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The Examination for Certified Public Accountant *

BY ROY B. KESTER

The subject of this paper raises questions which probably can never be answered categorically. However, the present time is most appropriate for pointing out some of these questions and discussing some of their relationships to the topic before us. The paper will be justified if it does nothing more than stir up discussion of the points raised.

PURPOSE OF THE EXAMINATION

Before any discussion of the content and coverage of an examination can be carried on, it is necessary to examine the conditions under which the examination must be given and the purpose which it is supposed to serve.

My experience a good many years ago as a member of the Colorado state board of C. P. A. examiners showed quite clearly that any examination for certification by a state examining board may well have to be a different type of examination from that which is often set in schools and colleges, even though covering much the same subject matter. In educational institutions it is the usual practice to set an examination at the end of the course of study to test the student's mastery of the subject. Such examinations, however, are frequently not the sole test of mastery, due weight usually being given to the day-to-day performance of the student and to those contacts with him secured through private conferences from time to time, which oftentimes give a better basis for evaluating real worth and quality of mind and person than the more formal examination. It is generally agreed, I believe, among educators that no single examination can be so designed as to offer a fair and accurate test of the student's ability. However, in the case of examinations set by authorized state examining bodies, whose only contact with the candidate is through the medium of the written examination, these two sources of information, helpful as a basis for evaluating the quality of the candidate and available in the case of students in educational institutions, are not open to a state examining body.

* An Address to members of state accountancy boards at the annual meeting of the American Institute of Accountants, Boston, Massachusetts, October 16, 1935.

However, the more important question raised above relative to determining the nature and scope of the examination for certified public accountant is that of the purpose of such examination. Most such examinations have in the past been set for the purpose of determining the fitness of the candidate to enter upon the practice of public accountancy on his own account. The examination for certified public accountant does not differ in this respect from those set in other professions such as medicine, law, pharmacy, etc. In recent years some question has been raised as to whether this purpose is a proper one. It has been suggested that the examination might be pointed towards the selection of men and women who may be looked upon as suitable for apprenticeships in accountancy offices, where through informal training and practice the candidate may ultimately be prepared to enter upon the practice of his profession on his own account. If this should ever be the purpose of the state board's examination, such examination can be looked upon only as a preliminary test. Accounting offices as organized today under varying conditions and types of practice, locality and personnel, can never guarantee the public and the profession to turn out at the end of a period of apprenticeship a product measuring up even to a minimum standard of quality. Such practice would, therefore, involve a further testing after a suitable period of apprenticeship. Hence the same problems of examination will arise whether the purpose of a particular examination is to test the quality of a candidate to enter upon a period of apprenticeship or to enter upon the practice of a profession. A consideration of the nature of the examination may well be given in relation to these two concepts of its purpose.

LICENCE TO ENTER THE PROFESSION

Manifestly, if the examination is to serve mainly to determine those who after a period of apprenticeship will probably be fitted to become public accountants, practising under their own names, the testing of candidates will not have to be nearly so rigorous as if the purpose of the examination is to establish the fitness of a candidate to enter immediately upon the practice of public accountancy on his own account. Certain general lines of examination can be pointed out as indicative of the type of testing suitable for each of these two purposes.

If, therefore, the purpose of the examination is to determine those who have the necessary education and training to qualify

them for the profession only after a suitable period of apprenticeship, the following general types of examinations should receive consideration:

1. There should be a test of the candidate's general academic fitness. Here, too, it is a little difficult to be specific without raising some question as to the type of person who will probably make a successful practitioner. Our ideas with regard to the quality of professional training are constantly changing, and the requirements are today much more exacting than they were twenty-five years ago.

The public today generally expects those in the professions to be people of culture. As a larger number of our young people entering business have, at least, been exposed to cultural training in our educational institutions, cultural requirements for the professions must be equally high. No attempt will be made in this paper to define the concept of culture, but, in the main, cultural training comprises a type of training that gives a person a basically sound knowledge of the world in which he lives, the trends of present-day civilization, particularly as to public affairs, and also due poise in his contacts with his fellows and his ability to express his own ideas so that they may be readily understood. Such cultural background can not, under present-day opportunities of education, be secured ordinarily upon the completion of the usual high-school course of study. It is quite generally agreed by our sister professions that a period of collegiate training is necessary. At the present time a minimum period of approximately two years of educational study beyond the academic high school is required.

