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A School of Professional Accountancy

BY ROSWELL C. MCCREA AND ROY B. KESTER

The 1929 amendment to the education laws of the state of New York provides that "subsequent to January 1, 1938, every candidate for examination for a certificate as a certified public accountant should present evidence that he has satisfactorily completed the course of study in a college or school of accountancy registered by the department, as maintaining a satisfactory standard and that prior to the beginning of his course of study in a college or school of accountancy, he satisfactorily complete a four-year high-school course, approved for this purpose, or the equivalent, as determined by the commissioner of education."

This amendment, sponsored by the accounting profession in the state of New York was indicative of the feeling that previous educational requirements for those expecting to enter the profession were entirely inadequate. Previous to 1929 the C. P. A. laws of the different states required nothing more than graduation from a high school or its equivalent. So far as I know, New York is the only state which has indicated its intention of raising the educational standards for those seeking its certification for the practice of public accountancy. With the financial center of the country and its related services located in New York, this action is significant of the appreciation by professional accountants of the need for better and more broadly trained men to handle successfully the increasingly important tasks which accountants are being asked to perform. The lead taken by New York in this matter will, in my opinion, in the course of the next few years, be followed by most of the states in the union.

BRIEF HISTORICAL SURVEY OF EDUCATION FOR ACCOUNTANCY

This action by New York has been of particular interest to school men, in that it has caused a careful examination to be made of the status of regularly organized programs of education for professional accountancy. It may be noted here that, whereas for many years there have been separate schools for law, medicine, engineering, architecture, etc., for the training of men planning to enter those professions, collegiate education for the accountancy profession has been cared for by schools of business, in which the

A School of Professional Accountancy

courses in accountancy have been required to serve more than a single purpose. It is interesting to note that the program of the Wharton School of Finance and Commerce, established in 1881 at the University of Pennsylvania, contained no provision for the teaching of a course in accounting. The course of study at Wharton School at that time was a two-year course based on two years of study of the liberal arts. This was changed and the course broadened in 1894, when the four years of study were placed more nearly under the control of the Wharton School staff. By this time a course in elementary accounting had been added and one or two other accounting courses were offered.

In 1898 the University of California and the University of Chicago established schools of business. In 1900 Tuck School at Dartmouth College, the School of Commerce, Accounts and Finance at New York University, and the School of Commerce at the University of Wisconsin were established. Schools of business at the University of Michigan in 1901 and at Harvard University in 1908 followed; and the School of Business established at Columbia University in 1916 became the eighteenth in a procession which has since expanded to amazing length within a couple of decades.

Immediately, or soon after the organization of these schools, provision was made for the teaching of courses in accounting. These were looked upon as basic courses to be prescribed for all students whether especially interested in accounting or in other fields of business endeavor. Previous to and during this same period, private commercial colleges offered courses in bookkeeping and accounting. As the demand for professional accountants increased the offering of these schools was considerably extended. Also during this period a number of private schools offering instruction by correspondence came into existence. For a considerable time the training offered by some of these schools was as good from the standpoint of subject matter as anything offered by resident schools, either privately owned or of collegiate rank.

As the years have gone by and the work of the profession has increased in importance, many of the collegiate schools, where there has been demand for specialized training in accounting, have increased their offering of accounting courses, until today several schools—particularly those in the larger centers—offer preparation nearly approaching that for the older professions. In most schools, however, which are attempting to give some training for

professional accountancy, the extent of the offering is wholly inadequate and the facilities by way of faculty personnel and library and laboratory are of very low grade. The result is that the standard of work offered by such schools does not nearly approach that given by the professional schools of law, medicine, engineering, etc. As evidence of this situation one need only look at the specific requirements set up in New York for judging the adequacy of training for students for admission to the state board examination for certified public accountant. While the educational requirement is for graduation from a four-year college course after completion of the regular high-school work, the specific technical requirement covering both accounting and related business subjects comprises only about one and a half years of the four. This technical requirement is as follows:

Accounting	24		
Business law	8	“	“
Finance	8	“	“
Economics	6	“	“
	—		
Total	46	“	“

The four-year course of study as measured in semester hours constitutes usually a minimum of 120, i. e., an average minimum of 30 semester hours per annum. When one compares this educational requirement with that of schools of law, where usually the course covers a minimum of five years of work of collegiate grade, of which three—i. e., approximately 90 semester hours—are devoted to technical courses in law, the inadequacy of the comparatively high requirement of New York becomes apparent. However, in appraising the action taken by New York, account must be taken of the present status of educational facilities on which the profession must draw for its new blood. Thus, while recognizing it as considerably short of an ideal requirement, we must appraise the action as a forward step of real significance.

