN: Thank you, Frank.

23 PARTICIPANT: I'd like to add one other
24 thing to what I said. Duard I think brought out what
25 was to me a very intriguing term here -- integrated
services. I think that's where we are going.

1 CHAIRMAN: Of course, I heard the
2 speech, and then later it was summarized in the
3 journal, Jack Carey's article on integrated services,
4 which has been pretty well received, I think.

5 PARTICIPANT: Are we open for comment
6 yet?

7 CHAIRMAN: We are open for comment, yes.
8 I think we had two nice statements. Duard had to
9 make a call to Frankfort at 1:30, so he will be back
10 shortly.

11 Now, these are nice statements. Now
12 let us move into getting everybody to say what they
13 think.

14 PARTICIPANT: First, I'd like to say
15 that I have been pleased to find that most of what
16 has been said by Duard and Frank I agree with, and
17 I think the only thing I would like to do is to
18 emphasize a point of degree here of definition. I
19 think they both defined public accounting as it is
20 today, and I would like to maybe point out that I
21 had the impression we were to define accounting as
22 it might be 20 years from now, sort of based as to
23 where we are going, and the first area I take issue
24 with is this area of bookkeeping, write-up work, and
25 computer-service-bureau operation.

1 I feel that, true, the CPA firm does
2 provide a real service to the community by doing this
3 now, because there are not enough people that are
4 capable of doing this for the small firms, and so we
5 have to see that it's done; but I think it has been
6 a case of us doing a job when we shouldn't if we can
7 encourage someone else to do it, and instead of re-
8 stricting other people coming into this field of
9 bookkeeping and write-up work, we should encourage
10 more people to go into it and to provide competing
11 and independent services.

12 I feel in public accounting, and
13 especially -- well, every public accounting office,
14 even the sole practitioner in a small community, his
15 most valuable service is in the interpretation and
16 advisory services he can give on these data.

17 I think that bookkeeping in the CPA
18 office is the poorest type of bookkeeping a client
19 can have, if he can do it in his own office through
20 the service bureau, having his own input machine, or
21 whatever, because that is where the transactions and
22 the decisions actually occur and are made.

23 So if we ever hope to go into this
24 area of advising management, I think we should work
25 in our definition to eliminate this area of write-up

1 work as much as possible in the CPA firm.

2 PARTICIPANT: I'd like to raise this
3 question just to clarify my own thinking. I see
4 bookkeeping and write-up work as fairly close to one
5 another, but am I correct in saying that write-up,
6 when we are talking about write-up work, we are
7 talking about mainly summarization and interpreta-
8 tion of what has been recorded?

9 CHAIRMAN: I believe, Frank, they are
10 the same -- bookkeeping and write-up are the same.
11 It is just that some people refer to it as write-up
12 work, some people refer to it as bookkeeping.

13 PARTICIPANT: Well, I have had some
14 difficulty in distinguishing between the two, but
15 there must be some distinction here.

16 CHAIRMAN: As far as I am concerned,
17 there is no difference.

18 Art, have you had any difficulty about
19 that?

20 PARTICIPANT: No. As far as I am con-
21 cerned, it's starting with a check stub and going
22 henceforth and forevermore.

23 PARTICIPANT: It can be either book-
24 keeping or write-up.

25 PARTICIPANT: Yes.

1 PARTICIPANT: I basically agree with
2 Charlie. As he knows -- and I think we can get a
3 little personal here, as everybody knows everybody
4 else -- in Lexington there was and is a group who is
5 going into the computer business, and I think basical-
6 ly compete with another practitioner up there, and we
7 considered it as Yeager, Ford, & Warren did, and we
8 feel that the accounting firm -- and we are looking
9 20 years ahead -- we unfortunately do some write-up
10 work, and I consider it unfortunate, but I don't know
11 what to do about it at the moment. We can't get rid
12 of it, but I think within ten years the banks will
13 be doing it for small business, or conversely, there
14 will be more people like Reynolds & Reynolds, I
15 believe it is, doing work for automobile agencies
16 only, and some other businesses only, the basic
17 problem being the cost of programming. Anybody who
18 knows about programming, it is expensive as the devil,
19 and these people, and the people in Lexington among
20 them, are not charging for programming, and I am not
21 going to invest any money in programming something
22 for a 25, 50 or 200 or 500 dollar a month fee,
23 because you'd be 20 years in profits getting your
24 programming costs back out of it.

25 This is my comment on this. We do it

1 as a service where we must. We make every attempt
2 to get rid of it, purely on a selfish basis, because
3 we feel -- Citizens, for instance, is going into the
4 Bluegrass area; they are aggressively seeking payroll
5 work in this area, and this is one of the goodies
6 that people with this equipment do is payroll work,
7 because everybody needs it, you can set it up, it
8 goes off quickly; but Citizens here locally will beat
9 your ears off, you can't do it for what they are
10 willing to do it for. They are going out for ac-
11 counting for doctors here, at least their receipts.
12 You can't do it for what they are willing to do it
13 for. But they're sitting over there with all that
14 lovely equipment, and they are going to use it somehow
15 or another.

16 So we are spending a substantial amount
17 of money in training one man in particular in this
18 area, but as far as us ever having equipment, I don't
19 see it. We use a service bureau ourselves for our
20 time records, and I believe you do, too.

21 Another comment I want to make in this
22 area, there has always been this basic conflict
23 between auditor and independent management advice.
24 I don't think there is any difference. If you do an
25 audit purely for the attest function, I would say

1 that less than half of the audits that our firm
2 performs are required for borrowing or shareholders
3 and whatnot. They are done purely for management
4 information, and we do enough work that we can also
5 give an opinion on it when we get finished, but it's
6 done not for that book that says, "Report of
7 Examination" on it, it is done for the letter that
8 accompanies it' and I don't see that there is any
9 difference in viewpoint. The only way you can offer
10 management services is on an objective viewpoint or
11 you're not doing any good.

12 That's it.

13 CHAIRMAN: Larry?

14 PARTICIPANT: I'd like to refute a
15 few things Art said.

16 PARTICIPANT: Larry was on the other
17 side.

18 PARTICIPANT: IBM service bureau,
19 Number 1, our service bureau at Lexington was not set
20 up as competition to another firm. I think it's
21 set up with two primary objectives. Number 1 is
22 that a lot of the firms in Lexington are faced with
23 a problem of more write-up work than they can staff,
24 than they can get staff to do competently.

25 Number 2, I think that this is set up

1 where we would have public bookkeepers in this area.
2 This bookkeeping can be done under our supervision,
3 in general. We have a little bit better opinion of
4 ourselves than somebody with a high school education
5 and no practical experience. This way we feel that
6 the client is going to get better information, more
7 timely information, and can run his business a little
8 bit better.

9 Art's other statement was, there was
10 no programming charge. We are charging programming.
11 Jack Thompson is our programmer. We are charging
12 Jack's time out at \$15 an hour for programming.

13 PARTICIPANT: I said most of them
14 didn't. I wasn't aware what you all have done.

15 PARTICIPANT: This is up to the CPA
16 firm. If an individual business enterprise comes
17 into a service bureau, he will be charged for pro-
18 gramming. If an individual business enterprise comes
19 in through one of the CPA firms, then the CPA firm
20 will be charged for the programming. He can eat
21 this cost or he can pass it on to his client, as he
22 sees fit. Our firm is going to pass it on.

23 PARTICIPANT: Citizens doesn't charge
24 it, though, and your other people up there don't
25 charge it. Pardon me for butting in.

1 CHAIRMAN: Charlie?

2 PARTICIPANT: I'd just like to make
3 one other comment. I feel strongly enough about this
4 maintaining some sort of an independent bookkeeping
5 write-up work, especially computer service operation,
6 that I feel that the State Society or State Board
7 should actually strengthen the code of ethics, say,
8 to where these services should be segregated from
9 the CPA's office, and I see no objection to it being
10 incorporated, advertising in competition with other
11 service-bureau type operations, and the CPA firm,
12 if it is owned by a CPA or a group of CPAs, they can
13 own it as long as they con't directly associate
14 themselves with that firm.

15 I think the CPA still has to do as
16 Frank says, maintain an independence of evaluating
17 and using his judgment as to what is the best book-
18 keeping system I can recommend this client. It may
19 be a computer service bureau that he owns stock in,
20 it may be a computer service bureau that a manu-
21 facturer has, it may be his own equipment, but the
22 CPA should not be in a position to say, "Well, I
23 have my own, you come on in here, I will do the work
24 for you," and all like that.

25 CHAIRMAN: Ken?

1 PARTICIPANT: I listened carefully to
2 Duard and Frank, and I think they have made very good
3 statements. I agree with them essentially all the
4 way through, but I think we are getting a little bit
5 off the subject in that we are talking about the
6 present rather than the future.

7 The accounting profession started
8 largely in the attest area, rendering an opinion re-
9 garding financial statements, and I agree with Duard
10 in that the opinion now seems to be the Standard
11 Opinion is a stamp of approval, and if the Standard
12 Opinion is there, this is saying this is essentially
13 O.K., there is nothing more we can say. In those
14 cases where you do not render a standard opinion
15 and you are more original in writing your comments
16 regarding the statements, then I think we are being
17 original in that approach.

18 I think Arthur had a very good point
19 there in saying that many of his clients look more
20 to what I assume is what we would call a management
21 letter than the formal report itself, and we have a
22 good many of those situations also.

23 The conference following the rendering
24 of the report frequently to clients is of more value
25 than any of the written documents.

1 I think the small practitioner was
2 probably the first to render services to business in
3 general besides the opinion audit, and I think
4 probably the national firms were the first to recog-
5 nize it as a separate service and named it. I think
6 the local firms of our size were the last to do
7 either one.

8 We are looking for a definition regard-
9 ing the future of public accounting, and I think we
10 have departed from the attest function and now we
11 are calling ourselves service to business or economy
12 in general, and I think this is where our future area
13 is, although it is becoming less limited on either
14 end, and probably we are going to have to find our-
15 selves a new name, but there is a very simple
16 definition, I think -- perhaps too simple -- that we
17 are consulting, our firms are economy in general,
18 and whether we call it service or consulting or
19 whatever, this is our future, in any capacity.
20 Bookkeeping work to many clients is a part of this
21 future. There comes a time in that business man's
22 future when this is not the service we should render
23 to him, but many others, and we have to look for
24 this service, across the complete waterfront from
25 the initial contact up through the more formal

1 services.

2 CHAIRMAN: Very good. Larry?

3 PARTICIPANT: I think it's hard to
4 point to anyone here and say, "He really represents
5 the public accounting profession." Really, I think
6 the second question maybe should have been discussed
7 first, because I think that--

8 CHAIRMAN: The second question?

9 PARTICIPANT: The second major heading,
10 because I think that we have such a variety of types
11 of offices, businesses, practices that make up our
12 accounting profession.

13 We are talking about attest function.
14 Well, there are just many, many firms within our
15 State that may not attest to anything five times a
16 year, really; and the bookkeeping service is probably
17 85 to 90 per cent of their income, and they don't want
18 to get rid of it. I question whether we have the
19 right to say that these practitioners cannot expand
20 into this area, and yet turn around and say, "Well,
21 they can expand into the management services area."

22 I think we have to -- we may look down
23 upon it, not necessarily me, but I have heard of
24 several practitioners, particularly in your larger
25 firms, downgrade this, and you have to face it, it

1 isn't necessarily a challenging type of work, but
2 it's there.

3 PARTICIPANT: Are you saying that the
4 attest function is not a challenging type of work?

5 PARTICIPANT: I am, but I am saying
6 that there are many practitioners that that is the
7 minor part of their work.

8 And I think this is hard. I have the
9 opportunity to talk with several representatives of
10 national firms, and it's hard for them to realize
11 this. I think it's real difficult for them to
12 realize that what they consider the public account-
13 ing profession is entirely different from what some-
14 one else may.

15 Not too long ago I had a student
16 interviewing in St. Louis at this accounting office,
17 and he was torn between accepting a job in St. Louis
18 or accepting a job in Louisville or Hopkinsville or
19 several of the other areas around, and he mentioned
20 one comment that this practitioner made, and he
21 referred to the local practitioner as though he
22 would be a back-of-the-woods fellow. And this image
23 exists on the national firm, in the national level --
24 not only the national firms, but our large local firm
25 areas.

1 I mean, if you are going to face facts,
2 you are going to fact facts, I think. I think they
3 have a right to practice this, and I think there are
4 a lot of people. regardless of really what the
5 American Institute says, they are not going to try
6 to get rid of this, because this is their bread and
7 butter.

8 PARTICIPANT: Can I ask you a question,
9 Jerry? Is this the professional practice of
10 accountancy, or is this something that a man with a
11 professional certificate has just chosen to do because
12 there is a lot of business around; or is there sort
13 of a mixture as I admit we are, we have some because
14 we feel like we are forced to do it. We don't
15 consider it professional.

16 But let me throw the question to you,
17 is this the professional practice of accountancy, or
18 is this a doctor acting like a nurse?

19 PARTICIPANT: I am becoming more to see
20 the accounting association in relation with medical
21 profession. I really am. We speak of a physician.
22 Well, we know that he has a certain degree of knowledge
23 in the medical field. And we talk of the CPA; well,
24 he might have this common body of knowledge that we
25 need, but I think right there is where our likeness

1 really ceases. I think that in times to come, we
2 are going to enter into this area of specialization.
3 I think that we are going to be referring clients to
4 various specialists just like the medical field does.
5 I think this is going to come. I think that probably
6 there will even be separate examinations, even as the
7 medical profession has. I may be wrong.

8 But I think that this bookkeeping area
9 is not desirable, but I think it's there, and I think
10 it probably is going to stay, particularly with the
11 small firm.

12 PARTICIPANT: But, Jerry, you would
13 say it would have a common entry into the profession
14 as the doctors do.

15 PARTICIPANT: Right. I think we should
16 have this basic common body of knowledge, and then
17 from there we would have our specialization.

18 CHAIRMAN: I believe Bill wants to
19 say something.

20 PARTICIPANT: Back in this definition,
21 the professional practice of accounting, I tend to
22 agree with the way Jerry is now thinking of it, and
23 I think the Institute is beginning to recognize
24 different specializations, different degrees of
25 attainment within the profession.