2. The candidate should have a general knowledge of business and business practice. This should cover the broad types of business organization, such as single proprietorship, partnership, and corporation, the holding company, etc., and the ways in which such businesses are organized internally to carry on mercantile and manufacturing activities, service and agency work, banking and finance. There should be also a general knowledge of the interrelations and contacts between business and government, involving policies as to tariff, tax, quality of product and sanitation and rules of fair practice, etc.

3. He should have, certainly, a general basic knowledge of bookkeeping and accounting. Without this he has no way of judging his own aptitudes and liking for the life work upon which he is planning to enter.

4. He need have no specific knowledge of the tools used in the practice of the profession. Methodology, the way in which things are done, the "how" of the profession, would scarcely come within the scope of an examination limited to testing the entrance qualifications of candidates.

THE EXAMINATION AS A LICENCE TO PRACTISE

If, however, the passing of the examination is to give the candidate a certificate to practise public accountancy in his own name, then certainly that examination must be of a much more rigorous quality than the one discussed above. It should be understood by the public, and I feel sure it is so understood, that the passing of any such examination constitutes a kind of guaranty of the quality of work which the candidate may be prepared to do.

Manifestly, the young lawyer who has just passed his bar examination and has a licence to practise law or the young physician who has passed the examination set by the state medical board is not qualified to render the high type of professional service which a practitioner of long standing and proven worth is equipped to offer to the public. Therefore, all that the passing of any such examination can guarantee to the public is that the successful candidates have certain minimum qualifications, set up by a body representative of the profession, relating to their understanding and mastery of their profession. These candidates are, therefore, entitled to hold themselves out to the public as ready to start their professional careers by endeavoring to sell such services as they are equipped to give to business men and others willing to employ them.

In comparing the type of examination necessary for this purpose with the type discussed above, three additional requirements stand forth. The examination must test the candidate's knowledge of general methodology, of the ethical standards of the profession, including the personal liabilities to clients and others in the professional service which is rendered, and also some means must be provided to determine his moral fibre and personality. If a period of apprenticeship is not set as a prerequisite to entrance to an examination of this kind, it is desirable that a period of such training be an additional requirement. While apprenticeship is not required by all professions, some—notably the medical profession—do have this requirement.

As between these two types of examination, the one to determine aptitudes to enter upon apprenticeship, the other to enter upon practice, it is my opinion that the present practice of examining boards is the desirable one. Certainly if our professional scholastic courses have any justification whatsoever, they may be relied upon to test aptitudes. That leaves as the function of the state examining boards the testing of fitness to practise on one's own account.

SCOPE OF THE EXAMINATION

It is apparent, therefore, that the scope or coverage of the examination must always be related to the purpose it is expected to serve. It follows, also, as a matter of course that the scope of the examination is dependent on the scope of the profession. This can never be sharply defined but must represent a generally accepted average. As mentioned above, the requirements for entrance into a profession are subject to change over the years. A profession is not unlike any other human institution, in that its field of work and the services which it renders must be in accordance with the present-day demands in the communities served by the profession. Anyone who has watched the development of the accountancy profession during the past thirty or forty years knows that the requirements as to the type of service expected of public accountants and the type of personal qualifications are very much more exacting today than they were thirty or forty years ago. A licensing examination must, therefore, always take cognizance of the development of the profession. It should never become stereotyped. Justification may well be found for the occasional inclusion of questions to test the candidate's knowledge of historical developments and even of probable trends.

