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# What Do Certified Public Accountants Do?

by DENVER W. WOOLSEY  
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*Presented before the Oklahoma State University Chapter of  
Alpha Kappa Psi, Stillwater, Oklahoma—November 1969*

I RECOGNIZE that as students in the College of Business Administration many of you already know quite a lot about what a certified public accountant is and what he does. I thought, however, that in talking about the work CPAs do, it might be well to start at the beginning.

The beginning for most CPAs entering practice today is a degree from a college or university, usually with a major in accounting. Such a degree qualifies the graduate to sit for the uniform CPA examination in Oklahoma and in most other states, although a number of states also impose an experience requirement.

The uniform CPA examination is prepared and graded by the staff of the American Institute of Certified Public Accountants, the national professional organization of CPAs. Each state has the right to prescribe any type of examination it chooses, but all states have adopted the uniform examination in the interest of a nationwide standard of competence. The examination requires two and one-half days to complete and is a rather rigorous physical experience; its successful completion usually brings a feeling of relief as well as accomplishment.

Upon passing the examination, the candidate is awarded a certificate entitling him to practice as a certified public accountant. Ordinarily, the new CPA will already be at work in his chosen field of practice. He may have selected industry, with its ever increasing need for qualified accountants. He may be employed by an agency of government at the national, state, or local level. Or he may have decided to enter the field of accounting education while continuing his own academic training. Each of these fields offers much challenge and opportunity to the new CPA.

Many CPAs also engage in what is generally referred to as public accounting. This is the area in which I work, and is perhaps the occupation most people associate with the title of Certified Public Accountant. I shall devote the remainder of my talk to the practice of

public accounting, but it is important to remember that this is only one of several areas in which the CPA can be of service.

### **THE PUBLIC ACCOUNTING FIRM**

Before discussing what the CPA in public practice does, I should like to mention briefly something about the organization of public accounting firms. At present, all public accounting firms are either sole practitioners or partnerships, since practice in corporate form is not permitted by the by-laws of the American Institute of Certified Public Accountants. A change in the by-laws that would permit practice as a so-called professional corporation is presently being considered.

The size of public accounting firms varies from the individual practitioner to the large international firms with many offices in this country and overseas. Regardless of size, however, all firms have many characteristics in common, including the fact that competence together with integrity and independence are the foundations of a successful practice.

### **THE CPA'S WORK**

Public accounting as it exists today got its real start in the later years of the nineteenth century. As professions go, this makes it a comparative newcomer. The beginnings and rapid growth of public accounting can be traced largely to the increase in the size, complexity, and number of businesses during the last seventy-five years. With the trend to mass production and larger economic units, it became necessary to bring in more investors in order to supply the needed capital. This meant that, increasingly, businesses were being managed by employees rather than by the owners, as had traditionally been true. With the owners largely removed from day-to-day operation of the business, the need for an independent appraisal of management's financial reports became important.

This need was filled by the independent audit performed by certified public accountants, and such audits still form the major part of a typical CPA's practice. An audit, in very general terms, includes the gathering of sufficient evidence to permit the independent accountant to form an opinion concerning the fairness with which financial information is presented. Depending on the financial statements concerned,

the nature of the business, and several other factors, an audit may occupy one accountant for a few days or a team of auditors for several weeks or months.

The following are examples of some typical auditing procedures:

- *Review and evaluation of internal control.* This is done in order to determine the presence or lack of internal checks and safeguards that help protect against errors and irregularities. The results of this evaluation will help the auditor in determining the necessary extent of other audit procedures.
- *Requesting outsiders to confirm the correctness of balances.* One of the commonest examples of this is requesting selected customers to confirm amounts owed the client as shown by the client's records.
- *Observation of physical assets.* Inventories are an example.
- *Examination of evidences of intangible assets.* Stock certificates and promissory notes are examples.
- *Analytic review of the income and expense accounts for the period.* The purpose is to learn the cause of unusual fluctuations, etc.

Another very important area of public accounting practice is the field of taxation. CPAs are called upon to assist clients in planning their affairs so as to minimize the tax consequences of transactions being contemplated. CPAs also represent clients in discussions with the taxing authorities and, of course, assist in the preparation of tax returns.

Tax practice has been an area of rapid growth, and there is every indication that this trend will continue in the future. As the tax laws become more complicated and as business transactions themselves become more complex, the need for competent advice will be of increasing importance. Tax specialization can be a very meaningful career for the CPA whose interests are in this area. The continual change in tax laws, resulting not only from legislation but also from court decisions and administrative rulings, means that the tax man must always keep himself current in order to serve his clients effectively.

A third area of practice for CPAs, which has also been one of rapid growth, is the field of management advisory services. Broadly, this term means assistance to clients in their efforts to improve or

replace current procedures. While such services are frequently in the area of changes in the accounting and reporting system, they may extend to other areas as well. Many CPAs who enjoy the challenge of problem-solving have found management advisory services to be a very rewarding specialty. Like taxes, however, this is a demanding field. Effective MAS men must not only be imaginative; they must also be able to deal effectively with a wide range of client personnel and outside specialists. The MAS man must stay abreast of such rapidly changing fields as electronic data processing if he is to be in a position to offer the highest quality assistance to his client.

In this connection, I should point out that essentially what the CPA does in management advisory services is advise and assist the client. The CPA does not design and install a package system, but rather works with client personnel and, perhaps, with other specialists. This approach is intended to assure that the client is not left at the conclusion of the engagement with a system that has neither the approval nor the understanding of the people who must use it.

A fourth area of service, less defined than the others but perhaps of even greater value to many clients, is the CPA's role as consultant and advisor on day-to-day questions and problems. Certainly most CPAs would tell you that a substantial part of their time is spent in face-to-face and telephone conferences with clients, discussing a wide range of business problems. In simplest terms, the CPA wants to serve his clients in any area within his competence.

The work can at times be quite demanding. Overtime is necessary during certain periods, as are occasional trips out of town. It also requires, as a condition for success, that the individual continue to improve himself through reading and study. The growth I have referred to means, however, that real opportunity exists in public accounting for young people who seek a challenging and satisfying career.