1 I worked with a national firm for a
2 short time, and their philosophy and training is
3 completely different than what Duard and I would do,
4 he a little further back in the country than the
5 little city boys down in Lexington. But the staff
6 people who are trained in the national firm that do
7 the audit opinion and become very narrow in their
8 technical one field of attest, and when they spin
9 out to serve the small business man as an integrated
10 service, they are pretty ignorant, because except
11 for their educational training, their public ac-
12 counting is very narrow, in just attest areas, and
13 basically the large national firms, as I have seen
14 them, kept their staff men in that area, foot,
15 cross-foot, and audit, and moved along slowly as
16 nothing but auditors.

17 Now, there is a lot of other fields,
18 complete fields in the national firms, but here I
19 think the Institute and this forward look is
20 different degrees of rights to provide a service.
21 The audit to a small client, where you have done his
22 bookkeeping and everything else, doesn't meet the
23 standard of independence, but it's in that area,
24 then, that the local CPA doing that type of work
25 should feel free to refer to an auditing firm of

1 CPAs and secure the opinion there from a lot of
2 groundwork that he provides as maybe even a staff
3 man for the auditing firm's certification.

4 So I think it is all in makeup of the
5 profession as a whole and how it is going, and these
6 different areas are needed, and I think specialists,
7 and one CPA now as a member of the Institute on
8 paper has equal rank, but he certainly shouldn't
9 have the attainment equal.

10 CHAIRMAN: Martin? Thank you, Bill.

11 PARTICIPANT: I see that time is going
12 on here, but I have just got sort of two points that
13 I have been thinking about in relationship to the
14 discussion, and one is, I think this important book-
15 keeping function, or the important question of
16 bookkeeping function is a professional job for members
17 of the accounting profession, and we are discussing
18 it in relation to what it is now, maybe what it has
19 been, but to get back to some base rock that we
20 started off with, one of the goals of this discussion
21 is, what will it be 20, 25 years from now?

22 I don't think there is anyone here who
23 will disagree with the fact that probably 20 years
24 from now computers and data processing in general is
25 bound to be so refined and so inexpensive that at

1 least 50 per cent of the people here might have
2 started their practice paying the rent by doing
3 bookkeeping services; even the bigger firms repre-
4 sented here 20 years ago started by having write-up
5 work, and if it wasn't for that write-up work, they
6 probably would be a member of a national firm now,
7 because they couldn't have paid the rent; whereas, I
8 think 20 years from now, this opportunity, the fact
9 that, can't even question, will accountants, CPAs
10 who have had a certain degree of education, a certain
11 degree of experience -- which we will probably dis-
12 cuss later -- will they be doing bookkeeping work at
13 all, and I think the answer is clearly no, the
14 opportunity won't be there, the monetary considera-
15 tions won't be there, and I don't even think the
16 question will exist.

17 The second point is something that
18 came up in the beginning, and that is something that
19 I have given a lot of thought to as to the services
20 that accountants render. Duard discussed this
21 integrated total service to clients and, to me,
22 this is one of the big problems, I think, or one
23 of the big areas of discussion that we should
24 concentrate on today to see if we can't put our ideas
25 on paper, out for ourselves, as to where this

1 integrated approach starts, and where it might end,
2 because I think it's fairly clear that the one,
3 sole practitioner, the man with two, three partners
4 and four or five staff, cannot professionally give
5 his clients an integrated total service program.
6 One thing he cannot do is give him information on
7 programming and data processing.

8 There are many limitations, especially
9 in management services, and even in areas of taxation,
10 even if he starts out with his experience in
11 treasury, he would be very limited in giving this
12 information. And even though you are talking about
13 giving information to small clients, sometimes the
14 small clients have bigger problems, and I think there
15 is a big tendency for people who think they might be
16 having this integrated system which really they
17 need, because they are the only professional ac-
18 counting source to that client, to get off the road,
19 they are giving information when they are really not
20 professionally capable of giving it, but they are
21 giving it because they have to, the man has no other
22 source; he may be right or he may be wrong.

23 I think that, again, getting back to
24 this doctor comparison, and I think the other side
25 of the coin is just as bad, when many larger firms,

1 well, the big nationals are doing it -- the nationals,
2 you don't say big nationals -- the nationals are doing
3 it, and that's specializing to such a degree that the
4 man doing the audit just is not capable when he is
5 doing the audit of distinguishing the important tax
6 considerations in that audit, because the tax
7 manager doesn't get into the audit, or the manage-
8 ment service man is having to back up or something
9 and have to do a lot of the audit work himself, or he
10 has never been an auditor, he is a management services
11 specialist, and vice versa.

12 I think you have both extremes in this
13 situation, and I don't even know if it's an area where
14 you can say "This is professional," and "This is not
15 professional," but I think it might be interesting
16 for people here and for consideration by people who
17 might review this discussion to see what the local
18 practitioners here, which we run the gamut, think of
19 the services we are rendering, whether they are really
20 professional from the smaller accountant's point of
21 view who is trying to do the integrated approach, and
22 the national firms, the people who are so specialized
23 that they tend to either duplicate work or really not
24 give it the full service that they are giving,
25 because the bigger firms, even the specialized people

1 are dealing with smaller firms, firms that have
2 accounting systems that overlap -- one man that might
3 be the treasurer and the head accountant, and also
4 the office manager or something like that.

5 I'd like to see this develop, if it is
6 as important to everyone else as it is to me.

7 PARTICIPANT: In all the discussions
8 that have gone on, there seems to be a tendency to
9 define the profession of the practice of public
10 accounting, and limit it to presently known descrip-
11 tive terms such as management service, write-up
12 work, taxes, et cetera. Isn't actually what we are
13 thinking about or trying to determine, the entire
14 scope of the professional practice of accounting, say
15 15, 20, 25 years from now?

16 CHAIRMAN: Yes.

17 PARTICIPANT: Isn't it going to be a
18 matter only limited by individual competence, or let's
19 say firm competence, if that term is used where you
20 are talking about specializing in big firms -- the
21 competence of the individual or the firm, so long as
22 they don't overstep the areas or encroach upon the
23 practice of another profession.

24 CHAIRMAN: Thank you, Bill. Bill sounds
25 like he's a pretty good accountant, doesn't he?

1 Just a minute, Joe.

2 In our committee, we decided that
3 instead of trying to define the practice of public
4 accounting -- as you say, that's a limitation, and we
5 don't want to limit this, we want to describe what
6 it is, or really what we want it to be in the future;
7 and when I first started on this, I had the feeling
8 that the public accounting did not embrace bookkeep-
9 ing, write-up work, computer service bureau. It
10 doesn't as far as we are concerned, or as far as I
11 am concerned, but as far as the profession is con-
12 cerned, I have changed my mind and I think it does.
13 We don't want to limit it; it can include all of
14 these things. I think we have about decided to
15 describe principally what we think it should be, but
16 not put any limitations on it. Just like you said,
17 it depends on the individual as to what he wants to
18 do.

19 One of the reasons why I have always
20 been against the write-up work and bookkeeping is
21 that we are expected to have smart, educated people,
22 and we hope in the future to have more and more with
23 graduate degrees, and we can't expect these people
24 with a Master's Degree to come out and do the work
25 that we are talking about. It's not a challenge to

1 them, they don't want to do it, and I don't blame them.

2 Another point on the scope of services
3 that we have, some of the national firms are saying,
4 "Well, we are doing everything except heart surgery,"
5 and they are worrying about the CPA. A lot of these
6 fellows in the management consultant division, they
7 kind of look down on it; they are not CPAs -- they
8 are specialists in the various fields, they are not
9 CPAs. They are connected with the firms and they are
10 not interested in being CPAs; they can't be a partner
11 in the firm. And all of the national firms have
12 eliminated entirely "Certified Public Accountants."

13 Here is one from Touche, Ross, Bailey
14 & Smart, 208 South LaSalle Street, Chicago, Illinois;
15 it doesn't say. E. & E. doesn't say. Price-
16 Waterhouse has never had "Certified Public Accountants"
17 and practically all of the national firms if not a
18 hundred per cent have eliminated "Certified Public
19 Accountants."

20 Now, there is more than one reason for
21 that. One of them is that the various state laws --
22 sometimes they get in conflict, but many of them have
23 had different letterheads for different states, but
24 in general I would say that this is the present
25 practice. I know it is of Arthur Young & Company,

1 Price-Waterhouse and, well, actually I have talked to
2 most of them and in fact I happen to have, and I
3 think it's been interesting to me, a copy of an
4 interview on the CPA plans for the future, the book,
5 with the managing partners of not all but practically
6 all of the national accounting firms on their thoughts
7 and their ideas and, after all, they are the managing
8 partners of these firms and they have a lot to say as
9 a matter of policy in the future, where they are going,
10 and I think their ideas are very important.

11 But these are just some of the points,
12 information that I have picked up, and, as I told some
13 of you earlier, I have got a room full of stuff on
14 this, and I am confused, because I am kind of like --
15 sometimes you hear referred to, Jerry, to some of
16 these professors, they are overly educated? Well, I
17 am kind of overly educated on this so I hope I don't
18 talk too much about it, because I have got too much
19 stuff on it.

20 I just wanted to make that remark on
21 something that you said, Bill.

22 Joe, I know you want to make some re-
23 marks.

24 PARTICIPANT: Very brief. I don't know
25 how much time you want to spend on this first item,

1 actually.

2 CHAIRMAN: Actually I kind of felt
3 that this first item required, and we could give it
4 more time and attention than we could some of the
5 others, because I think that some of these others
6 will kind of flow from this.

7 PARTICIPANT: Well, you said a few
8 things that I was going to say, so you must be a
9 pretty smart fellow.

10 (Laughter.)

11 Items 1(a) and (b) I think really the
12 answer has to be yes, regardless of what we think
13 about it. Item (d), the answer has to be yes; and
14 Item (e), no.

15 Really, what I'd like to see us talk
16 about and learn something about, I'd like to learn
17 something about, the scope of practice is going to
18 expand beyond its present areas, there's not ques-
19 tion about that, but in what direction? As you say,
20 heart surgery? Maybe so.

21 Some of the national firms, as you
22 know, have acquired actuarial firms which five or
23 tens years ago would have been considered unethical,
24 but nevertheless they have done it, and to justify
25 the thing economically, they are going to make it go,
and they are going to be successful with it.

1 Is it possible that we may acquire law
2 firms ten or 15 years from now? What other areas can
3 we go into? That's what I'd like to know.

4 CHAIRMAN: Well, Peat, Marwick &
5 Mitchell have acquired a management consulting firm,
6 too.

7 PARTICIPANT: Oh, yes. Or two.

8 PARTICIPANT: Two or three, I think.

9 PARTICIPANT: I think so, but you can't
10 call this the practice of accounting.

11 CHAIRMAN: You and I can't, and I agree
12 with you. When I said you had done your homework,
13 Duard, I thought you made a very nice statement,
14 because I found myself in agreement with most of it.

15 PARTICIPANT: Well, that's not im-
16 portant, what you call it. Now, Duard -- I want to
17 get one little lick in here -- you said something
18 about the national firms are slow in management ser-
19 vices. Well, we have been pretty slow in developing
20 it, I think, but our particular firm started in 1914
21 with management services, and we were one of the first.
22 I think if it hadn't been for World War II particular-
23 ly that slowed us down a lot, we would be a lot
24 larger in that area than we are now, and I would guess
25 that would be true of some of the others, so I don't

1 care whether you call it part of the accounting
2 profession or not, it is, and the economics are such
3 that it is going to continue to be.

4 CHAIRMAN: Ken?

5 PARTICIPANT: My last comment, Mr.
6 Ford, is, what directions can we expand in that we
7 are not in now?

8 CHAIRMAN: Are you asking?

9 PARTICIPANT: I am asking.

10 CHAIRMAN: Anybody have any ideas? Jim?

11 PARTICIPANT: I think our future is in
12 any sort of business that helps business to grow,
13 and that means help it develop profits and be of
14 service to the community, and this covers the
15 complete waterfront, from write-up work to wide
16 varieties of management services including industrial
17 engineering and many of the other specialized areas,
18 because finally they relate to operation of business
19 and finally they relate to profits. And I am a nut
20 from the other side of the fence, being a management
21 service person, but I have gone on many an engagement
22 to do some aspect of accounting which had previously
23 been defined as a problem and found that this was not
24 the problem, and probably wasn't even accounting at
25 all, and I think that situation will lead us out of

1 pure accounting, but that our future is in the whole
2 waterfront, not necessarily accounting.

3 PARTICIPANT: Ken, I think without
4 going into a lot of detail on it, that what you are
5 saying fits in very closely with the comments that
6 were made in the book, and I have forgotten by whom,
7 but that really, accounting is headed toward the
8 problem-solving approach.

9 PARTICIPANT: I think it's already
10 there.

11 CHAIRMAN: Yes.

12 PARTICIPANT: Mr. Carey indicated in here
13 that several firms, industrial firms that were being
14 serviced by particular accounting firms had to switch
15 from one firm to another because they expected more
16 from these firms than they were really giving.

17 PARTICIPANT: I liked your comment
18 about the medical profession, particularly about the
19 referral, and I had heard someone say in the last
20 year or so that the public accounting profession is
21 very amateur and refuses to recognize that there are
22 specialists in some areas. And this is true in the
23 legal profession, too. Law firms devote themselves
24 frequently to some aspect of law such as criminal
25 law, corporate law, or many others. But it seems

1 that in the accounting profession we take everything
2 on that anyone wants to do, even though we may not
3 be qualified in that particular area. We are going
4 to mature a little bit when we recognize that we can't
5 offer everything -- all of us. Now, some of us can,
6 but many of us can't, and we must do the best we
7 can for our clients, and therefore refer the situa-
8 tion to others.

9 We must grow up to the point where we
10 protect one another's interest in this respect and
11 really follow our ethics as we should.

12 PARTICIPANT: One time when I was
13 taking the law course, the professor said, "The
14 purpose of this course is not to make a lawyer out
15 of you, but to let you know when a problem exists,"
16 and I think that may eventually be the role of the
17 general practitioner, to be able to spot these
18 problems.

19 CHAIRMAN: I think that's a good point,
20 and I agree with that, and I tried to make this
21 point various times in the past, that it's not the
22 duty of the college to teach the student to be an
23 accountant; it's its duty to teach him how to become
24 one. Nolen?