SCOPE OF THE PROFESSION

At any given time, then, it would seem to be necessary to survey the work of the profession before definitely determining the scope and nature of the examination. Even at the risk of triteness, it is desirable to review briefly the character of the work being done by professional public accountants today. The following list will cover, in the main, the various types of professional accounting work being done by public accountants today:

1. The detailed audit.
2. The so-called balance-sheet audit.

3. Cost accounting.
4. System work.
5. Work relative to various kinds of taxes.
6. Special investigations comprising: (a) investigations for the purchase and sale of a business or a substantial interest in it, involving usually a consideration of the earning power of the business as well as its present balance-sheet status; (b) investigations for bond and preferred stock issues; (c) investigations for problems of short term credit; (d) investigations for law suits, such, for example, as determination of the amount of injury caused by the infringement of patents, copyrights, etc.
7. Consultation work, particularly business counselling, involving the giving of advice—and the making of investigations upon the basis of which such advice may be given—in the fields of business organization, both internal and external, finance, marketing, production or manufacture, labor problems and public relations.

In addition to the above types of work, accountants are sometimes called upon to do a good many specialized jobs of a somewhat random nature. Because of new legislation, the accountant is being put in a position of greater responsibility to the public along certain lines than has ever been true in the past. This trend is one which will, in my opinion, increase in the future rather than diminish. I believe also that the public accountant will be called upon more and more to serve as a general business counsellor, a position in the past which has been occupied both by the banker and the lawyer.

CONTENT OF THE EXAMINATION

If, therefore, the purpose of the examination is to provide a licence for the practice of the profession, the content of the examination should be such as will test the candidate's knowledge of the whole field of accounting and his ability to practise in that field.

The examination should provide a twofold test, covering in the first place, technical, professional requirements and, in the second place, the candidate's basic knowledge of general business practice. It should therefore test:

1. Particularly his knowledge of the principles of accounting, the basic science on which the profession rests.
2. The methodology available and generally to be used in the practice of his work.

3. His facility in applying that methodology, that is, his facility in using the tools of his profession.

4. Professional ethics in accordance with which practice should be carried on.

5. His responsibilities to client and public as a professional man.

The test to determine the candidate's knowledge of general business practice and conditions should probably not be made a separate part of the examination, although at the present time some examining bodies do provide separate tests. Some of our state boards have been developing their examinations in this way. It seems, however, that, inasmuch as the public accountant may be called upon to give advice based on general principles of business and economics, a type of test which shows the application of business principles and knowledge to given conditions is a better type than one which simply tests the student's ability to state the principles themselves.

A test of this kind must be worked out carefully with the test covering the technical accounting subjects, so that the answers and solutions to these questions may indicate the candidate's knowledge of the broad principles of business involved and their proper application. Some questions that have been given in the past are good examples of this type of question. Accounting questions and problems involving, for example, a knowledge of banking, corporate organization, finance, manufacture, etc., provide a good test of this kind.

PREPARATION FOR THE EXAMINATION

Two methods of preparation for the examination are available to the prospective candidate. On the one hand, he may enter the employ of a public accounting firm and serve an apprenticeship with it which, together with a carefully worked out plan of self study and improvement, may give him adequate preparation for the examination. All young professions have to depend for the most part upon the apprenticeship method. The time is not so far distant when preparation for both the legal and medical professions was made by the apprenticeship method. Young men and women entered professional offices to read law and medicine for a period of years in preparation for the examinations entitling them to practise those professions. The second method is that of attendance upon a course of training in a professional school. As a profession develops and matures, the leaders of the profession

have usually become interested in encouraging schools to provide a part or all of the training of prospective candidates. A brief statement of some of the considerations to be taken into account under these two methods seems appropriate.

THE APPRENTICESHIP METHOD

Until twenty-five or thirty years ago, the apprenticeship method was used almost exclusively by young men planning to enter the field of professional accountancy. Since then, schools in many sections of the country, encouraged in some instances and even sponsored by professional accounting bodies, have developed academic training for the purpose of preparation for professional accountancy.

The apprenticeship method, it seems to me, if followed at the present time, certainly places a grave responsibility squarely on the shoulders of the profession. That responsibility comprises providing adequately trained new blood for the purpose of carrying on the profession. Not only must there be a willingness to take on young men who are not yet trained in the profession, but the firm itself must undertake a planned educational program, involving the provision of sufficient free time on the part of employees, so that over the course of a given period of apprenticeship the training may provide high grade staff men, capable of carrying on the type of work which the firm does. Such a program, of course, involves the supervision of the scholastic training and the periodic testing of its adequacy.