THE WORK OF THE PROFESSIONAL ACCOUNTANT

When one considers the type of work demanded of the professional accountant today, particularly so far as it concerns the various uses to which his work is put and the large number of government bureaus, businesses and persons who depend upon his work as a basis for their own activities, one may well question whether even a period of four years of college work offers adequate

preparation for the type of men who should be concerned professionally about these matters.

Today the work of the professional accountant is involved pretty largely with the preparation of the following types of materials:

1. The preparation of certified statements of financial condition and operating results for use in the annual reports of corporations to their stockholders.
2. Preparation of reports used as a basis for commercial credit.
3. Reports used as a basis for new financing by the sale of bonds and stock.
4. Reports used as a basis for taxes due governments.
5. Reports to courts covering the handling of estates by executors and trustees.
6. Certifications, based on audits, covering the administration of municipal and other governmental executives.
7. Reports to serve as the basis for purchase or sale of businesses.
8. Reports to serve as a fact finding basis for adjudications in court.
9. Internal reports for use of executives in business.

The importance and value of the type of work indicated by this brief summary is evidence of the calibre of professional ability required. While professional accounting is one of the newer professions, its roots reach probably as far back into the past as those of the legal profession, and today the substantial quality and importance of the work performed by the accounting profession measures up well with that expected of the legal profession. Furthermore, because of the breadth of the field of business, which is limited only by the extent of human endeavor in the satisfaction of economic wants, the accountant is required to be familiar with a broader field than, probably, is the lawyer. A course of training, therefore, equal in intensiveness and extent to that of the law would seem to be a minimum requirement for the professional accountant.

It is with this general appreciation of the growing importance and extent of the professional accountant's work today that the new course of training for professional accountants was set up by the school of business at Columbia University. In organizing this course of study, it was recognized that a great deal more is de-

manded by the profession today than a mere knowledge of technical methodology. It is true that those who enter the profession today must be better trained technically than at any former time, but, in addition, they must be men of a type we have come to expect professional men to be. They must have a broad cultural background which should give them an appreciation of their responsibilities to society and the state. On that cultural foundation there must be built a knowledge of the broad field of business and economics, and superimposed on that must be the technical training in their chosen field. And this plan of education must be tied together and vitalized by a recognition of its interrelations, an appreciation that it is a coördinated whole.

CULTURAL BACKGROUND

While the term "culture" may have a variety of meanings to different persons, it is generally recognized that every young man, particularly one who expects to enter a profession, should have a sufficiently broad knowledge of the so-called arts and sciences to give him a proper appreciation of present-day civilization. He should know the major scientific facts about the world he lives in and should have an appreciation of the richer fruits of civilization, usually known as the fine or liberal arts. He should have some knowledge of the trends of present civilization, particularly as it is related to civic and governmental affairs. He should have acquired the ability to meet his fellow man on an equal footing, and he should be able to express his thoughts clearly and forcefully in his mother tongue.

The acquisition of such a cultural background is not possible within the four-year period of the high-school course. In these days of the broadening of the field of human knowledge, two years of work in a liberal-arts college suggests itself as the minimum feasible period; and the result even on this level, we must recognize, turns as much on the human material we attempt to shape as on the devices through which we attempt to do the shaping.

GENERAL BUSINESS KNOWLEDGE

It might seem that since so much of present-day professional work of all kinds is concerned with the field of business, every professional man, whatever his specialized field, should have at least a general knowledge of business. Exception can hardly be taken to such a requirement, but it is particularly pertinent to the pro-

fessional accountant whose field of endeavor is the workshop of business. The data which he uses, the phenomena which he must analyze are for the most part drawn exclusively from the field of business. His work and technical equipment must, therefore, presuppose a general knowledge of business endeavor and the way in which business is carried on. This knowledge should cover at least the following divisions of the field:

1. The broad types of the legal organization of business, such as the single proprietorship, the partnership, the corporation, the holding company, etc.
2. The way in which business organizes itself internally to carry on its various activities, such as merchandising.
3. The main economic and management problems inherent in the functional operating organization of business.
4. The relationships of business to society as a whole, involving governmental controls, tariff and tax policies, quality of product, codes of fair practice, etc.

Inasmuch as the broader aspects of accounting are "tied in" so closely with business practice, it is particularly appropriate that general training in such practice should form an integral part of the professional training course of the accountant rather than that it should be set up as a separate unit prerequisite to entrance upon that course. This portion of his training takes on added significance and interest to him when related specifically to the practical phases of his profession.