25 PARTICIPANT: You put up a problem

1 there, how can you be a general practitioner and
2 make referrals where there is a very large element
3 of the profession who are in the business of doing
4 all the work? I mean, they have got specialists
5 in every field, not only national firms, but basical-
6 ly national firms. Economically, inherently, if
7 a group or an association can do the whole field of
8 the work, how can you ever possibly build up a system
9 to where you will have a few general practitioners
10 around referring work to these specialists? Now, the
11 medical profession don't have that. You are a
12 specialist, and that's it, and you don't do anything
13 else. And I see that's the greatest stumbling block
14 in ever building up this approach you are talking
15 about. If we had a lot of individuals, each one a
16 specialist, not associated, and billing each other,
17 we could do this, but under the present situation,
18 it looks to me like a long time in the future,
19 because of the concept of firm, and tremendous firms.

20 There is a great stumbling block in
21 ever reaching a position that you can safely make
22 referrals.

23 CHAIRMAN: Jerry?

24 PARTICIPANT: Yes, and again one thing
25 I think we can do is, just look at the medical

1 profession. Now, these fellows didn't decide to
2 become specialists overnight, did they? They didn't
3 just hang their shingles out and say, "I am not going
4 to accept anyone else," because the public didn't get
5 educated that soon. I wonder what they did. I don't
6 know. How many years did it take for this to evolve
7 into the area of specialization?

8 I can think of not too many years back
9 where there weren't too many specialists, and yet now
10 you can look at all these clients, and there are
11 specialists all over the place.

12 PARTICIPANT: That has developed as a
13 result of education.

14 PARTICIPANT: World War II.

15 PARTICIPANT: They have control
16 through the American Medical Association, and American
17 Osteopathic Association over the education and in-
18 ternship and residency of the present-day physicians.
19 In order to qualify, they have it set up like the
20 American Institute's proposed sections, and you must
21 specialize after your year of internship, if you
22 plan to specialize at all, but it's because the
23 profession not only staffs the teaching staff of the
24 medical school, but they also control entry into
25 all of the hospitals and all of the teaching

1 hospitals. They control it themselves and they are
2 very strong in that area. So they have it by legis-
3 lation here in Kentucky, and it is spelled out in
4 there, that the hospital or the school must be ap-
5 proved by the Kentucky State Medical Association
6 before the person will be granted a license.

7 CHAIRMAN: Martin?

8 PARTICIPANT: I really see no pos-
9 sibility that we will ever be able to create a
10 system of referrals that is in any way similar to the
11 medical profession, under the economic setup where
12 we are firms and where if we can't do the work, we
13 can hire a specialist ourself in that area, and I
14 think it is wrong for us to even compare it. If we
15 are heading in that direction, I don't see any way
16 to get there.

17 PARTICIPANT: I agree with Nolen.

18 CHAIRMAN: Larry?

19 PARTICIPANT: I won't take but a
20 second. I agree with Nolen. I don't think you are
21 comparing similar things, but -- and this may be a
22 short term answer, Nolen, but a year or so ago a
23 local practitioner asked us to help him with a
24 situation, and we agreed before we did it that we
25 would not accept that client if they should want us;

1 in other words, we said, "We won't accept the client
2 as a client after we finish the assignment."

3 CHAIRMAN: That kind of puts us in a
4 bad situation, though, because if you all don't
5 accept it and they are unhappy with them, they might
6 go to somebody else, and I agree that that's the
7 right approach, and that's what you should do.

8 PARTICIPANT: That's the only thing I
9 know you can do on a short term basis.

10 PARTICIPANT: And you can't go around
11 and coax him. You know you can't afford to do that
12 yourself.

13 CHAIRMAN: And the individual practi-
14 tioner, if he knows the client doesn't want him, he
15 wants somebody else, I don't know that he is in
16 very good shape there, is he?

17 PARTICIPANT: Well, in this particu-
18 lar case, this local practitioner -- and this was a
19 fairly large company -- stepped back in the picture
20 and as far as I know is still satisfactorily giving
21 them good service in all other areas except this
22 particular management service function.

23 PARTICIPANT: Nolen, we can work it
24 out, I mean, if you have some problem. (Laughter)

25 CHAIRMAN: That Joe is a salesman.

1 That's the reason I am giving him a party and send-
2 ing him to Cleveland -- a going-away party.

3 You have been passed here a description.
4 You notice this says "description" instead of a
5 definition of the professional accounting practice.
6 Now, this is a rough draft, and the first draft, and
7 it is not for distribution, but I thought I would
8 read through that and right after, we'd end this
9 session and we'd have a brief break and come back.
10 I have edited this a little and it's a little bit
11 different from what you have.

12 "The professional practice of public
13 accounting is concerned mainly with examination and
14 analysis, communication, and interpretation of
15 financial information and other data related to the
16 management of organizations. All types of organiza-
17 tions need such services -- industrial, commercial
18 enterprises, non-profit associations, governmental
19 units, health and welfare organizations, educational
20 institutions and so on.

21 "Professional accounting services are
22 needed for two purposes. One, external reports to
23 persons to whom the management is accountable, such
24 as stockholders, creditors; government agencies,
25 notably the Internal Revenue Service; association

1 members, taxpayers in the case of government units,
2 contributors, trustees, and so forth; and

3 "2. Internal planning, control, and
4 decision-making to increase the efficiency of
5 management and minimize costs.

6 "The independent professional CPA has
7 a unique role in examining and expressing opinions
8 on the fairness of financial statements submitted to
9 stockholders, creditors, and other interested parties.
10 More and more, however, he is called upon for advice
11 and consultation not only on the complex problems
12 involved in financial accounting and reports, but
13 also on the equally complex problems involved in
14 the managerial functions of budgeting, cost controls,
15 operating controls, working capital projections, tax
16 planning, deciding upon the best among alternative
17 courses of action, and countless others.

18 "In organizations employing competent
19 internal accounting personnel, the independent
20 professional CPA may serve only as an analyst and
21 adviser with respect to managerial problems. In
22 other cases he may assist management in the
23 implementation of his own recommendations.

24 "In all his work, the professional
25 CPA is concerned with the quality of the information

1 and data he analyzes and its usefulness for the
2 purpose intended.

3 "Whether the client is the smallest
4 or largest organization, whether the immediate
5 problem is simple or complex, he brings to bear a
6 creative interpretive skill derived from his
7 professional education and experience.

8 "When necessary, he may assist in the
9 collection and arrangement of raw data, but his
10 essential professional contribution is in examina-
11 tion, analysis, interpretation, and recommendation.

12 "The professional CPA, like other
13 professional men, is generally consulted on general
14 business problems and even personal problems on
15 which a client believes his judgment and experience
16 qualify him to offer helpful advice. If the advice
17 does not give rise to any conflict of interest which
18 would compromise his independence as an auditor, and
19 if the professional CPA is confident of his own
20 competence to deal with the problem at hand, he is
21 free to respond to such request.

22 "The complexities of the modern
23 industrial society encourage a high degree of
24 specialization in all professions. Medicine is a
25 notable example. Specialization in turn leads to

1 inner disciplinary approaches to specific problems,
2 and some practitioners are led to acquire competence
3 in more than one discipline. This trend is reflected
4 by such terms as physiochemistry, social psychology,
5 econometrics, and a host of others. Public account-
6 ing is no exception.

7 "Some professional CPAs find that
8 their specialities lead them into fields which are
9 shared with industrial engineers, management con-
10 sultants, operations researchers, statisticians,
11 and others. And these practitioners in turn often
12 find it necessary to invade the field of accounting.

13 "In a society where technological
14 change and the accumulation of information are ac-
15 celerating rapidly, it would be socially undesirable
16 as well as futile to attempt by definition or legis-
17 lation to build fences around each field of knowl-
18 edge or skill and thus deprive the public of the
19 inner disciplinary approach. Thus it is that the
20 individual CPAs may find themselves engaged in areas
21 of service which, on the surface, seem to bear only
22 remote relationship to the activities of many of
23 their colleagues, but the common basis of their
24 competence, their starting point, and the foundation
25 which sustains them all as accredited members of the

1 accounting profession is the education and training
2 which equips them with knowledge and skill in the
3 examination, analysis, communication, and interpreta-
4 tion of financial information and other data relating
5 to the management of organizations, both for internal
6 and external reporting purposes.

7 "As the needs of management in this
8 area expand, the education and training of profes-
9 sional CPAs must expand commensurately.

10 "All CPAs begin as generalists with
11 a broad understanding of the basic discipline of
12 accounting and a sense of skill in its application.
13 Many CPAs will probably remain generalists while
14 continually widening their knowledge and improving
15 their skill. The generalist will seek the advice
16 of specialists when needed, either from within his
17 own firm or by referral to or consultation with
18 other practitioners. But only the generalist can
19 view the client organization as a whole and diagnose
20 its needs for financial information and managerial
21 data for a wide variety of purposes, including
22 internal control, cost analysis, budgeting and
23 forecasting, taxation, financing, financial report-
24 ing, and a host of others.

25 "It is worth noting that many of the

1 same elements of financial information and
2 managerial data enter into all these specific func-
3 tions, though in different combinations, arrange-
4 ments, and degree of skill. As the trend toward
5 integrated business information systems increases,
6 these interrelationships will become more clear and
7 consequently the broadening role of the professional
8 CPA will be more widely understood."

9 I'd like to have any remarks or thoughts
10 that you might have on that statement.

11 PARTICIPANT: There are many things in
12 here, many things that have been brought up --
13 practically the whole thing.

14 CHAIRMAN: Yes, but I waited till the
15 end to bring this up.

16 PARTICIPANT: I wonder, Gordon, if
17 eventually in the trend toward specialization, im-
18 mediately upon a beginning practitioner developing
19 any degree of competency, that after two or three
20 years' experience, is immediately ushered into an
21 area of specialization when he is at the level where
22 he is making the decisions, and he is the one who
23 must see the over-all problem and then direct other
24 specialists to those areas, in the future will it
25 become more and more that the people who are

1 supposed to be doing the directing are not really
2 the general knowledge people, that they have neces-
3 sarily never had a background in general knowledge,
4 as most of them of course have today, but 20 and 30
5 years from now, it could be these people will be
6 very scarce.

7 PARTICIPANT: There will always be a
8 place for the general practitioner in the general
9 approach to this thing, and I think the best words
10 we can learn to say are, "I don't know, but ' '."

11 CHAIRMAN: You all want about a five-
12 minute break?

13 FLOOR: Yes.

14 (Whereupon, a short recess was had.)

15 CHAIRMAN: The second question:
16 Assuming clear goals, an accepted concept of profes-
17 sional accounting practice, and satisfactory human
18 input, what should be standards of competence for
19 qualification as professional accountants?

20 Ken Bunger, I ask you to take care of
21 that. Will you kick that off for us?

22 PARTICIPANT: No more discussers of
23 this point?

24 CHAIRMAN: No. You are the one.

25 PARTICIPANT: I am not a scholar or
educated in any manner, and don't claim to be so.

1 Perhaps there may be -- I am sure there are others
2 here who are better acquainted with the subject
3 than I am, but I do have some opinions that I would
4 like to offer. I would like to preface these re-
5 marks by saying that I am involved in management
6 services work and this may shade my opinions to
7 some degree, and I will start by trying to answer
8 some of the questions.

9 I believe the public expects much more
10 from CPAs today than just the examination of balance
11 sheets and preparation of tax returns. We discussed
12 this at length on the previous question, and I think
13 we all agree on that point. I believe further that
14 our future lies in the expansion of scope and ser-
15 vices, and that we will probably have to find a new
16 name for it and a new name for our profession.

17 CHAIRMAN: Right there, now, you see,
18 Ken is a management services man, and on these
19 various discussions and seminars I have been listen-
20 ing to that, about whether "CPA" is the right name,
21 and whether we need different examinations, and that
22 these national firms have eliminated "Certified
23 Public Accountant" from the letterhead, and so forth,
24 so that is the background. So Ken is kind of re-
25 stating that. Excuse me for sticking that in right

1 there. I think this is good. We kind of spent the
2 first couple of hours warming up. Now let's warm this
3 thing up a little. That's fine, Ken.

4 PARTICIPANT: I am going to make it
5 very brief, but these all can be explored in depth
6 and probably will need to be defined and better
7 planned than I have been able to do so far.

8 Mr. Carey discusses both pro and con
9 the minimum standards of competence in the field of
10 accounting, for lack of a better word for it at the
11 moment, and there seem to be two large approaches,
12 one toward the approach that Jerry has mentioned,
13 of the medical profession where we develop a general
14 practitioner, and then specialize from that point,
15 having varying degrees of competence placed on each
16 one of the specialties, and having standards for each
17 one.

18 The other side of the coin is the legal
19 profession where at the moment only one standard of
20 competence is given, admission to the Bar. From
21 that point most lawyers will choose a specialty.
22 Very few lawyers are really in highly developed
23 competence to the broad front.

24 And this seems to be our two choices.
25 Personally, I would like to see us lean more toward

1 the law in having a minimum, or one-level degree of
2 competence which all CPAs should attain, and from
3 that point on specialize as we choose in varying parts
4 or varying areas of accounting, or this broad service
5 that we are calling it, and work in the areas in which
6 we feel we are competent and stay out of the areas
7 where we are not -- and I think we will know this
8 ourselves better than any examinations which can be
9 developed for it.

10 I think the minute we begin to set
11 separate examinations for each of the specialized
12 areas, we are going to stereotype each of these areas
13 of practice to the degree that they will be limited,
14 and we will be limiting our entire profession by
15 doing so. Consequently, I am opposed to it.

16 The degrees of competence in the vary-
17 ing states are all different to some degree. I think
18 in Kentucky our basic requirement is a high school
19 graduation with some years of apprenticeship before
20 qualifying to take the CPA examination. I don't think
21 I am too far wrong in saying that most of the people
22 here and a good many of the members of the profession
23 in Kentucky probably do not accept anyone with less
24 than a B.S. degree from one of the accepted colleges.

25 I personally look to the future where

1 we will require even a greater degree of education,
2 formal education, and I think it should be broader
3 based than it is at the present -- more formal
4 education in the sciences, more in the psychology and
5 sociology fields, and a great deal more in language,
6 and particularly English language, written and oral.
7 Consequently I propose that the years will have to be
8 expanded to cover all these. I don't know how many
9 years it will take, but I will say at least five or
10 six and, at the end of that time, some basic examina-
11 tion be given similar to the Bar degree immediately
12 out of school rather than having any requirement as
13 to the apprenticeship or work with a CPA.

