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THE STRUCTURE OF THE PROFESSION

(Chairman's Opening Remarks - AICPA 77th Annual

Meeting, October 7, 1964)

by David F. Linowes

This morning the 77th Annual Meeting of AICPA devotes itself to discussing and probing the future of the accounting profession. Each of the several sessions here is addressing itself to a different facet. This convention is a kind of Accountants' World's Fair - each session is a pavilion displaying what we are today, and at the same time projecting what we will be like in the future. Our pavilion will display the "Structure of the Profession". It will be presented in two parts: first the accounting practitioner or firm; and second, the professional societies.

~~But, before we can~~<sup>TO</sup> effectively project the accounting

profession or any part of it into the future, we must first touch

on social-economic-political phenomena and its direction.

*The opening session is today was devoted to the general environment. I think it appropriate to avoid comment on this subject.*

Unquestionably we are in a stage of great change, a

turning point has been reached in world history. This turning

point is evidenced by two signs:

1. The power struggle between two ideologies, represented by the United States on the one hand, and by the Soviet Union on the other. Here are two giants, each with nuclear power sufficient to destroy the entire civilized world. But, also, each a deterrent to the other. The stockpiles of nuclear destructive capability developed by these two mighty countries act as barricades against one another. Each mass thereby is locked into a fixed posture. Satellite countries and lesser political entities take on new and enlarged authority. Other forms of power, less destructive and in the hands of little countries become the focal point and main thrust for power struggles, witness Laos and Viet Nam and Africa. The giants, the U. S. and Russia, dare not move for fear of self-annihilation. Erwin D. Canham, Chief Editor of The Christian Science Monitor, observing this peculiar phenomenon of our time, suggests that maybe the day of outlawed international war is here. Maybe the very possession of nuclear power by each of the diametrically opposed philosophies of government is accomplishing

what world peace conferences could not accomplish - namely, the prevention of great international conflagrations. Meanwhile, this status of locked in atomic military power on opposite sides of the world has created an environment for tremendous global business expansion and intermingling never before achieved in the history of mankind. Hard-headed American businessmen are penetrating deep into the interiors of Africa, and the Middle East. At the same time Japanese, Italian and German business leaders are infiltrating our shores, and seizing significant slices of our own markets from the backyards of American industrialists.

*Witness: Perry Radco  
TV  
Alvett's app  
and even W. O. King  
Black to from  
England*

As businessmen span continents they are confronted with the regrettable economic phenomenon that in highly developed countries production is slowed down to conform to the slower pace of demand. On the other hand, in underdeveloped countries demand is almost insatiable and production never seems to catch up with it.

Also, there exists the disturbing phenomena that population increases ~~the most~~ where malnutrition exists such as in India and China. Capital is lacking most in those areas where it is needed most, such as in Africa. Agricultural production is lowest in those areas of the world where people die of hunger; whereas agricultural production is highest in those areas of the world where food is excessive and wasted.

These extremes of living standards throughout the world can be leveled to a substantial extent by applying economic controls which already exist. The application of these economic controls, however, must be made within the framework of democracy.

2. The second sign of a turning point in history is the progress in American technology during the past couple decades. This technology has relieved the laborer of the menial job, of the mechanical, routine, tedious work. Machine progress is not harming labor, as many people feared. It is substantially

improving the working man's lot by increasing his productivity and giving him a higher level of work to do. The automoton in factory and in office is no longer a human being. It is a machine. Never in known history has man achieved such far-reaching scientific progress. Progress which is drastically affecting our lives today, and even more so, our personal and professional lives in the future.

These developments are having a major and perhaps revolutionary impact on our profession.

Already there is in use a machine which automatically produces a profit and loss statement; a balance sheet; monthly analysis and report of sales by type of customer; monthly billings to charge customers; aging of accounts receivable by customer; and an analysis of productivity of each employee. All of this accounting work is accomplished almost instantaneously and without human effort, by means of electronic data processing systems now being tested by the National Cash Register Co.

The changes effected in the information system of business are so great, that we must actually experience them to believe them. A tabulation and verification job in our own office which required 3,125 hours, or about 78 40-hour weeks before EDP now takes 2-1/4 hours.

*Dr. Engstrom - Price*  
An RCA/expert estimates that two minutes on a computer - using its full capacity today, equal 50 years of pencil work, based on a 40-hour week. Control Data Corp. has a computer which completes 3 million calculations per second.

Although this technological progress has resulted in greatly increasing our country's capacity to produce, much of it is not being used. It lies idle in the form of unused plant capacity and unused human capacity, unemployment. We must not permit this capacity to be unproductive because there is plenty of work to do not only throughout the world, but also right here at home. Practically every large city in the United States has patches of deterioration within its very heart. Most core cities need new buildings and new facilities.

Slum areas are still common sights in all metropolitan areas. City transportation systems everywhere are inadequate, antiquated, and inefficient. Schools and recreational facilities are severely in short supply. The idle technological and manpower capacity already in existence and still being increased can be effectively put to use if some means could be developed to improve the cooperation of the public and private sectors of our economy. This does not mean more Government interference with business. It means more mutual respect and consideration for one another's problems and objectives, and cooperation one with the other when such cooperation is in the best interest of all. In the Federal Reserve System and the banking industry we have such a working together of the public and private sectors of our economy.