KNOWLEDGE OF THE TECHNICAL FIELD

It is superfluous to state that a student intending to enter the field of professional accountancy should have a knowledge of his field. However, for the practice of any profession two things are necessary:

1. The practitioner must know intimately the field and the science underlying it.
2. He must have an intimate knowledge of the tools of his profession.

Professional practice of any kind is an art resting upon a body of organized knowledge that may well be called a science. Young men entering the accounting field, therefore, must know the extent of the field of practice and the basic principles on which practice must rest, and they must also have certain facility in the application of those principles to specific cases. In addition to

knowledge of these two kinds they must be conversant with the ethical and legal standards in accordance with which professional men govern themselves. Their specific technical training, therefore, must cover these three constituents:

1. Subject matter
2. Methodology
3. Standards of professional practice

THE COURSE OF STUDY

Attempt has been made above to set forth in general terms the educational preparation necessary for the practice of professional accountancy. It may be well to indicate somewhat more specifically just what that training should comprise. From what has been said above, it is apparent that the minimum requirement may well be looked upon as a five-year course of study beyond graduation from the usual high-school course. Of these five years, two will be spent in a liberal-arts college as a preliminary period, the purpose of which is to provide a grounding in the arts and sciences looked upon as essential to a well educated man. As law, medicine, engineering and architecture have set up such a two-year period as a minimum, accountancy should do no less. In this two-year period the usual courses in modern foreign language, history, economics, and English composition and literature will form a large part. In addition, room should be found for courses in commercial geography and at least one year of mathematics, particularly a course in algebraic analysis. These two years will provide the cultural foundation on which to build the necessary technical training.

As mentioned above, the technical training must provide for foundational courses in business practice and management and technical courses in the science of accounting and its practice. Relatively about one-fourth of the three years' work should be devoted to general business practice and management and three-quarters to courses in technical accounting. To provide the necessary knowledge of business, specific courses in business organization and management, money and banking, corporation finance, principles of marketing, and even in personnel management and insurance may well be pursued. The tool subject of statistics, comprising statistical method and interpretation, and business practice as governed by law should also be included.

The technical accounting courses should cover the following subjects:

1. Principles of accounting, to which, of course, several separate courses will be devoted, the function of which is the presentation of the organized principles of the subject matter of the field.
2. Auditing, which is essentially a tool subject, the purpose of which is to present the methodology to be used in the application of the principles of accounting to specific cases; the purpose of the course being the presentation of the principles of audit in accordance with which the correctness of the record can be established. A separate course, and probably the most important single one in the entire curriculum, will concern itself with the application of these principles of audit to given situations met in the practice of public accountancy. Specialized materials become highly necessary for this course.
3. A course or courses treating of the organization and presentation of materials in report form and the interpretation of such reports. The accountant's findings to be of proper value must be presented to his client in easily understandable form. While from a functional standpoint it may not be the duty of the accountant to interpret (responsibility for that resting on the executive for whom the report is drafted), yet the professional accountant increases his value to his client many fold if he is able to point out the meaning of his report, so far as it relates to the business policy to be followed as a result of that report.
4. A course dealing with the installation and operation of accounting systems, including the development of the chart of accounts, the suitable underlying records, such as business papers, memoranda and books of account, the installation and the supervision of the system.
5. A course dealing with the business aspects of professional accounting practice. Such a course should deal with such problems as the organization of the professional office, the staff personnel, its classification and handling, business contacts with clients, the legal aspects of professional partnerships and the ethical standards of the profession.

In the past in too many schools—and to too great a degree at the present time—accounting has been taught more from the standpoint of the mechanics or technique of the art rather than from that of the science on which the art rests. There has been too much emphasis placed on the “how” and too little on the “why.” Accounting is so intimately related to the entire field of business; its practice and its procedures are so closely tied up with law, economics, banking and finance, that its intelligent practice must rest upon a broad knowledge of these several allied fields. While there may be justification for the presentation of courses from the standpoint of technique rather than from the standpoint of the philosophy on which that technique rests in schools where accounting is looked upon simply as a tool subject suitable for the student of general business, no place can be given to that method in a school of professional accountancy. Accountancy as a science will always be in a state of flux, ready to adapt its laws and principles to the needs of the business society and the civilization in which it functions. While certain very fundamental and basic concepts can be traced from the beginning of professional accountancy to the present time, the applications of those principles and concepts have varied greatly over the years, changing emphasis being placed on certain phases in accordance with changes in the requirement to which the use of accounting service is put. It is due mainly to this conception and appreciation of the place of accounting in the business economy, that no young man may be considered qualified to go far in the professional practice unless in the course of his education he has developed the philosophy on which that practice must rest.

