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A Proposal for Junior C. P. A. Examinations*

By J. A. BEXELL

It is a trite saying that the demand for accountants far exceeds the supply. The tremendous growth of the accounting profession since the organization of the American Association of Public Accountants in 1887 far exceeds the fondest hopes of the founders of the accounting fraternity. Laws have been enacted in all states except one regulating the practice of the profession. High schools, colleges and universities are vying with each other to establish courses in accounting. The American Institute of Accountants is carrying on a splendid educational programme and the American Association of University Instructors in Accounting is doing its share to raise the standard of accounting education. In spite of all the educational activities, I know of no locality where there is an adequate supply of trained accountants. This is particularly true of assistants, or junior accountants, who must perform a large share of the routine work of accounting investigations.

FAILURES IN EXAMINATIONS

That the training of accounting students is defective is amply evident from the small percentage of applicants who pass the C. P. A. examinations. Accurate data are not at hand, but it is safe to assume that more than seventy-five per cent fail in their first attempt to pass the state examinations. That this is not due entirely to defective instruction has been recognized by the American Institute of Accountants in providing a uniform examination from which unessentials and "catch problems" shall be eliminated. In the writer's opinion, the failures are due to three principal defects in accounting instruction: (1) unfamiliarity

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with the requirements of the state authorities on the part of the instructors and hence also on the part of the students; (2) lack of practical experience, evident from the fact that a very large percentage of failures is found in the practical part of the examinations; and (3) inexperience of the student in taking long examinations and solving long problems under pressure. This inexperience often causes excessive nervousness, so that the student's ability is inaccurately reflected in the examination.

REMEDIES

The remedy for the first defect lies, of course, primarily in the instructors and in the activities of the accounting associations, national, state and local. The uniform examination of the American Institute of Accountants and the excellent *Students' Department* of THE JOURNAL OF ACCOUNTANCY will do much to familiarize instructors and students with the requirements of the various state boards. Unfamiliarity with accounting practice can be remedied only by experience and practice in the solution of typical problems of wide variety. The prospective public accountant is in much the same position as the doctor of medicine. I know of no state which does not require at least one year's experience in an approved hospital before the candidate is allowed to apply for examination. To be sure, the various state laws require experience in practical accounting, but the requirement is too often perfunctory, if not altogether waived.

The third defect can be remedied only by practice in taking examinations and working under pressure. This should be one of the indirect advantages secured from a junior examination. Stimulated by the requirements of the junior examination, the courses of study and the instructors should be able to remedy in great part this defect. After the required training in the classroom in the solution of C. P. A. problems, the student should be well prepared to take the examination set by the state board and conducted under its auspices.

AMENDMENT OF THE UNIFORM LAW

Section seven of the uniform C. P. A. law proposed by the American Institute of Accountants reads as follows:

"Written examinations of applicants shall be held as often as may be necessary in the opinion of the board and at such times

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and places as it may designate, but not less than once in each calendar year. If five or more persons apply for examination within not less than four months after the annual examination, the board shall hold an examination for said applicants. Examinations may be both oral and written, at the discretion of the board."

This section should be amended by adding: "Upon application of the president of a properly accredited school giving instruction in the subjects covered by the C. P. A. examinations, the board may set a junior examination for duly qualified students recommended by the presidents of such institutions. Students who pass this examination shall receive certificates of proficiency as junior accountants." Required fees for preparing and conducting the examinations, grading papers, certificates and other details should be specified in the law or by board regulations.

My suggestion would be that a representative of the board conduct the examination whenever possible, but examinations could be conducted on the same plan as the civil service examinations by authorized local representatives.

SCOPE OF THE EXAMINATION

The scope of the uniform junior examination should be the same as the regular examination and equally difficult. The scope is stated in section eight of the uniform C. P. A. law:

"The written examination of applicants shall at least cover the four general subjects, with a minimum time allowance, as follows:

- (a) Theory of accounts..... 3 hours
- (b) Practical accounting 6 hours
- (c) Auditing 3 hours
- (d) Commercial law 3 hours

and such other subjects as may be required by the board. Seventy-five per cent shall be required in each subject."

A complete file of all who pass should be kept in the office of the board for the use of the accounting profession. The holder of a junior certificate should be entitled to take the state C. P. A. examination after a year's service in an accountant's office.