A distinction should be drawn between this type of formal training in technical subject matter and methodology and that which every business and professional house must undertake to acquaint new employees with the routines and methods of work peculiar to particular jobs and positions. This latter type of training is a burden which, in my opinion, will always have to be borne by each individual business and professional firm. The schools can never justify training of this kind, nor probably could they adequately provide it, were it deemed justifiable.

THE SCHOOL METHOD

The second method of preparation for the examination is through the pursuit of a course of study in a suitable school. As yet, there have not been developed in this country separate schools for the study of professional accountancy. No doubt in

the near future separate schools of this kind will be developed so that the accountancy profession will be almost as well provided educationally as are the older professions of law and medicine.

At the present time courses offered for the education of professional accountants comprise a department of schools of business. Careful distinction should be made between schools of collegiate or university rank and what, for lack of better term, may be called glorified business colleges, usually owned by a person or a group of persons and conducted for commercial profit. In our complex business life there is a place for schools of this latter type, but for true professional training the professions have always been instrumental in establishing and depending upon non-profit schools of full collegiate rank, usually existing as part of a university system. Schools, or rather courses of this type, have been developing for the past thirty or thirty-five years, and in some places have reached a stage of development where excellent professional training is being offered. As a general thing, however, the country over, scholastic training for professional accountancy is woefully inadequate.

The following table, extracted from the report of the Institute's committee on education, indicates rather clearly the present status of such education:

Number of semester hours of accounting courses offered in 123 schools

School group	Group limits in semester hours	Number of schools in each group	Number of courses offered
1	0-15.9	9	6
2	16-20.9	17	16
3	21-25.9	11	16
4	26-30.9	25	23
5	31-35.9	18	28
6	36-40.9	11	25
7	41-45.9	12	23
8	46-50.9	5	21
9	51-55.9	6	30
10	56 and over	9	40

From this table it is apparent that very few schools are offering as much as two years of scholastic training in professional accountancy. Any school of collegiate rank must, of course, rest upon the completion of a four years' course of study in high or preparatory school. Such a standard constitutes the minimum for entrance to any reputable college. Practically all professional schools at the present time require, in addition to the four-year high-school course, one, two, three or even four years of study in a

college of liberal arts or science. In the state of New York, admission to the professional study of veterinary medicine even requires at least one year of study in a registered college of liberal arts and science. Schools of medicine and law require the satisfactory completion of two years of such study with a prescription of specific courses to be pursued during those years.

For the accountancy profession in its present state of development, it seems to me that a two-year period of study in a college of liberal arts and science should represent the minimum cultural training required for all professional men, particularly for those whose professional work deals so largely with matters of public interest and moment. It is suggested, therefore, that as professional schools of accountancy are developed, they should rest upon the minimum prerequisite of two years of study in a college of liberal arts and science.

The professional school course should doubtless comprise a period of specialized technical training relating to basic business subjects and professional accountancy extending over a period of at least three years. Such a program of study would place the training of professional accountancy on a par with that of law. Any such school should, of course, have adequate facilities of all sorts. There should be a staff of trained teachers, most of whom should be experienced practitioners. I am not quite so insistent that they carry the C. P. A. designation—though that is desirable—as I am that they should be scholars and men of affairs. There will doubtless be room also for a few research students who will not so much need experience in the practice of accountancy. Libraries and laboratories, adequate for the practical training of students in the fields of accounting and auditing, are an absolute necessity. It goes almost without saying that all of these schools should have and should maintain close contacts with the leaders of the profession, and that the profession, in turn, should give its support to high grade schools of this type. It might well become a proper function of a professional society, such as the American Institute of Accountants, to place its seal of approval upon schools meeting certain standards—a practice which is followed by professional societies of some sister professions.

THE COURSE OF PROFESSIONAL STUDY

The course of study should provide adequate training, so far as it is possible within a scholastic institution, to give the student

the necessary knowledge of business and legal practice, to acquaint him with the field of professional accountancy, and to give him the proper appreciation of professional ethics and responsibilities.