Methods of approach to the problems encountered in the practice of accountancy, devices for analysis, the weighing of all of the many factors—civic, financial, legal, economic and moral—which must be taken into account before a proper accounting policy can be determined—all of these things must be made a part of the equipment of the man who today is looking forward to a professional life of high attainment in the accountancy field. To accomplish this end, the instructional work must deal not only with the principles of philosophy or theories of accounting, but these must be related to specific cases to show their various and varying applications. This can not be accomplished except by the use of the case and problem method.

The subject matter of technical courses in accounting must, therefore, comprise something more than the bare skeleton of technical accounting. While technique is quite necessary as a framework, it must be vitalized by an appreciation and understanding of the business problems in the solution of which it is used and of the business policies, the formulation of which is so largely dependent on the information afforded by the accounting process. At least half of the instructional matter presented in the training course for professional accountancy should be devoted to material of this kind.

BASIC NEEDS

It is probably not necessary to point out that a professional school must have adequate equipment and personnel. A faculty of high scholarship, laboratories and libraries available for practice and research, and teaching materials covering practice and problem work must be provided. Without specialists who are sufficiently in contact with the professional field to know its needs and its trends and development, no school should ever attempt professional training.

In our present venture at Columbia this aspect has not been ignored. The level of our objective is reflected in the constitution of an advisory board made up as follows: Archibald Bowman, Arthur H. Carter, Paul K. Knight, George O. May, Robert H. Montgomery, and Arthur Young.

SELECTION OF STUDENTS

The facilities of a professional school should never be opened indiscriminately to all who may desire to enter. A school which offers training for a specialized career, by the very fact of offering, assumes a responsibility to do everything in its power to choose only those who will be found suited to that profession. Tests and methods of selection must be devised and applied not with mechanical exactitude, but always with an appreciation of the latitude of error inherent in human tests.

Some attempt must be made to evaluate the physical, mental, moral and personal qualifications of every applicant. Qualities of physical well-being and personality are susceptible of some testing by sight. Something of the background of the applicant as to health, family and social life may sometimes be helpful. Mentality can be judged within limits by means of tests but better

by means of previous-performance records in school. The content of the student's course, the character of his ratings as indicative of current or latent interests and mental qualities should be depended upon to a large degree. The testing of his moral fiber is probably the most difficult. While by looking at a man it is usually impossible to determine these characteristics, particularly his reactions in this regard in circumstances and situations of life to which he has not yet been subjected, letters from those who have been in charge of his previous training constitute probably the best estimate of moral stamina and honor which it is possible to secure. The ethics of the profession which he is about to enter rest upon personal qualities of honesty and honor which it is difficult to measure. Other qualities such as will-power, patience, imagination and common sense, which means a balanced attitude towards life, are all incapable of exact measurement, but some attempt should be made to secure ratings on these points. His prospective success in the profession and his immediate employability rest upon these factors.

PROFESSIONAL TRAINING IN ACCOUNTANCY AT COLUMBIA

Effective for the school year 1936-37, there is being established within the administrative framework of the School of Business at Columbia University a "college of accountancy," as the 1929 education law of the state of New York phrases it, granting the professional degree of "master of science in professional accountancy." The course of study will cover a three-year course of technical training based upon a two-year course in a college of liberal arts. The basic plan of professional education at Columbia requires all students to take at least the first two years of training beyond the high school in a liberal-arts college for the purpose of securing a broad outlook on contemporary life and a comprehensive survey of the elements of present-day civilization, of which they are a part, and of the historical background of that civilization. The new course of study conforms to this general plan, requiring the completion of five years of study beyond high school. These three years of specialized study will comprise basic courses in business, economics, law, finance and banking, in addition to the technical courses in accounting. The technical courses are presented not only with the purpose of training in the necessary techniques of the profession, but also with the purpose of giving them a broad setting, showing their interrelations with gen-

A School of Professional Accountancy

eral business economy, with due regard to relevant principles of economics and business practice.

Only those who have shown aptitude in the use of figures and figure analysis and of interpretative processes will be admitted. Prospective employability of the student upon completion of the course is a determinative factor. Our venture will regularly be kept flexible and adaptable in its detailed requirements, and its objective will steadily be shaped in terms of the social utility of our effort.