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ADVANTAGES OF THE JUNIOR EXAMINATION

I shall merely enumerate some of the many advantages of the junior examination:

1. It would stimulate an interest in accounting courses of study in the higher schools of commerce by setting a definite goal for the student.

2. It would afford more definite training in the essentials and eliminate many unessentials from the courses of study and from the examination.

3. It would establish more definite relations between the professional accountants and the accounting instructors.

4. It would tend toward standardizing and improving courses in accounting and auditing.

5. Accounting examinations and requirements for graduation would be standardized.

6. It should have a tendency to develop uniform text-book and laboratory material in accounting and auditing.

7. It would familiarize the student with the duties of the junior accountant.

8. It would call for practice in taking examinations and solving long accounting problems under pressure.

9. It would tend to eliminate undesirable candidates and thus reduce the percentage of failures in C. P. A. examinations.

10. It would afford a definite source of supply of junior accountants.

12. An increased supply of competent instructors in accounting would be available.

Nearly all the advantages enumerated are so obvious that they need only be mentioned. Two or three are so important that they deserve emphasis.

Chief among the advantages mentioned is doubtless the interest in accounting education which would be stimulated by this examination. The definite goal toward which the student would have to work would in itself be a very great advantage.

The third advantage, namely, the establishment of definite relations between professional accountants and instructors, is an actual need at present. Except in a few states, there is a wide chasm between the schools and the practising accountants, which should be bridged. The practising accountants claim that the

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schools are too theoretical, and the schools in turn are unfamiliar with the practical work of the accountants, with the result that lack of interest in each other's work is evident.

The last named advantage—the supply the examination would create of instructors in accounting—would be of great value. At present it is almost impossible to secure competent instructors in accounting and business management. Unless an instructor has the qualifications required of a junior accountant, he is of little value in the class room.

EXPENSES OF THE EXAMINATION

There should be no difficulty in meeting the expenses of the examinations. No reasonable objection could be raised against charging a fee of from five to ten dollars to defray the cost of preparing examinations, supervising them, grading the papers and furnishing the certificates. A fee of ten dollars would amply cover all such expenses and would leave a margin to defray expenses of investigation and promotion.

COMPARED WITH JUNIOR PHARMACY EXAMINATIONS

The proposed examination for junior accountants would be similar to examinations which are given three times a year in Oregon to junior pharmacists. The board of pharmacy is charged with the duty of setting both a senior and a junior examination at such times and places as are convenient. The present regulations are that junior examinations may be taken either in Portland or at the Oregon agricultural college three times a year. The applicant must be eighteen years of age, have spent one year in a drug store and attended an approved school of pharmacy for at least twenty-four months. He is examined in five subjects and must not fall below sixty-five per cent in any one subject. A fee of ten dollars is charged for the expenses incident to conducting the examination. Two members of the board usually spend two days at the college, which makes it unnecessary for students to leave the college to take the examination in Portland. This is a considerable saving, as quite a number of students take the examination each year. During the last few years, not a single junior has failed to pass the examination. After an additional year's practice, the student is allowed to take the senior examination under the same regulations as those of the junior

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examination; and upon passing this he is given a state certificate to practise pharmacy. It occurs to me that practically the same regulation in reference to the junior examination in accounting could be established.

PROGRAMME MAY BE ADOPTED GRADUALLY

I realize that the programme mapped out in the preceding suggestions is a large one and that its accomplishment would probably have to be brought about gradually. Indeed, perhaps the best solution would be to have the Association of University Instructors in Accounting assume the responsibility of encouraging such examinations for a year or two, with a view to determining exactly what should be recommended. Among other advantages, it would furnish an immediate field of useful activity for this association. The usual experience of an association like this is that unless it is stimulated by a definite programme of work, it is difficult to maintain enthusiastic interest.

RECOMMENDATIONS

Finally, I venture to make the following definite recommendations for consideration at this meeting:

1. That this association recommend an amendment of the uniform examination law providing for junior examinations.
2. That a uniform course of study be recommended leading to the junior examinations.
3. That one year's practice in an accountant's office and the junior certificate be the standard requirements of eligibility to the state examinations.
4. That instructors in accounting bring this subject before accountants with a view to interesting them in accounting instruction and junior examinations.
5. That a committee of five be appointed to devise plans to carry out the above resolutions.