14 I lean a great deal toward a comment
15 that Gordon has already said, and others, in that I
16 think our students or prospects should be trained how
17 to become practicing professionals and not how to be
18 those practicing professionals.

19 There is a need for continuing education
20 from the time we start all the way through, and I
21 don't think our schools and colleges should be
22 developing junior accountants who are qualified to
23 start immediately. I don't think they are now.

24 PARTICIPANT: Right.

25 PARTICIPANT: At least, that's our

1 experience, and I think we should even depart further
2 from this. There is a considerable expense involved
3 in developing it, and there probably will be more.

4 I think the range of accounting, real
5 accounting, is still too narrow as it is being taught
6 in the schools. There is a broad area in data com-
7 munication and gathering of data, particularly
8 electronic data processing, that should be covered
9 thoroughly. I don't think here the mechanics should
10 be covered, but the theory and philosophy should be
11 covered more in depth. There is a great area of
12 security exchange accounting and such as that, which
13 should be explored more in depth by the accounting
14 students.

15 There is another question here I'd
16 like to cover slightly, and this raises the question
17 whether or not education should be through business
18 schools -- I assume that to be colleges as we now
19 know them -- or through separate professional schools,
20 and I assume this to be schools run by the profession
21 or its official agencies, such as the American
22 Institute.

23 I lean personally toward the business
24 school attached to a formal school of education, as
25 our universities are now, but with much stronger ties

1 to the profession through such arrangements that Bill
2 has already commented on regarding the medical
3 profession. I think we should work closer with them
4 and they with us in developing prospective members for
5 the profession.

6 I believe there is a place for the
7 professional school run by the professional, and this
8 area is in the area of continuing education for the
9 practitioner and probably limited types of courses
10 for specialists developing from our basic minimum
11 standards of competence. This will have to be well
12 planned and carried out in order to be useful to the
13 profession at large.

14 The last part of this question raised
15 here is, Can acceptable standards be maintained by 53
16 legal jurisdictions? If not, what alternatives are
17 possible?

18 I think one of two things is going to
19 happen. Either the profession, cooperating in the
20 53 areas, will have to be more consistent between
21 areas and have almost uniform and exactly the same
22 requirements, or that the minimum standards will
23 have to be set and probably carried out by a central
24 national force of some kind. I have a personal
25 opinion on that in that unless we set our own

1 standards and can do this throughout the 53 juris-
2 dictions, then I think somebody else is going to set
3 them for us. I think we have had some taste of that
4 with the recent situation with the SEC.

5 Finally, what I am saying is that if
6 we don't set our own standards and police our own
7 profession consistently throughout the 53 jurisdic-
8 tions, this will be done either by us or for us on a
9 national basis.

10 This concludes my remarks tentatively.

11 CHAIRMAN: Thank you, Ken.

12 PARTICIPANT: Ken, did you envision
13 setting a five-year course in a college or university
14 patterned after a recommended curriculum, let's say
15 drafted by the profession nationally, as the basic
16 starting point and then continuing education or
17 developing it as we know it now through let's say
18 a set course, or a set number of courses for someone
19 who desires to specialize in management services, or
20 successfully completing this course -- I don't mean
21 with a paper or anything like that, or an examination
22 as the final thing, but then after a successful com-
23 pletion of these series of courses, being declared a
24 management services professional, something of that
25 type?

1 PARTICIPANT: I think I think of it
2 in a little bit different term than that in that I
3 would personally look toward a broad general educa-
4 tion for approximately three years, I think, and then
5 specialization in becoming a member of this profes-
6 sion for two to three more years, but this more
7 specific education relating to the profession to be in
8 these latter two or three years, still designed to the
9 point where we are teaching people to becoming pro-
10 fessional, rather than being professional.

11 On the professional school point, I
12 would prefer to see this rather free-wheeling, no
13 examination whatsoever attached to that. I think the
14 standards of competence should be determined at the
15 end of the formal education with the one uniform
16 examination, if that is the word for it, the profes-
17 sional school to be free enough to develop courses
18 and they being required by the profession and without
19 a standard of excellence or competence attached to it.

20 This is a matter of training at this
21 point and not a matter of education, in my view.
22 This should be a rather wide range I think in that
23 there could be rather elementary courses to train
24 junior accountants, or there could be specialized
25 courses in data processing or Securities and Exchange

1 practice, or industrial engineering, or many of the
2 other specialized areas, but no examination attached
3 to it to qualify in these areas.

4 PARTICIPANT: Then we would hire from
5 there and train in that specialty -- the firms?

6 PARTICIPANT: Well, that is my view.
7 We hire them out of school, then we would develop
8 their progress from that point; or we as individuals
9 would have to choose our field that we want to go to,
10 I think.

11 PARTICIPANT: You said they would have
12 their formal years of education and then take a
13 standard examination and be potential members of our
14 profession. From there they would go to the business
15 school? Was that what you said?

16 PARTICIPANT: You mean professional
17 school?

18 PARTICIPANT: Yes.

19 PARTICIPANT: Yes.

20 PARTICIPANT: But from there, probably
21 hired in the profession by somebody?

22 PARTICIPANT: Yes. A lot of people I
23 am sure will disagree.

24 PARTICIPANT: I would appreciate some
25 more explicit comments on what you mean by training

1 people to become professionals rather than to be
2 professionals.

3 PARTICIPANT: I'd like to see us
4 develop more people toward the public relations
5 angle, the handling of clients, the dealing with
6 people, psychology, sociology, the final objectives
7 of really what we are trying to get to as a profes-
8 sion, as opposed to how to reconcile a bank account.

9 PARTICIPANT: Isn't what you are trying
10 to say, you would like to see us educated before we
11 are trained?

12 PARTICIPANT: That's it. That's what
13 I am trying to say.

14 PARTICIPANT: I agree with you.

15 PARTICIPANT: That's the same thing
16 that this Common Body of Knowledge study that the
17 American Institute is making now -- two and three
18 sort of overlap here, Gordon. I don't know whether
19 you asked anyone else to cover three or not.

20 CHAIRMAN: Jerry Beard, yes. Jerry.

21 PARTICIPANT: But actually, as part of
22 our research we got into these same subjects.

23 CHAIRMAN: Yes. Input and education
24 and standards. They do overlap. Yes.

25 PARTICIPANT: May I say, regarding

1 professional schools, I have been able to see two
2 thoughts, and there has been quite a bit of writing
3 about these professional schools in recent years.
4 One is that the professional school would be maintained
5 by the college or the university and be equivalent to,
6 say, the College of Law; and then the other idea
7 would be that it would be maintained by the American
8 Institute as it is in England -- I believe England
9 maintains its own professional schools.

10 CHAIRMAN: Yes, Larry?

11 PARTICIPANT: I have a question on
12 professional schools. Did you see it as something
13 comparable to the law school where you'd have a degree
14 and go into this and, if so, it would be at the
15 completion of the professional school that you'd
16 take the exam? Is that it?

17 PARTICIPANT: I think my view is more
18 toward the law school, graduate school, whatever you
19 call it, attached to the college, after which you
20 take an examination, minimum competence examination,
21 qualifying a member for the profession.

22 CHAIRMAN: As the lawyers do?

23 PARTICIPANT: As the lawyers do.

24 PARTICIPANT: But you say the initial
25 training would be three years. You mean a regular

1 college degree or something?

2 PARTICIPANT: I think it should be
3 coupled is what I am saying -- a broad-base educa-
4 tion, and then a specialized type in the entire
5 waterfront of the profession.

6 PARTICIPANT: I'd like to ask a question
7 either of Ken or Bill. It is really Bill who touched
8 on this; nobody seems to be discussing it. Who is
9 going to develop the curriculum that the CPAs or the
10 profession feels that these students and recruits
11 should have, the professors or the profession, and
12 how are we going to go about it? Bill casually
13 mentioned a curriculum that would be a minimum
14 standard of the profession. Well, there isn't such
15 an animal now, and should we have such an animal?

16 PARTICIPANT: Well, this Common Body
17 of Knowledge study will come up with a recommended
18 curriculum that embraces the recommendation tentative-
19 ly, anyway, of a six-year program of which about 50
20 per cent would be devoted to -- and they have
21 specifically broken it down by years -- the basic
22 things that we consider, history and English and
23 geography and literature; about twelve and one half per
24 cent to accounting and related subjects; about 25
25 per cent, they use the words, to social behavior --

1 that means psychology, I guess, and political science
2 and that type of thing; and about twelve and one half
3 per cent to this mathematics and data processing and
4 that type of thing. And I have to agree with them.
5 It makes a lot of sense to me. Now, how far away we
6 are from that I am not sure, but I think we are head-
7 ing in that direction with the idea that certainly
8 when a fellow gets through with that sort of course,
9 which I would hope would be taught at the University
10 of Kentucky as part of their regular curriculum and
11 so forth, that he would then take his CPA examination
12 in Kentucky or whatever state he wants to practice,
13 and that all states would have those same requirements.

14 PARTICIPANT: I was going to say, who
15 would impose or administer these minimum standards
16 on the various universities? Are the deans and
17 schools automatically going to take this up and say,
18 "All right, this is the minimum?"

19 PARTICIPANT: No.

20 PARTICIPANT: No. I will take a lot
21 of time and cooperation.

22 CHAIRMAN: I think you mentioned earlier
23 that 2 and 3 kind of overlap. Do you agree with that,
24 Jerry?

25 PARTICIPANT: Quite a bit.

1 CHAIRMAN: Let's hear from Jerry, and
2 then you on 3, on, "In the light of the profession's
3 goals and its own conception of the nature and scope
4 of its practice, what type of human input will be
5 needed to make possible achievement of the goals?"

6 Jerry?

7 PARTICIPANT: I guess I should start
8 my comments by saying "quote," and when I get through,
9 end by saying "unquote," because almost everything I
10 was going to say is something that has been said by
11 somebody else.

12 I think, first of all, the sources of
13 information regarding what type of input that we are
14 going to be needing, I think there are going to be
15 several sources, but the major one is going to be
16 the Common Body of Knowledge. This is going to be
17 our standard for the near future, anyway. I think
18 this should be a continuing study, one that would
19 not say, "This is what we need now," and five years
20 from now we will be out of relation with what we
21 really should be. I think another source of informa-
22 tion that we are going to be needing is going to be
23 from feedbacks from the profession. Recently the
24 University of Texas -- they have a fine business
25 school -- prepared a survey from accounting graduates

1 for the past ten years. The questions were, "What
2 do you think you would have needed to better
3 prepare you now and for the future?" And one of the
4 things everyone said was "Data processing," and al-
5 most as much as "Mathematics," for instance.

6 I believe there two sources will be
7 basic to the betterment of the profession: Common
8 Body of Knowledge, and feedback from other members
9 of the profession.

10 I don't think that it is going to be
11 farfetched to suggest that the undergraduate cur-
12 rriculum for training future accountants will concen-
13 trate not on the teaching knowledge and the techniques
14 of accounting -- this we have already discussed --
15 but rather on teaching better methods and techniques
16 for reasoning and judging wisely. I think this is
17 something that many of us lack, is a reasoning
18 ability, being able to take a problem apart and really
19 see what it consists of. These specific techniques
20 and methods in the knowledge of accounting could be
21 handled probably in postgraduate instruction or
22 through programming of job training by the prac-
23 titioner.

24 Not too long ago I saw some figures
25 regarding the professions that the various top high

1 school graduates went into. Now, you probably realize
2 that the cream of the crop is going to the medical
3 profession and to the engineering profession and to
4 the law profession. Accounting received a very,
5 very low percentage of the top high school graduates.
6 Most of the accounting majors came from the middle to
7 the under-middle bracket.

8 Now, I have wanted primarily to con-
9 sider these first three questions together. First of
10 all, how can the desired types of recruits be at-
11 tracted to the profession? And going over on the
12 second page, I'd like to consider the question regard-
13 ing what the profession can attempt to do about re-
14 searching student attitudes and motivation, and how
15 can we better communicate with better students? I
16 want to line up all three of these together, and I
17 am going to be referring to what a lot of other people
18 said.

19 A professor at the University of
20 Washington prepared a study of 183 junior and senior
21 accounting majors regarding their choice of account-
22 ing as a profession. Now, I understand that Beta
23 Alpha Psi, the National Accounting Fraternity, has
24 done this, but I haven't been able to get the results
25 of the study.

1 This is what the students had to say:
2 The number of available employment
3 opportunities helped approximately 80 per cent of
4 them to decide to go into accounting. A large salary
5 potential helped 77 per cent of them make a decision.
6 Parental or social pressure seemed to have no signi-
7 ficance nor did the desire for social prestige of
8 being an accountant. It's really what we can get out
9 of the profession that caused the majority of them
10 to go into it.

11 Other things considered were, what
12 about the influence of high school?

13 You may not be interested in this, but
14 I am, and I am going to give you this information
15 because I think it is pertinent.

16 CHAIRMAN: Very nice.

17 PARTICIPANT: 34 per cent indicated
18 that their high school had a career day, but only 15
19 per cent revealed that they saw an accountant there.
20 76 per cent stated that they did not talk to high
21 school personnel regarding a career. 76 per cent
22 received no guidance regarding a career. Of those
23 that did discuss career opportunities at high school,
24 only 14 per cent were approached about an accounting
25 career. 14 per cent of the 24 per cent that did

1 receive advice. Regarding the influence of college
2 on selecting accounting as a major, 63 per cent had
3 taken elementary accounting before selecting account-
4 ing as a major.

5 Mr. Carey in his book indicated that
6 someone suggested the idea of including the basic
7 accounting course as one of the course subjects of
8 the liberal arts college curriculum. It wouldn't
9 be the basic course as we know it now, not with the
10 necessary techniques, but more or less I would
11 imagine an introduction to the profession, and ac-
12 counting profession.