In order that he may have a sufficient knowledge of business practice he should take courses in the fundamental departments of business endeavor, namely, business organization and management, banking and corporation finance, marketing and probably also personnel management. Room should be found here also for a fundamental course in statistical methods and interpretation. He should take sufficient work in business or commercial law to acquaint him with the underlying principles of law in accordance with which business must be carried on. All of the rest of the work of the three years of proposed study may well be spent on technical accounting courses. Principles of accounting should, of course, be pursued, supported and vitalized by ample practice in the form of laboratory problem work. Auditing principles and practice should receive adequate treatment. Accounting systems, accounting reports, the interpretation and analysis of financial reports, installation and operation of budgets, income taxation, accounting machines and the organization and operation of a public accountant's office would comprise important courses in the curriculum.

In a three-year course of approximately 90 semester hours or credits, about 20 to 24 of these credits would thus be used for the purpose of providing the necessary background for business and legal practice. The remainder of the work, say 70 credit points, would be given over entirely to the study of the various phases and subject matter of technical accountancy. It is needless to say that throughout the course of study, adequate problem practice work, drawn from actual case material wherever possible, must accompany the work of instruction. The school which is not supplied with material of this kind is in no position to offer the type of training which the profession demands today.

ENTRANCE TO THE EXAMINATION

If this summary of the field of accountancy as it is practised today is fairly in accordance with the facts, there are in the main three types of training that should be required of every man before he is permitted to enter upon the professional examination. In the first place he should have had a sufficient training in the so-called cultural subjects so that he will have an appreciation

of the civilization of which he is a part. In other words, he should be thoroughly prepared to take his place and uphold his obligations as a worthy citizen of his community. In the second place, he should have a basically sound knowledge of business and legal practice on which the practice of accountancy is so dependent. In the third place he should have a knowledge of the field of accountancy itself, its tools, methodology and ethics. If so equipped in schools providing high grade training, he should make a good showing at any examination set to test his ability and readiness to enter upon professional practice and should also make a worthy addition to the profession itself. The one qualification which must be made to the above statements is that the candidate must be a man of probity, honor and proper personality.

It would seem reasonable to assume that his two-year course of study in a college preliminary to his entrance upon technical professional training may be entrusted with the task of providing him with the cultural background of which I have spoken and that, therefore, no testing need be made of this qualification at the time of his application to be admitted to the profession.

The C. P. A. examination itself would thus be limited to testing the applicant's knowledge of the other two fields. In a previous section of this paper, the opinion was expressed that distinct examinations in these two fields need not be required. Rather, the candidate's knowledge of business and legal practice should be tested by incorporating those features with the technical accounting questions and problems, which are used to test the candidate's knowledge of his professional field. Even the law examination should be related specifically to the field of accountancy.

If the profession, in coöperation with the pedagogues, can develop schools of the type mentioned above, it seems proper that graduates of such schools should be admitted to the examination immediately upon graduation. Therefore, upon the basis of the requirement of five years' practical accounting experience, which is now the practice in some states, a graduate of such a school should be given three years' experience credit and admitted, as mentioned above, immediately to the licensing examination.

Should this type of training be made effective, and no one be admitted to practice, except upon graduation from a professional school of this type, the experience requirement might well be stated as two years instead of five as is now the case in the state

of New York. Were that the case, the accountancy profession would be approaching nearer to the practice followed by the legal profession at the present time, in which a graduate of a school of law, who passes the bar examination, is required to have only a very short period of apprenticeship, or none at all, before entering upon the practice of law on his own account. However, because of the nature of the work which the accountancy profession is called upon to do, no person attempting to enter the profession should be turned loose on an unsuspecting public unless his ability has been tested and matured by a period of training under the supervision of recognized practitioners.

OTHER PROBLEMS

In this whole question of preparation for the practice of accountancy and testing the adequacy of a candidate's preparation, other problems come up for the consideration of examining bodies and solution by them. Among these may be mentioned the following:

- The proper type of examination problem and question
- The sources of question and problem material
- The preparation and weighing of questions
- The proper length of the examination period
- The marking of papers
- The preparation of professional syllabi
- Relations between professional accounting societies and schools

All these questions must be faced, but it has hardly seemed within the scope of this paper to discuss them.