In a recent speech, non-political, of course, President Lyndon Johnson emphasized that the greatest challenge of all time not confronts the rebuilding of our "cities". The "city" must be reconstructed for convenience, for beauty, and for pride so that our society may become, what the President



termed, the "Great Society". This is a new task for us all, and one which the technological advances of science and business have made possible to accomplish. The old task of our society was to use every effort to prevent the overthrow of Western civilization. The new task is to use our technological know-how to build the finest civilization the world has ever known. The "Great Society" is a responsibility of business as well as government, both cooperatively applying the latest in productive computerized techniques.

These two signs: international movements and technological progress which so affect our changing environment, at the same time are affecting and will continue to severely affect the accounting profession of the future.

#### Change Necessary

In its May 1964 issue, Fortune Magazine said in effect: Today the human race is at the threshold of a new epoch in world history. The accelerating rate of change that man has achieved through science and technology has ushered in an era of unprecedented

problems and opportunities. Fear of change holds danger for individual freedom. Fear of change holds danger for the democratic constitutional state. Fear of change holds danger for the business system.

The accounting profession today does not fear change. It welcomes it with optimism and deliberate enthusiasm.

Alfred Whitehead has said "The art of progress is to preserve order amid change, and to preserve change amid order".

Our profession seeks progress.

*no. 126. Comm. for 1975 - accounting article  
The profession*

Because of the developments of operations research and electronic data processing on the one hand, and of global business expansion on the other, all accounting mores are being challenged and attacked. Change - deep and basic change - is on its way.

This change will affect the type of service we perform; the education and training of our practitioners; and the very structure of our profession.

Our profession is already being asked to consider accepting the responsibility for the entire measurement concepts thereby effecting a divorcement from the business environment.

Men such as Dr. Paul Lazarsfeld, internationally renowned sociologist, and Dr. John Gardner, president of the Carnegie Foundation, believe that there exists a bed of knowledge common to the accountant as distinct from that which is common to the businessman. The deeper one goes in accounting, the more he gets into basic measurement; and the deeper he goes into measurement, the farther out he reaches. The unusually capable, vital individuals in accounting must go in the direction of broad measurement. Qualified practitioners may be called upon to measure anything for which standards exist. They would cross disciplines in applying objective standards for evaluation.

From every indication our profession will be called upon to extend our attest function into many new broad areas.

In prospective accounting - i.e. business projections, future planning, budgeting - CPAs are increasingly being asked to make examinations and express opinions on the fairness of business plans.

As quantitative standards continue to be developed indicating the effectiveness of management, CPAs are asked to apply these standards to management's performance.

The credibility of reports and statistical data developed by Federal, state and local governments are frequently subject to questions. More and more, the CPA is asked to examine these data, and express opinions. *Even our candidates for V.P. should be able to handle themselves by such attacks.*

Business today is world oriented. Many businesses no longer think and plan in national terms, but in global terms.

The word "multinational" has been coined to identify such companies.

Their needs are for world-side thinking. Their posture must transcend national habits, different languages, <sup>and</sup> strange monies, and <sup>1</sup> all the flesh colors: white, black, brown, red, yellow.

Business must be flexible and adaptable to Equatorial heat and

Alaskan cold; high culture and savage tribes. Accounting usage and business practices throughout the world are anything but uniform. Standards vary greatly, currencies fluctuate, governments topple, yet business goes on.

Businessmen desperately need help in this international area. They need creditable financial statements, which are meaningful, timely, and comparable. They need to know about business practices in the foreign countries, about social mores, about government regulations and taxes, and they need to know it in language and terms they understand.

In this area they sorely require not only historical professional accounting help, but also planning guidance.

Here in capsule form I have tried to point up the kind of influences which will mold our society in the near future; and the kind of pressures for service which are molding our profession.

Now, I shall call upon two important leaders in our profession to tell us what affect these pressures will have on the structure of our profession.

OCT 1 1964

We have spent the morning exploring the structure of our profession in the future. Ken Wackman addressed himself to the accounting practitioner; and Jack Seidman concentrated on the professional societies.

These excellent presentations, together with the general comments which followed, have given us an insight into the finding of studies undertaken during the past few years by the AICPA Long Range Objectives Committee. A formal report of these studies will be made available to all through the medium of a book written by John Carey, which is now in the hands of the printer.

350 years ago, Sir Francis Bacon said - "Crafty men, condemn studies; simple men, admire them; and wise men, use them".

Let us not be crafty men, nor simple men.

Let us recognize where the future is leading us.

1. Although CPA firms will continue to expand and grow larger to keep pace with multinational business,

there will always be room for and need for the smaller practitioner. Every level of practitioner, however, must be broadly educated and fully informed on new developments in the overall information system of business.

2. Unquestionably, the make-up of accounting firms will encompass personnel of substantially higher levels of training and achievement. Detail and clerical function now being performed by juniors will increasingly be taken over by machines.
3. Professional societies must be molded into structures which will permit them to fulfill the needs of their members.