13 About 40 per cent felt that their
14 college teacher had an influence on their selection.
15 I might say that my college teacher had an influence
16 on my choice of a profession, and I went to college
17 teaching because I was disgusted with a lot of them
18 -- and I think this is worthwhile to take note of,
19 really. We have a lot of teachers who are not con-
20 cerned at all with keeping up with the profession.
21 They are concerned with going to class each day and
22 having the same preparation, and if you go in one
23 semester or four semesters later, you are going to
24 get about the same information you got before, and
25 this is one thing that really made me choose

1 education as a profession.

2 Only 20 per cent selected accounting
3 major before entering college. 25 per cent decided
4 at the freshman level that they would be accounting
5 majors; 36 per cent decided at the sophomore level;
6 and 19 per cent decided during the junior and senior
7 years. And you will be surprised how many juniors
8 and seniors we have switch to accounting. They may
9 have to stay there an extra year. In fact, Ernst
10 & Ernst, you are getting Bob Hall. He started out
11 as an agricultural major and he happened to have an
12 accounting course under me, and he decided to be an
13 accounting major, and he had to take an extra year
14 at Western in order to be an accounting major. But
15 a lot of them don't know really what they want to do
16 when they enter college.

17 Another consideration was the influence
18 of the profession on selecting accounting majors.
19 About 36 per cent stated that personal contact with
20 men in practice helped them in their decision. Now,
21 ten years ago this wouldn't have been so. This leaves
22 a lot to be desired, but I am sure this is a lot
23 greater percentage than it would have been just a
24 few years back.

25 About 55 per cent indicated that they

1 had literature available concerning accounting, and
2 20 per cent believed that this media helped them
3 make a choice. Only four per cent, however, saw any
4 films such as produced by the American Institute.

5 Regarding loans and scholarships and
6 their effect, this was negligible. Only three per
7 cent said that the availability of loans and
8 scholarships played any role in their decision of
9 accounting as a major. After they had considered
10 financing, 40 per cent thought that a loan fund would
11 be more effective in securing accounting majors and
12 60 per cent thought that outright scholarships would
13 be.

14 These are things that students have
15 said affected them in deciding on accounting as a
16 major.

17 Now, what can we do now to attract the
18 better qualified student? First of all I said that
19 I believed the item of greatest importance would be
20 to prepare studies or obtain studies that have
21 already been made regarding the influence to help
22 the present student body to medicine as their career,
23 because medicine is getting the cream of the crop --

24 PARTICIPANT: Money.

25 PARTICIPANT: I don't know if this is

1 it all the time or not. (Continuing) -- and law and
2 engineering as their particular profession. Perhaps
3 we can use some of these influences to our advantage.

4 Our next greatest challenge is from
5 the high school itself. If we do visit high schools,
6 typically we will do it on a career day, one time
7 a year. We need to let our principles be made known
8 to the freshman and the sophomore levels of high
9 school and not to the senior level. By then a lot
10 of the students have already made up their minds as
11 to what their profession will be. In the past, we
12 have been approaching the senior student, and I found
13 this to be true, literature mailed to the high schools
14 usually ends up in the business department or with
15 those taking the shorthand and bookkeeping courses,
16 and a lot of these students, the reason they are
17 taking business courses is because they are not going
18 to be able to go to college.

19 We need to make sure that the student
20 in the mathematics and physical sciences, in English
21 and in the other social sciences, all obtain our
22 literature that will help them to make their deci-
23 sion.

24 We need also to make our approach to
25 the student guidance center. We need to let these

1 people who are counsellors know what the accounting
2 profession is, that it does perform a service for
3 society. We need to explain what we expect in the
4 future, and this is one of our purposes, this is our
5 purpose here.

6 And it could never really do any harm
7 to have these people down to the office and let them
8 really see what happens in a public accounting
9 office. You'd be surprised how impressed college
10 graduates are when they go around to these various
11 accounting firms and get an opportunity to see ac-
12 counting in action. It has changed a lot of students'
13 commitment really to one accounting firm. It has made
14 them decide to go with another accounting firm just
15 because they had the opportunity to go into an office,
16 and they were maybe more impressed with the office
17 than they were with the interviewer. Too many times
18 we rely upon the interviewer, and this might be bad.

19 In this University of Washington study,
20 parental influence on the decision to become an ac-
21 countant was negligible, yet, I think if we would
22 examine the motives of these who have become medical
23 school students, I believe parental influence would
24 be a major consideration, because I think heredity
25 seems to tie in with the medical profession. People

1 who know something about the medical profession like
2 their children to be doctors. I think what we need
3 to do is sell ourselves to the parents. How can we
4 best do this? How can we best place the accounting
5 profession before the eyes of students and parents?
6 I think the major responsibility will rest upon the
7 heads of the practitioners.

8 We have indicated that the practitioner
9 is much more in the news now than he has been in the
10 past and, yet, so many times the members of our
11 profession are afraid to make their opinion known
12 regarding public policies. This is one way, I guess,
13 to get yourself in the news, to give an opinion, or
14 at least to have an opinion and to make it known.
15 More and more CPAs are getting involved in government-
16 al affairs, not only locally but nationally, and
17 really it's nationally where a lot of them are going
18 to attract a lot of attention.

19 A final method in aiding to obtain
20 better students would be by providing financial aid
21 -- although I am not really sold on buying them. I
22 think this would obtain more, it should come from
23 both public and private accounting. This has improved
24 in recent years.

25 I think that probably more financial

1 aid may be channeled off toward the teaching profes-
2 sion and getting better qualified teachers may help
3 the input of accounting students, but also the output.
4 We have noted here that the professors do have an
5 influence on the students in making their decision.

6 Then, regarding these other questions,
7 what should the profession attempt to do about
8 adapting university education to the profession's
9 needs? Committees have been appointed by the
10 American Institute to work with the American
11 Accounting Association and the American Association
12 of Collegiate Schools of Business. Now, the American
13 Association of Collegiate Schools of Business is
14 the accrediting association for schools of business,
15 so I think that the effect of this Common Body of
16 Knowledge study will be shuttled out through these
17 committees. I think it will then go to the American
18 Association and be reviewed there, and they are the
19 ones that can really put pressure on these schools
20 to increase their educational requirements.

21 And there again I think we need to
22 have continuous feedback from the profession indicat-
23 ing what the present and future needs are.

24 Regarding the continuing education
25 facilities, I believe that the professional develop-

1 ment program is a real good start. I think this is
2 something that is going to help out a lot of prac-
3 titioners.

4 I feel again that one area of continu-
5 ing education that is neglected, as wild as this may
6 seem, is in the area of educators. I think at times
7 we are probably some of the most educated -- we may
8 have the book knowledge and, as some of you say,
9 we don't have the practical knowledge, and I would be
10 the first to admit that.

11 I think one thing that we should be
12 concerned with is getting more of the practitioners
13 interested in the activities of the Institute. I
14 think we need to get more practitioners interested
15 in going to these professional programs, because I
16 think that if a survey were made, that probably there
17 is a small percentage that tends to go to most of the
18 professional development programs. This may or may
19 not be true. I don't know.

20 I think that a lot of our high-powered
21 schools -- and there are high-powered schools, you
22 can't deny that -- I think they have already done a
23 lot to update their various faculties and to keep
24 them going and to force them to be up to date in the
25 accounting profession.

1 Regarding the questions on the CPA
2 examination, I don't know whether to mention this or
3 not. We have already hashed this. I believe that
4 in the future it should include problem-solving
5 techniques that will be challenging the mathematical
6 skills of the accountants. There is an increasing
7 need for mathematics not only for the ability to be
8 able to work a mathematics problem, but I think that
9 when people have taken math courses, they learn an
10 orderly process of solving problems.

11 This is one you will probably chop me
12 off for. It will also have to be expanded to in-
13 clude fair testing of management services, data
14 processing, and expanded areas of the attest function,
15 if these areas-- oh, I put this in, I am safe -- if
16 these areas are to be considered a part of the Common
17 Body of Knowledge expected of the new CPA.

18 Finally, what should be done in the
19 area of improving and expanding use of aptitude and
20 selection tests?

21 It said that the trend of the use of
22 tests is an argument for them. More people are using
23 them. However, this Dr. Hoffman up in New York, in
24 an article, said that one million freshmen are being
25 treated unfairly each year. He argues that multiple

1 choice examinations block thought and originality,
2 they penalize bright students while the speedy
3 guesser is being favored.

4 Last year, this past fall, we had
5 this girl in English who was required, according to
6 her test score, to go back and take the high school
7 course that we offer in English, and she made
8 straight A's in high school. And then she went in
9 and talked to one of the professors in English, and
10 he gave her some other tests and she was put in an
11 advanced class. So you can make mistakes.

12 A personal experience here. When I
13 started to the University of Kentucky -- I was
14 definitely a dud when I was in high school, all I
15 wanted out of high school was out, and I took the
16 easiest way out. When I went to U. of K., they gave
17 you all these tests, and when it came to the one on
18 algebra, I just went zip-zip-zip-zip, just put
19 anything down, and almost got put in the advanced
20 algebra class. Scared me half to death. I could
21 barely hold my own in regular college algebra. In
22 fact, one time I went in to see about dropping it,
23 and they went and got my test scores and showed them
24 to me. They said, "If you'd made four points
25 higher, you'd have been put in the advanced algebra

1 class."

2 It's possible these tests do not indi-
3 cate the true person.

4 I thought this was interesting, and I
5 will close with this. In 1957, Peat, Marwick &
6 Mitchell prepared studies of the results of their
7 testing, and there was a definite correlation be-
8 tween the achievement level 2 test and the success
9 of the student or the accountant in the future.
10 An evaluation was made of the persons who took the
11 test -- not all persons were given the test when
12 they became employees, but a lot of them were,
13 and these results were evaluated five and ten years
14 after the tests were taken, and the idea of success
15 was based on salary increment, thinking this would
16 be the most logical way of measuring success.
17 It was interesting to note these things: Had they
18 hired no one under the 50 per cent level on the
19 Achievement 2 test, at the end of ten years they
20 would have eliminated one partner, one management,
21 three supervisors, or a total of 11 per cent of the
22 46 people who had really attained management level.
23 But it is also interesting to note here that they
24 would have also eliminated 60 per cent of those
25 employees who had failed to double their income in
the five-year period of time. They have had, I

1 would say, good luck with this testing.

2 I think we might be able to say, then,
3 in conclusion, that the American Institute at least
4 is on the right track in its testing program, al-
5 though I think that you shouldn't rely entirely upon
6 the testing program. I think that research should
7 be continued in this area to better the test.

8 (Discussion off the record.)

9 CHAIRMAN: Jerry, I want to say we are
10 indebted to you, because you did your homework.
11 That's very nice, and it's nice to have your approach
12 to this, because your background is somewhat differ-
13 ent from most of the rest of us.

14 Joe, let's hear what you have to say.
15 You stand up.

16 PARTICIPANT: Well, I certainly ap-
17 preciate what Jerry had to say, and I am tickled to
18 death to see an educator with us today, because I
19 think this approach without the complete cooperation
20 and the push and support of our colleges and high
21 school educators is really a waste of time. And
22 more than that, I believe -- and I am glad you asked
23 me to talk about this, Gordon, because to me the
24 big thing and our big problem for the future is
25 people, and any long-range plans, unless your first

1 plans deal with the young people today, then you are
2 kidding yourselves. You can forget all these other
3 ten or eleven discussions unless you first consider,
4 and the American Institute first considers the
5 problem of attracting, recruiting, and retention
6 of good students.

7 It is pretty basic, the law of supply
8 and demand, I think, and the supply, as you well know,
9 has been rather limited till now. The demand has
10 been heavy. The Kentucky Society I think has maybe
11 done a little more than the other states in the last
12 few years, because maybe we felt the pinch a little
13 more than some of the other states, but last year
14 we encouraged a group of college professors -- Jerry,
15 your school was represented. The Public Relations
16 Committee met with them, and we convinced them and
17 they convinced us of some things, and that is, if
18 you really want to get this program off the ground,
19 you have to start at the high school level, so we
20 fumbled around a bit, we made an effort to visit most
21 high schools of consequence in the state, and we did;
22 but we found that actually many of the counsellors
23 really didn't understand what we were talking about.
24 They would have us talk to the math class, or they
25 might say, "This fellow is a real good bookkeeper, he

1 is going to come out and talk to the bookkeeping
2 class." So we learned last year.

3 This year, we had a meeting with
4 practically all of the high school guidance counsel-
5 lors in the City of Louisville and in Jefferson
6 County. We had a speaker from public accounting,
7 private accounting, an educator, and a fellow from
8 governmental accounting. We talked to the high
9 school guidance counsellors, trying to sell them
10 a little bit on what public accounting and other
11 phases of accounting consisted of.

12 And I think this year also, primarily
13 through the efforts of some of the fellows at
14 Bellarmine that sat in with us last year, we have
15 introduced elementary accounting in the senior class
16 in high school, and as you said, Jerry, I think many
17 times they think, "Well, gee, this fellow can't
18 pass English or algebra, he is not a good student,
19 we will give him bookkeeping."

20 The way they have introduced it, at
21 least in the parochial high schools in Jefferson
22 County, is on the basis that, "If you are a real top
23 student yar senior year, we will let you take
24 elementary accounting," and it's too early to know
25 the results, but I would rather suspect that this is

1 going to be a trend in the field of education, and
2 I would hope that five or six or seven years from
3 now we will begin to see some of the fruits of these
4 efforts, and I am personally convinced it is a good
5 approach. Some discussion is made in Mr. Carey's
6 book about the possibility of introducing some
7 accounting courses to non-accounting students in
8 college. That certainly has appealed to me, because
9 I believe that accounting is the sort of thing you
10 don't have to study forever to know whether you like
11 it or not. I believe that a student can take one or
12 two semesters of accounting and pretty well determine
13 whether or not he has an aptitude to beginning to
14 start to learn something about it, and if it is
15 distasteful to him, he quickly senses that it is
16 distasteful to him. So I think there is some real
17 merit myself in the possibility of having non-
18 accounting students in college take at least one or
19 two accounting courses.

20 I went to Wharton Graduate School,
21 which is a two-year general business course, but they
22 had a requirement in their undergraduate school that
23 a student take some accounting even if he had made
24 up his mind he wanted to go into marketing or into
25 insurance or foreign relations -- he still took one

1 or two courses in accounting. I believe, Marty,
2 you were there about ten years later, or about 20
3 years after me. But it was a real good thing as far
4 as I am concerned.

5 I think to attract these fellows and
6 to get this idea across that accounting is more than
7 bookkeeping, you have to admit that there is a
8 certain -- we are all human beings. We strive for
9 social acceptance whether we admit it or not, and
10 that doesn't mean that we are trying to be blue-
11 bloods, or that we are snobbish, but every human
12 tries for social acceptance, and the facts are that
13 the field of accounting and public accounting has not
14 been on that social strata as that doctor, Jerry, or
15 that attorney. It is going to take us some time to
16 get it there. I think we are making progress in that
17 area. I think most of us came from what I would call
18 middle income or lower income families. I think some
19 of the younger fellows coming into our profession
20 today, occasionally we will hire a banker's son now,
21 and we have hired a lawyer's son. I think we are
22 going to get over that problem, and I think that is
23 wonderful. It is going to help us, it is going to
24 help the profession throughout the country to get
25 into this social acceptance category that we are

1 striving for.

2 I would hope that some of your teach-
3 ing techniques, Jerry, would incorporate this idea
4 of the language-of-business approach to accounting,
5 the fact that really, accounting is understanding
6 the basic business economics of today, that you
7 can't be a good accountant unless you really under-
8 stand what is going on in the world, what is going
9 on in the field of money and banking and finance,
10 and the Federal Reserve System, and many of the
11 other things that we don't directly relate to ac-
12 counting, but certainly a fellow has to understand
13 to be a competent accountant.

14 We mentioned briefly -- I believe you
15 raised the question, Charles -- what should this
16 curriculum be, and how is it going to be developed?
17 Well now, that's tough. The Common Body of Knowledge
18 study which the American Institute is making now, I
19 think will come up with some real good ideas and,
20 Gordon, I suspect you are closer to that than a lot
21 of us, and I'd be interested in what you think they
22 are going to do and when they are going to do it.

23 I know the American Institute put up
24 \$50,000 along with the Carnegie Foundation, and they
25 have employed a dean of an engineering school from

1 Johns Hopkins University, I think, to work with the
2 CPA educators to develop this program, and I am sure
3 their first answers won't be the best answers, maybe,
4 but at least it's an approach. And from there, it's
5 going to take the support of all of our firms and
6 all of the educators to really get this thing roll-
7 ing.

8 I would be interested in knowing --
9 for instance, to make it more specific, I think we
10 have a lot of work to do out at the University of
11 Louisville, for instance, in trying to develop a
12 better business school. How many of you fellows have
13 employed a student from the University of Louisville,
14 say, in the last two years?

15 (Hands were raised.)

16 PARTICIPANT: How many, Ken?

17 PARTICIPANT: Three, I guess. Three
18 or four.

19 PARTICIPANT: Maybe you are getting
20 them all. How about you, Marty?

21 PARTICIPANT: We got one.

22 PARTICIPANT: We haven't, and we have
23 really tried. We have several fellows on our staff
24 that are U. of L. graduates, and we stick pretty
25 close to them, and the fellows that we have are real

1 good students. Leroy Gardner, for instance, is a
2 U. of L. graduate, and he got the DeSales Award
3 when he took the CPA examination, so he is bound to
4 have the background, but in recent years I don't
5 believe they have stayed competitive with Kentucky,
6 Western, and the other schools -- Bellarmine, for
7 instance. We fuss about it. Some of the business
8 men say, "Why don't you do something about it? This
9 is a business community. We should have a good,
10 strong business college at the University of
11 Louisville."

12 So, for a directive, since I am moving
13 to Cleveland, I will leave a more specific assign-
14 ment with the Kentucky Society, and that is, as far
15 as I am concerned, you should strive to develop
16 stronger accounting schools in some of these colleges.
17 A lot of them have made good progress. We have
18 talked to the trustees of Georgetown and Transylvania
19 and some of the colleges that belong to the Kentucky
20 independent group, and I think they may be a few
21 years away, but they are beginning to see the light.

22 The new school here-- I believe,
23 Gordon, you are trustee, aren't you -- at the
24 Baptist, Southern Baptist College. I don't know.
25 Do they have accounting yet? Do they plan it?

1 CHAIRMAN: They have some courses,
2 yes.

3 PARTICIPANT: So it is beginning at
4 least to be an accepted part of the liberal arts
5 colleges, subjects that are offered to the students.

6 Mr. Carey touches on the subject of
7 these recruiting films and recruiting literatures,
8 and also on the subject that in many instances those
9 are probably distasteful to many students, simply
10 because they are prepared by the older members of our
11 profession -- by "older," I'd say fellows 35 and up
12 -- rather than the fellows in the 25-to-30 category
13 that really are more attuned to what a college student
14 is interested in, and a few of us that have seen the
15 American Institute film, the older ones, I don't
16 think we have been delighted with it. As a matter
17 of fact, I think we have been a little embarrassed
18 by it, and I think the reason is because we have got
19 fellows that are 50 and 60 years of age maybe decid-
20 ing what ought to be in that film.

21 It may be that same thing is true with
22 the recruiting pamphlets that my firm issues, and
23 many of the other firms issue. I am not sure it is
24 attuned to what would really attract that young
25 fellow that is thinking about coming into accounting.

1 Obviously by then it is almost too late anyway, if
2 you are talking to him when he is going to graduate
3 in June and this is in November or March of the
4 preceding year.

5 I don't think we can talk about
6 recruiting without talking about salaries, and I
7 think one thing you have to realize is, we are com-
8 peting not only in Kentucky with other Kentucky firms,
9 but we are competing with CPAs and firms throughout
10 the country, and we are certainly competing with
11 private industry.

12 Private industry has been asleep,
13 really, for several years, and I think that is
14 fortunate, but in the last few years your larger
15 companies that can certainly afford to outbid us if
16 they want to, are beginning to realize that public
17 accounting has attracted most of the good accounting
18 students. They are not happy about it, and they are
19 going to start working to prevent us from doing that.

20 I happen to have the College Placement
21 Council Survey which is dated January 1, 1966. It
22 says the average salary offered accounting students
23 from September through December of 1965, for the
24 student getting a B.S. degree, it was \$563 average;
25 for the student getting the Master Degree, about

1 \$695 average. Now, that's an average from, of course,
2 Harvard Business School to maybe the weakest graduate
3 school in the country, but it is still an average
4 that you have to face and live with if you are going
5 to compete with these people that are seeking the
6 same people that we are seeking for our profession.

7 Someone mentioned the CPA examination
8 -- that was part of Ken's talk. I for one would like
9 to see us eliminate this two-year requirement and
10 strive toward better educated boys that can take it
11 as soon as they get out, maybe a year or so before
12 they actually get their certificate, but I suspect
13 that Ken is losing some good students to surrounding
14 states simply because the boys can go to other states
15 and take the CPA exam immediately. I don't guess --
16 and I may not be in tune with it, either, but I
17 don't think that the fellow is disturbed because he
18 doesn't actually get the certificate for a year or so.
19 That doesn't mean as much to him; but he'd like to
20 get that exam behind him so he can concentrate on
21 other things, and it would be helpful to us in re-
22 cruiting if he had it behind him. Maybe that would
23 save us the problem of having a fellow around three
24 or four years that hadn't passed the exam yet, and
25 you wonder why.

1 This matter of testing, I think leaves
2 a lot to be desired, Jerry, and I know you will
3 agree with me about it. Our firm has gone from one
4 end of the spectrum to the other. I can remember five
5 or six years ago we gave them every test you could
6 give them, and then we began to find out they just
7 took it the day before that over in Gordon's office,
8 and the day before that over in Ken's office, and
9 they were pretty adept at it before they got to our
10 office.

11 I think that the aptitude test at the
12 high school level is certainly above my ability to
13 analyze, but it must be good. It must help the
14 student determine what fields they should think
15 about getting into. But as far as the recruiting
16 aid, other than this Achievement Level 2, and maybe
17 a few basic I.Q. tests to tell you that you don't
18 have a real nut or a genius, then, I am sort of
19 neutral on testing as part of a recruiting program,
20 and I think a lot of young men resent it.

21 Mr. Carey's book -- and it amused me --
22 started out by saying, "Personal interviews are
23 notoriously unreliable," and I suspect that's right,
24 too. I think these fellows -- here again, they get
25 rather adept at talking with you when they come in

1 the office, and if they have been to three or four
2 other fellows they begin to think they know what
3 you want to hear and they are going to tell it to
4 you; or else you might find yourself spending the
5 whole half-hour talking to them and at the end,
6 because they are a good listener, you think they
7 are pretty smart, and that can catch you, too.

8 In the area of curricula, I will drop
9 back to that in just a second, but the Common Body
10 of Knowledge study does indicate there are a few
11 things they think are a waste of time at the college
12 level. One of them is auditing and the other is
13 income tax. I am glad they thought that, because
14 that is exactly what I thought when I graduated some
15 15 years ago. I really studied hard, got pretty good
16 grades, but I felt I really wasted my time in audit-
17 ing and income taxes. It seemed to me that those
18 particular subjects I could have spent some time on
19 other things a lot more profitably.

20 Does anybody else agree with that or
21 disagree with that?

22 PARTICIPANT: I agree.

23 PARTICIPANT: I agree.

24 PARTICIPANT: A hundred per cent.

25 PARTICIPANT: That's good. You all

1 are smart fellows.

2 PARTICIPANT: Could I ask a question
3 right now? How do you reconcile the examination
4 immediately after graduation if they haven't had a
5 course of auditing?

6 PARTICIPANT: Well, I think maybe the
7 examination should be changed, and I think the Common
8 Body of Knowledge might come up with the idea that
9 the CPA examination -- this idea of the four divisions
10 in the CPA examination lasting two and a half days,
11 that's gone on for a long time and probably is a
12 little antiquish. The examination may not be geared to
13 what the fellow should be learning in college today.

14 PARTICIPANT: I think the exam is
15 geared toward the man that has practiced a good
16 many years, and now we are trying to find out if he
17 is really qualified to practice, and not whether
18 or not he is educated.

19 PARTICIPANT: And not whether he is
20 educated, that's right.

21 PARTICIPANT: I think the auditing and
22 income tax course in college as we know it today is
23 a pure waste of time, but I think there is probably
24 in the real profession there is a place for that
25 course dealing with theories of income taxes and the

1 methods of research and the auditing standards in
2 those and not the techniques. In our courses today,
3 most of them in the higher schools and the ones I
4 have taught have been involved in techniques and not
5 in principles.

6 PARTICIPANT: It may depend on the
7 faculty, but particularly income taxes, to me, it
8 was so farfetched to be talking about corporate
9 reorganizations, and when we took an examination,
10 we could use our textbook, but it was a matter of
11 memory. I remember going to the library and just
12 memorizing a lot of stuff, and it didn't mean any-
13 thing to me, and of course I still have trouble with
14 it.

15 Well, in conclusion I think once we
16 get them, another big problem is retention. Assum-
17 ing we have spent a lot of money to recruit them --
18 I was a little surprised, and I think our firm is
19 not on the high side, it might be on the low side,
20 but we employed last year, the number is not im-
21 portant, but say five or six hundred men in the
22 country, and we guess conservatively that it cost
23 us more than \$2,000 per man to employ him, and that
24 is to get him in the front door. That's not train-
25 ing him, that's not the first day's training, that's

1 just to employ him. And we have got some fairly
2 good fellows around the country thinking about this
3 and doing it maybe on sort of a mass-production
4 basis.

5 I would guess if it's costing us that
6 much, I would guess it's costing the medium-sized
7 and smaller firms just as much. They may not know
8 it, but I believe it is. So if it does cost us that
9 much just to get him, and a lot more than that to
10 train him through the years -- four or five, six,
11 seven years, and he is worth keeping, then we have
12 got to make a lot of effort to retain that man for
13 our profession.

14 And we have lost a lot of good men
15 from our profession, as you well know, and all you
16 have to do is look around you at the CPAs of
17 Kentucky and some of the stature they have gained.

18 Well, in conclusion, I would have
19 to say we have a lot of room for improvement in
20 practically all areas. I am in real sympathy with
21 the approach the American Institute is taking. It's
22 only making a beginning, but it's going to come to
23 some real good things for us, maybe in five years,
24 maybe in ten years; and I would like to see the long-
25 range program formulated to provide for some
specific requirements and leadership for the various

1 State Societies and State Boards and the field of
2 education, Jerry, particularly, because without
3 your support and help it is going to be a tough
4 row to hoe.

5 Thank you, Mr. Ford. I didn't mean
6 to make a speech, but I talk better standing up.

7 CHAIRMAN: We are indebted to you and
8 thank you very much. It was very nice.

9 Art, have you something to say?

10 PARTICIPANT: He has touched on some
11 subjects that are near and dear to my heart.

12 CHAIRMAN: That's great. That's great.
13 That's what we have got to do is to start these
14 things off and hit some sensitive areas and maybe
15 get some response from others. Now, let's get
16 response, now.

17 PARTICIPANT: This recruiting has been
18 a real problem, when you got a small firm like ours
19 out bumping heads not only with Yeager, Ford, and
20 Humphrey Robinson, but with Ernst & Ernst, the
21 Lybrands, and all the others, it's pretty tough,
22 let me tell you. But as far as attracting people to
23 the profession, I don't know who said that -- the
24 demand is over? Have you been out this year looking
25 for people? We don't have anybody yet.

1 PARTICIPANT: I didn't say --

2 CHAIRMAN: That the shortage of people
3 was over.

4 PARTICIPANT: I thought you commented
5 on that.

6 PARTICIPANT: I don't believe I said
7 that. I didn't mean to say that.

8 CHAIRMAN: I don't think anybody said
9 that, Art. If they did, I didn't hear it.

10 PARTICIPANT: He said that up to now
11 the demand has been greater than the supply.

12 CHAIRMAN: Yes.

13 PARTICIPANT: And I feel that it will
14 continue.

15 PARTICIPANT: I feel the major thing
16 that has to be done to attract people -- and I am
17 going to get to this, at what level you want to
18 attract them, too, and I don't care what other
19 conclusion has been reached, but as to upgrade the
20 current practitioners -- now, again, we probably
21 compete with some people that you do not. You know,
22 we are all friends, but nevertheless, there is
23 competition also, and substandard work along with
24 substandard fees that go along with substandard
25 work, even though they might be getting a good fat

1 per diem, they are not doing the work which we
2 consider necessary and which I think any reputable
3 accounting firm would consider necessary, then you
4 are out of the ball park -- you are charging two or
5 three or four times the fee. And we are prohibited
6 by ethics from saying, at least I feel we are,
7 from saying what we might think about these other
8 people. We always say, "They are good, nice fellows,
9 they are nice people, it's been nice knowing you."

10 So really, this is education of our
11 own people to upgrade their fees so we can afford
12 this \$563 to \$595 a month.

13 Now, that's first.

14 Second is attracting the high school
15 student. I am violently opposed to this. I for
16 one was one of those who changed after my senior
17 year and got an extra year of college to go into
18 accounting and, as a matter of fact, I even went so
19 far to take the exam to get into medical school,
20 passed it, and then didn't go. So it was because I
21 hadn't grown up yet. It was still glamorous, you
22 know, to be a doctor.

23 I think the high school student --
24 I have a son who is a junior in high school; he no
25 more knows what he is going to do ten years from now

1 than anything, and to talk to him is a complete
2 waste of time and money. And his friends.

3 CHAIRMAN: If he were exposed, maybe
4 not in junior high school, but if at some point these
5 people are exposed to just one course in accounting
6 to get some idea what it might be like, don't you
7 think that back in their minds it might be helpful
8 as a background to deciding at some time in the
9 future?

10 PARTICIPANT: Well, I am sort of for a
11 good course in accounting.

12 And before I shut up, I want to get my
13 licks in at Jerry who is sitting here, about these
14 courses in school, and I am going to relate a little
15 experience, because I feel -- and I liked the audit-
16 ing course, incidentally -- I had a three-hour course
17 and I thought it was worthwhile, because most of it --
18 you and I were in this together, wasn't it two
19 sections, two semesters? Anyway, most of it was in
20 ethics, but I thought past the first three sections
21 in accounting, the rest of it was a waste of time.
22 You spent most of your time doing, you know, what
23 do you call them? Work sets, whatever you call them,
24 for hours and hours and hours.

25 There are only two times in my life I

1 ever really got angry, and one of them was right
2 after I went to work for Gordon, and I didn't get
3 mad at Gordon, I got mad at the University of
4 Kentucky accounting school. They follow the prac-
5 tice over there of totaling each page of a trial
6 balance, and when I saw that, all these years in
7 college, you know, you add up about ten pages of
8 running totals, so if you make a mistake on the
9 second page, you have to correct every page after
10 that, and if I could have thought of the hours I
11 would have saved by just totaling each page! And I
12 got so mad I had to get up and leave work for a while.

13 I never told Gordon that, but this is
14 typical of the accounting courses in college. I
15 didn't learn anything in it.

16 Anyway, Jerry, that's my licks. I don't
17 know what you can do about it, but I have been saving
18 that for years.

19 PARTICIPANT: Of course, that's been a
20 long time ago. We don't have practice sets any more
21 at Western.

22 PARTICIPANT: They have practice sets
23 at Bellarmine.

24 PARTICIPANT: At Western we have
25 eliminated ours.

1 CHAIRMAN: This seminar is worthwhile,
2 because this lets Art get this off his chest.

3 PARTICIPANT: I feel that in attracting
4 students I agree that the senior college student is
5 too late, but I think the sophomore and junior
6 years are about where you catch them, and I think
7 anything much prior to that you are wasting your
8 time.

9 CHAIRMAN: Larry?

10 PARTICIPANT: I was very much interested
11 in Joe's comments on the course in college on income
12 tax, partly because I happened to be trying to teach
13 that course out at U. of L. last year, for the only
14 reason that they were stuck without someone, they
15 didn't have anybody left, and at the last minute I
16 was all they could get.

17 But aside from that, I think that when
18 I was in school I felt that was one of the few courses
19 I could really get into something on, and I thought
20 it was a good one and, personally, it seems to me
21 that you have to have something like that as a
22 starting point. That's a very difficult thing to
23 start into on the elementary level. What were you
24 proposing in lieu of what we are doing?

25 PARTICIPANT: Well, it's not original

1 with me; I was pleased to read it, though, in the
2 preliminary reports of this committee study. They
3 are suggesting that there are many other courses
4 that they think a student could better spend his
5 time on than those two particular courses, and it
6 happened to strike me the same way. I had income
7 tax courses in undergraduate school and then in
8 graduate school, and I really can say I learned al-
9 most nothing, and presumably had fairly good in-
10 structors.

11 CHAIRMAN: Are you talking about the
12 Common Body Committee?

13 PARTICIPANT: Right. What we do now,
14 we use the Prentice Hall textbook. Bob Lee has about
15 a six-weeks, seven-weeks staff training course with
16 the Prentice Hall book, and these are on fellows that
17 have been with us one or two years and they have a
18 hell of a lot of trouble with it after having prepared
19 tax returns, individual and corporate returns.

20 PARTICIPANT: It's a good time to know
21 something about it.

22 PARTICIPANT: That's right, and I
23 gather if they are having trouble with it, your
24 students may be memorizing it and getting the right
25 answers.

1 PARTICIPANT: That's how I got through
2 college.

3 PARTICIPANT: You made that statement
4 before.

5 PARTICIPANT: I did pretty good at it,
6 too.

7 PARTICIPANT: There has been one thing
8 mentioned by a couple people, I wonder if we could
9 delve into it a little further, because we might
10 be called upon to make a decision in this area.

11 The idea of giving the certified public
12 accountant examination -- an opportunity to sit for
13 it shortly after leaving college before having your
14 practical experience, two people have said this is
15 a good idea here today. It's something that is
16 facing the profession right now in Kentucky. Could
17 we spend five minutes getting some reactions on the
18 subject?

19 CHAIRMAN: Sure.

20 PARTICIPANT: I have had this opinion
21 for many years.

22 CHAIRMAN: I have been against it from
23 one standpoint, that if we are going to require the
24 experience before they can get their certificate to
25 practice, it's mighty poor logic, or you are not
in a position to put up much of an argument to the

1 State Legislators and others that if they can pass
2 the exam, why wait two years to give them the
3 certificate? After all, you have put up the test and
4 they passed it, so what else can you do?

5 PARTICIPANT: Isn't that academic,
6 though, Gordon?

7 CHAIRMAN: Perhaps. I just kind of
8 had this idea all my life and I haven't changed.

9 PARTICIPANT: Even if you gave him the
10 certificate the day after he graduated, so what? He
11 is not going to mislead any creditors or bankers
12 right off the bat, I don't believe. I don't think he
13 is going to be any particular problem to the profes-
14 sion as far as lack of competence is concerned, and
15 he is probably not even going to try to go into
16 practice for himself.

17 CHAIRMAN: It takes clients to do that.

18 PARTICIPANT: If the law is not in the
19 public interest, then it's just in the interest of
20 the profession; so if you are going to permit him
21 to practice immediately after passing the examina-
22 tion without waiting until he has established some
23 competence in the area of public practice, then you
24 are not protecting the public. I believe you would
25 have a problem there.

1 PARTICIPANT: I don't believe you have
2 a problem with the public.

3 PARTICIPANT: I think two years of
4 automatic deferral does not necessarily bring
5 competence to the man, and you give no test at all
6 to determine whether or not he has it.

7 CHAIRMAN: This is a test that I think
8 the Board of Examiners of the Institute, and I am
9 not sure about this, but I am under the impression
10 that the Board of Examiners has recommended this
11 approach.

12 PARTICIPANT: Which approach?

13 CHAIRMAN: To let the candidates take
14 the exam after college instead of waiting for the
15 experience.

16 PARTICIPANT: They are attempting to
17 get uniformity of thinking on that. It hasn't been --

18 CHAIRMAN: It hasn't been done?

19 PARTICIPANT: No. There is a certain
20 segment studying it and recommending it.

21 PARTICIPANT: Based on just four years
22 of college as it stands now?

23 CHAIRMAN: Yes.

24 PARTICIPANT: Major in accounting.

25 PARTICIPANT: I think in addition to the

1 two-year waiting time, I think so many students are
2 faced, as I was, with military duty that comes before
3 the time of sitting for the examination, so you have
4 maybe four years' waiting time, so it puts you at a
5 disadvantage.

6 CHAIRMAN: Nolen?

7 PARTICIPANT: Some of the thinking
8 back of this -- I guess it would be all right to give
9 a few pros -- is that, go ahead and admit it's an
10 academic test and puts a little more pressure on the
11 school, but still at the same time, say that the real
12 important thing for the man going out in practice is
13 that he has got this two years' experience, and really
14 put the pressure on that two years' experience being
15 experience with a certified public accountant and not
16 this fringe stuff that we have, Revenue Department,
17 and this, that, and the other, but put it on, if
18 they are going to have a license to practice, they
19 will have to have two full years of experience with a
20 certified public accountant and go ahead and admit
21 the examination is an academic examination, which I
22 discovered that it is after many years.

23 CHAIRMAN: Also, I think it also depends
24 whether or not this individual who passes goes with
25 a firm where he has some supervision, or whether he

1 would just open up his own office, which happens.
2 In law, sometimes, I mean, they pass the exam and
3 they start practicing law, don't they?

4 PARTICIPANT: They have been in school
5 at least seven years, though. That's the rub in the
6 whole thing.

7 PARTICIPANT: Do you all think it's
8 practical, to get to this point that I'd like to see
9 us get to maybe 20 years from now, and that is a
10 six years' training program for the young man and
11 then the --

12 CHAIRMAN: You mean college?

13 PARTICIPANT: Yes. Six years of
14 college.

15 CHAIRMAN: I think that's coming, and
16 I think we are all generally for it, and I would
17 certainly anticipate that myself.

18 PARTICIPANT: If that's coming, then
19 I think very definitely you are going to see your
20 CPA examination come at the end of the training
21 period.

22 CHAIRMAN: Up until now, actually,
23 up until fairly recently, the requirement of being
24 a CPA was a high school education and two or three
25 years' experience.

1 PARTICIPANT: Six years' experience as
2 a high school graduate.

3 CHAIRMAN: As it is now, since 1946,
4 but I mean up until -- time is passing. That's 20
5 years ago now, but up until 20 years ago that was the
6 basic thought. It's only been 20 years in Kentucky
7 that a college education was mentioned in the law.

8 PARTICIPANT: That's when the skill of
9 bookkeeping, write-up type of thing, was more im-
10 portant than our management services and those areas
11 today.

12 CHAIRMAN: It was actually an outgrowth,
13 I believe, of the -- well, it kind of originated in
14 Scotland, came on down to England, and they still do
15 it, they still have a clerkship, an apprenticeship,
16 and you used to have to pay them, to study under
17 Art Hendrickson in Scotland. And that's true today.
18 They take some correspondence courses intermittently,
19 pass them periodically, but it still takes a number
20 of years for them to get it.

21 I had a letter just very recently from
22 the Charter of Accountants in Canada. Their concern
23 was that in 1970 they are going to a formal college
24 degree as a requirement for entrance into the profes-
25 sion. In the meantime, they will have a lag of

1 several years between the time these apprentices
2 who have been coming in with correspondence school
3 courses behind them, and maybe business school train-
4 ing of maybe a year, two years, without a degree,
5 there will be a lag between the time that they now
6 qualify and the time that they will qualify after-
7 wards, and they are concerned that there will be
8 nobody to employ, to supply the needs for staff
9 personnel; and they wondered if, in the various
10 states -- and I think they wrote to all of them --
11 had had that type of problem or anticipated it with
12 a six-year course, let's say.

13 Joe?

14 PARTICIPANT: I am wondering, this idea
15 about the six-year course, too -- we were comparing
16 our profession some time ago with the medical profes-
17 sion and admiring them for their control of intern-
18 ship and the control of the curricula by the American
19 Medical Association. Now we have turned around
20 again and said we want to eliminate any practical
21 experience or any internship on the part of a
22 potential CPA from the program and let it just come
23 as an academic thing.

24 I'd like to hear some more opinions.
25 How does this gel together? How can we have both?

1 Maybe we still need the internship program, but
2 let it be a part of the educational program.

3 PARTICIPANT: I think, Charlie, what
4 Joe was inferring was that you would give the
5 examination, and you would issue, say, a certificate
6 of examination, but you would not give that man a
7 license to practice or to hold himself out until
8 after he had had this qualifying experience.

9 PARTICIPANT: That wouldn't be true
10 if you went to this six-year program, Bill.

11 PARTICIPANT: When I think of the six-
12 year period, I think of something more toward the
13 moot court idea in the latter stages of formal educa-
14 tion where the man does get a little exposure to the
15 profession as an operator and a little less of actual
16 internship training. But this takes very close
17 cooperation between the educators and the profession
18 in order to develop this man to the degree that he
19 is qualified to take the examination or to enter the
20 profession.

21 PARTICIPANT: I think there are many
22 accounting firms that are going to have to throw
23 their doors open to part-time personnel, maybe just
24 plain old students, to spend some time in their
25 offices and learn there as well as in the college

1 classroom.

2 CHAIRMAN: Are we pretty well agreed,
3 or are we, that more than just a B.S. degree in the
4 future should be and is likely to be required?

5 PARTICIPANT: I think that's a starting
6 point.

7 CHAIRMAN: It seems to me that we are
8 all more or less in agreement with that, and that's
9 pleasing to me. In 1933 when our firm started, this
10 thought of even requiring a college education was
11 unusual; and I have had a lot of the oldtimers say
12 to me -- well, in fact, perhaps I shouldn't mention
13 this, but Bill Cotton, Nolen's partner, who didn't
14 go to college; there are a lot of people, they were
15 just against that thought of perhaps being a college
16 graduate, and I heard him say and others, for instance,
17 that these boys out of college, they didn't know any-
18 thing, and to require people entering the profession
19 to be college graduates eliminated a lot of good
20 possibilities of people that would --. I don't
21 agree with that, but I am just pointing out the think-
22 ing that in a fairly -- I think a fairly few years,
23 anyway, that here we come down today and all of us
24 here are pretty well agreed that six years, or a
25 graduate degree should be the requirement to enter the

1 profession when only 3- years ago and less really,
2 there are people had a decidedly different attitude.

3 PARTICIPANT: In the discussion of the
4 Common Body of Knowledge by Dr. Roy down at Dallas
5 in the spring, there were some educators there who
6 definitely were against the six-year program. They
7 said it can be done in four years. I don't know
8 whether this is the speed-up method of education or
9 not. I'd like to hear Jerry's comment.

10 PARTICIPANT: I don't think you can if
11 you are going to have the broad background that seems
12 to be desired. I would like to make this comment.
13 In several schools it's impossible now to get a
14 degree in accounting with less than five years.
15 One example is the University of Florida, you cannot
16 get a four-year accounting degree any more; and
17 there are several others. I can't recall them right
18 now, but if you want this broad background, I have
19 been sitting here questioning myself if you have a
20 three-year Arts and Science curriculum -- I don't
21 see how the University of Florida does it in five
22 years -- I think six years would just about be a
23 necessity, rather than going the other way on the
24 thing.

25 CHAIRMAN: Martin?

1 PARTICIPANT: Something at this point
2 I think is basic to what we are considering, and
3 Carey pointed that out in his book, is that many
4 prospects for the profession now, and many people
5 who come into the profession have chosen it because
6 it is one of the few professional status groups
7 that someone could get into at the age of 20 years
8 old, say, and could earn an income and support a
9 family while he is learning, income increasing,
10 and become a true member of the profession, and by
11 increasing the standards we then put ourselves more
12 on the par of law and medicine, and that decision
13 is thrown out the window.

14 Now, I think that you necessarily will
15 lose that group of people who are choosing the
16 profession based on the fact that they have to pick
17 a profession that will give them as much income as
18 they can get right away.

19 Then you get to the point of what is
20 going to happen then to the profession itself. We
21 will cover that more later on, but you give them
22 six years of education, you don't give them auditing
23 or tax in this school, or you make them pick this
24 up on on-the-job training or development within
25 the firm, so then you put the demands on everybody

1 in the profession to pay top rates for these people.

2 Now, obviously this is going to be
3 integrated and slow, and there is just the fact, and
4 we will talk about fees and structures later on. It
5 has to be put in that you will have no small account-
6 ants, and that everyone will, in effect, who has gotten
7 his Master's Degree will have to migrate to a larger
8 firm, one that can pay the fees that are commensurate,
9 or the salaries that are commensurate with a man who
10 is 24 and 25 years old, who has spent six or seven
11 years in college, and who then in turn can afford to
12 train them further in the certain areas that they
13 haven't gotten the education in college.

14 CHAIRMAN: Nolen?

15 PARTICIPANT: This really hasn't proved
16 true in the legal profession, has it? I don't know.

17 PARTICIPANT: That is a status thing
18 there, too, I think. I think that's the whole key
19 to it, too. Many people go to law because of the
20 reputation, the status behind it, and they are will-
21 ing, they know they are not going to earn even a
22 decent income until they are 30 years old.

23 PARTICIPANT: That's changed a lot.
24 They are paying pretty good.

25 PARTICIPANT: Not too much. I am close

1 to that, and I know the problems -- I went to night
2 school, I know the fellows who had families who were
3 25, 28, 30 years old, 35 years old, some of them,
4 the majority of these fellows could not get jobs
5 that would pay them any decent salary when they got
6 out of school. So this may be more true now than it
7 was before. But there is a status of the profession
8 involved, Nolen, and I don't think that it's going to
9 be many, many years to come before the CPAs can put
10 themselves in that status and say, "O.K., we are on
11 the par with law now, and we don't have to worry
12 about status to attract people," and the glory --
13 maybe "glory" is not the word, but the color of the
14 profession -- law is a more colorful profession, I
15 think.

16 CHAIRMAN: Charlie?

17 PARTICIPANT: I just want to agree
18 emphatically with Martin. I think he brought out a
19 very good point, and to point out further, we are
20 working a little bit at cross purposes here. In the
21 first part of the afternoon we discussed increasing
22 the service of the CPA. Everyone here I think will
23 agree that they are overworked or feel they are over-
24 worked now, and probably do not have enough time to
25 devote to research, thinking, and planning ahead as

1 they would like to do.

2 At the same time we come along and we
3 are trying to raise our educational standards and say
4 that they have to go to school for six years. This
5 is going to, I believe, in many ways, cut down on the
6 number of recruits, the people who are coming into
7 the profession. So this is a very difficult problem.

8 I have no answer for it, but here we
9 are working in two different directions, trying to
10 increase our services, get more people, yet restrict
11 by high standards the people coming into the profes-
12 sion.

13 CHAIRMAN: Nolen?

14 PARTICIPANT: Let me ask this question.
15 Are they really at cross purposes? The expansion
16 of our professional opportunities to serve will
17 depend wholly on the caliber of people we get into
18 the profession, not by the number of people we bring
19 in, and as we upgrade the caliber, even though we
20 might lose some of these of lesser ability, there is
21 where our opportunity to serve will come from, by hav-
22 ing the good men and not the number.

23 PARTICIPANT: I agree. I think one
24 logical conclusion is going to be that we will have
25 more non-CPAs -- or, if we don't want to use the term

1 CPA, we will have more people that don't necessarily
2 meet the educational requirements or get their degree
3 or get this title, whatever it is, assisting us in
4 the profession like the doctors have nurses, they have
5 pharmacists. We are going to have to have similar
6 kinds of people. We are going to have to have
7 registered bookkeepers, we are going to have to have
8 registered technicians of all levels.

9 PARTICIPANT: Let's don't call them
10 registered.

11 PARTICIPANT: I don't think we are alone
12 in our discussion regarding a five or six-year program.
13 Other professions are doing this now. Engineering,
14 for instance, is doing this, and we can look at --
15 well, architecture, for instance, it takes a five-year
16 program now. Pharmacy at a minimum is five years.
17 So I think that not only are we concerned with upgrad-
18 ing, but so are these others, so I question whether
19 or not we are going to eliminate too many people.

20 CHAIRMAN: Harry?

21 PARTICIPANT: My question, too, is
22 whether or not we would lose very many people coming
23 into the profession by upgrading it. It seems to me
24 that we might attract more people, especially the bet-
25 ter students.

1 PARTICIPANT: Do you think we would
2 attract more if we gave the examination immediately
3 after they get their baccalaureate degree?

4 PARTICIPANT: You'd attract more to
5 Kentucky. I don't believe you'd attract more in the
6 United States, but I think you are losing some boys
7 out of Kentucky.

8 PARTICIPANT: There are only 24 States,
9 Joe, that give the examination immediately after
10 college.

11 PARTICIPANT: Well, several of them are
12 around us.

13 CHAIRMAN: Larry?

14 PARTICIPANT: In '58 when I got out of
15 the University of Kentucky, there were three or four
16 people who were students at the same time I was that
17 went to Tennessee because they could take the examina-
18 tion immediately after they got out of school, so I
19 hold with Joe. This would attract more in Kentucky
20 if they could take it immediately after getting out
21 of college.

22 PARTICIPANT: Well, we are looking at
23 it from the broad standpoint of the profession. I
24 was thinking of it from that standpoint, not just
25 Kentucky. But would it do that? Let's see. There

1 are 24 jurisdictions now that can do it.

2 CHAIRMAN: Nolen?

3 PARTICIPANT: I think it would attract
4 more people into public accounting, not accounting
5 in general, because I am afraid that we have people
6 who look at the requirements to get into public
7 accounting. If they knew they could get out and sit
8 for the exam and see how they did -- because they
9 know they are going to be measured to a certain
10 extent the rest of their lives by what happened on the
11 exam; if they could find this out in six months
12 whether they passed it first, second, third, make a
13 high score, low score, they would give public account-
14 ing a try. And once they give it a try, most of them
15 stay.

16 PARTICIPANT: I believe that's a logical
17 assumption.

18 CHAIRMAN: Jerry?

19 PARTICIPANT: I think something worth
20 considering here, we have several students graduating
21 from Western in January. I have mentioned this idea
22 of Tennessee, that they could go down there and take
23 the exam as soon as they establish residence. In
24 fact, I don't believe they even have to establish
25 residence any more. This is what Price-Waterhouse

1 told me once. But they went down and interviewed,
2 and of our four top students, all of them were offered
3 jobs in Tennessee; and yet, right now, all four of
4 the top accounting students are staying in Kentucky.
5 We haven't lost a single -- in fact, last June we
6 lost one student to Tennessee, but that was in
7 industrial accounting. We didn't lose a single
8 student in public accounting to Tennessee.

9 And year before last, I don't know of
10 a single one, although that year one of our students
11 won an award from the Tennessee State Society, yet I
12 don't know of any that we lost that year.

13 It seems the great majority of our
14 students are being attracted and staying here in
15 Kentucky.

16 CHAIRMAN: Ken?

17 PARTICIPANT: We talked to some degree
18 about this six-year program and the requirements
19 about it, but I think we are overlooking possibly
20 one point in that. I think we are going to a con-
21 siderable expense, both time and effort on our part
22 and our new students, of further training when they
23 come into the firm, and I believe everybody that comes
24 in is spending a couple years, maybe longer, being
25 really prepared for their profession.

1 There is a rumor going around our staff,
2 "You can forget everything you knew when you came
3 here and start again," but that's probably happened
4 with every firm represented here.

5 Now, if we go into a more extensive
6 formal training, formal education program, this I
7 think would lessen the time that's required to get
8 the man up and going.

9 CHAIRMAN: Charlie?

10 PARTICIPANT: I have a question to put
11 to the national firms. They spend more time than
12 anybody, although many of the medium-sized firms spend
13 a lot of time in educating and training a man coming
14 out of college into their firm. Has it ever been
15 considered or explored, or the pros and cons been
16 discussed of the national firms' coordinating their
17 efforts and providing not Ernst and Ernst's School
18 for Further Training, and somebody else's, but put it
19 together and let them train jointly as a school, a
20 professional school, separate and apart from their
21 own organization. Wouldn't you save money and
22 wouldn't you help the smaller practitioner also to
23 train his men by inviting them to attend also?

24 PARTICIPANT: I can't answer your
25 question as to whether or not it has been considered,

1 but isn't the American Institute's training program
2 about the same thing?

3 CHAIRMAN: Larry?

4 PARTICIPANT: If I can answer that,
5 since I have a little personal knowledge with it,
6 the American Institute's staff training program was
7 patterned after the national firms' program, and in
8 developing their program, I believe they had access
9 to all the national firms' programs.

10 PARTICIPANT: I agree with you they do,
11 but why wouldn't it be economically better for the
12 profession if the national firms would do it jointly
13 rather than independently? Sure, there might be
14 some things that they would have to establish as a
15 firm policy as opposed to general standards, but if
16 they are going to do it anyway, can't they assume
17 the burden of doing it for more than just themselves?

18 PARTICIPANT: I think you have got a
19 good idea. I might introduce that idea as an
20 economic saving factor and get a bonus for it.

21 PARTICIPANT: Help you on your recruit-
22 ing, too.

23 PARTICIPANT: I'd like to bring out
24 one point. Talking about professional development
25 courses, all of these courses, they are wonderful,

1 but all of them are being taken by people after they
2 are CPAs, and it is more or less an adult and profes-
3 sional accountant training program. I know the
4 American Institute rejected this idea, but I feel
5 like that if we had some way to control this material,
6 and maybe the firm could give it to their beginning
7 students and maybe even have a testing program on
8 it after they have finished it on a State level, we
9 could start training, using this as a training program
10 prior to passing the CPA examination. Right now it
11 is not. It's a wonderful program, and I go to every
12 one I can afford, but the point is, it's not training
13 our recruits.

14 PARTICIPANT: That's what the staff
15 training program is for, though, to train your
16 recruits.

17 PARTICIPANT: Duard is talking about
18 the whole gamut of the profession.

19 PARTICIPANT: That's right.

20 CHAIRMAN: As all of you know, perhaps,
21 there is a five man board, this professional
22 development board of the Institute. I have had the
23 privilege of serving on that for a couple of years.
24 It has been a wonderful experience for me. I have
25 learned a lot about it. I think it is probably the

1 best, or at least one of the best things the
2 Institute has ever done.

3 We have had a lot of discussion about
4 our policies and procedures and gotten into argu-
5 ments with national firms and local firms and others,
6 but we have taken the position that we can't be all
7 things to all people, and that our purpose is really
8 to provide continuing education courses for the
9 practicing CPA that's out, refresher, keeping him
10 up to date.

11 There has been a question that maybe
12 we ought to give courses to beginners, or help the
13 universities, to give our materials to firms or
14 sell them materials. We have taken the position
15 that we are not just creating materials; we are
16 carrying on the courses and trying to see that the
17 instructors are capable and qualified, and that it's
18 helping the people.

19 Right or wrong, I don't know, but that
20 is pretty well the position. We could do a lot of
21 things, but I would rather see us do the things that
22 we should do first well, than do a lot of other
23 things. That has been our position generally.

24 PARTICIPANT: I have been in a compar-
25 able position, and again --

1 CHAIRMAN: Well, a lot of people in
2 firms want these materials.

3 PARTICIPANT: I know it.

4 CHAIRMAN: But we have seen fit at this
5 point not to sell them.

6 PARTICIPANT: I don't think they
7 should be sold wholesale, but I believe that eventual-
8 ly we can come around to a program similar to the
9 American Bankers Association, maybe even cooperating
10 with colleges like they do, having home study courses
11 not for the pre-graduates, but for the postgraduates,
12 the new recruits.

13 CHAIRMAN: Well, this professional
14 development policy is continuously under discussion,
15 and I feel that it has changed and is changing and
16 will change, because initially these courses were put
17 on solely by the Institute. The last two years they
18 have been put on kind of with the State Societies
19 as the distributor, and we have furnished the
20 materials. And it's changing, so there is a possi-
21 bility.

22 (Discussion off the record)

23 CHAIRMAN: I would say that we won't
24 go on much longer, it's 4:27 or 4:28 now, that we
25 stop for the day and start at nine o'clock in the

1 morning. How would that be? Haven't we pretty well
2 covered this subject? This is probably an appropri-
3 ate time to start another one.

4 Harry, we will start with you at nine
5 o'clock. All agree? We have all been rather nice,
6 we have gotten along fine, but tomorrow is supposed
7 to be the rough day. This is kind of the feeling
8 out of the adversary. Put your gloves on tomorrow.
9 Or perhaps I should say take them off.

10 (Whereupon, at 4:30 the meeting was
11 adjourned to reconvene at 9:00 a.m., January 7, 1966.)

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