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New Frontiers for the Accountant

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In a constantly changing world, there are always new frontiers. Some of the situations responsible for a particular frontier may not be new, but the frontier itself is new until a satisfactory settlement has been made. Three such frontiers might be considered as "New Frontiers for the Accountant." These embody you and your relation to education, you and your relation to clients, and you and your relation to state and federal agencies.

In discussing education with accountants, the following excerpts from a paper presented by Dr. Earl J. McGrath before the 70th annual meeting of the American Institute of Certified Public Accountants points up the matter: ". . . I have been aware that most of those who will consider these proposals are not full-time, or even part-time, teachers of accounting. The fact is, however, that they can, and should, exert influence on general policies in the institutions which prepare their future colleagues and eventual successors." In this subtle manner, he placed the responsibility for education where it belongs—on all members of the profession.

The frontier in education exists at two levels—college and high school. It is apparent from the emphasis today on electronic equipment and data-processing systems that present curriculums in large universities and small colleges must be modified to give students training in this area. Accounting conferences frequently discuss the problems presented by the introduction of electronic equipment, but so far no universal modification has been made in the field of education to alleviate these problems. It is possible to visualize a situation in which majors in accounting will be available in industrial accounting and public accounting in large and small colleges alike.

The major in industrial accounting would be a combination of accounting and engineering courses to the extent that they contribute to an understanding of electronic equipment. This major could be developed in much the same way as the industrial management degree, which is a combination of business and engineering courses. Before this major can be inaugurated, however, the accounting faculty must be educated in electronic data processing. Machine manufacturers provide appropriate courses and demonstrations, and the literature in this field is expanding almost daily.

The next step in incorporating such a major program would be the acquisition of machines. According to W. Rogers Hammond, Associate Dean, School of Business Administration, Georgia State College of Business Administration, the expense of acquiring and maintaining the machines would be about \$100,000 a year under good conditions. Victor Lota of New Orleans Public Service, Inc., revealed another plan of many of the leading universities—installing large scale computers for research and use by industry on a service bureau basis. Presumably, a limited amount of training would be available to students on these computers.

In the major in public accountancy the principal change will occur in the field of auditing. The auditing function will still be performed: it will still be the auditor's duty to subject his client's records to a critical analysis for the purpose of providing or testing their accuracy, truth, and authenticity. The material changes inherent in electronic accounting are the form in which books and records will be kept and the methods of internal control and audit. With a basic knowledge of programming to enable him to attack the problems of better internal control and audit, and with a basic knowledge of panel control operation to satisfy him that the machines are correctly handling the diversified transactions he wishes to test; the public accountant will be assured that he has a means of working back from ultimate entry to supporting document. Again, the college accounting faculty must assume the added responsibility of making these basic knowledges available to the students.

Surely, all of you are familiar with the report of the American Institute's Commission on Standards of Education and Experience. Stated generally, the report stressed the need of an extensive background in general culture, an understanding in business administration and economics, and more training in the technical accounting field. To provide for the increase in accounting training, a professional program in addition to the standard four-year curriculum was suggested.

Even before the use of electronic equipment became practical, thus changing educational requirements to a certain extent, many felt that the four-year accounting program was inadequate. Essentially, there were two arguments advanced for a five-year program:

first, by examining the percentages of success on comparable examinations given to graduates of other professions with the percentage of success on the CPA examination, the accounting program appeared to be grossly inadequate; second, accountancy is one of the few professions that still requires only four years of training.

Perhaps the development of electronic equipment is a blessing in disguise to education. When a change becomes inevitable, the chances of getting a satisfactory program adopted under the guise of the "inevitable change" are much greater than if the change is desirable but not necessarily inevitable.

There may be a way to conserve time spent by the accounting student to obtain his education. A majority of the high schools in the United States offer a course in bookkeeping, normally in the senior year. What is the purpose of these courses? Do they offer vocational opportunities to the students? Can they acquire and hold a job with the training they get in these courses? Do they offer a foundation for students who plan to major in accountancy in college?

A survey of the certification requirements for teaching bookkeeping in the high schools of various states representative of a cross-section of the nation showed that no state required less than five semester hours nor more than ten semester hours of college accounting. It does not follow that the high school bookkeeping teachers have not had more college credits in accounting, but it does reveal that the states consider that this is all the education that is required in order to teach the contents of a high school bookkeeping course.

Each year hundreds of students complete six hours of college accounting, and it may well be eight hours if the beginning course carries four hours each semester, and are thus qualified to teach bookkeeping in high school. How have they received adequate instruction in theory in a year's time to make bookkeeping meaningful either from a vocational standpoint or as a college foundation course?

It is probably difficult to evaluate the vocational potential of a high school bookkeeping course. Where there is a limited amount of accounting involved, it may be of value. But even then it is a matter of comparing the contribution made by classroom instruction with on-the-job training.

A quick look at current college bulletins will show if high school bookkeeping courses serve as a foundation course for college accounting. All college students take the first course in accounting, regardless of the high school credits they have in bookkeeping. Does this have to be the situation?

Most colleges and universities administer tests to entering freshmen to determine their level of accomplishment in English, mathematics, the sciences, and other areas. If the test results are satisfactory, they are permitted to enroll in courses for college credit; if they are not, they may be required to take remedial courses which offer no credit.

The American Institute of Certified Public Accountants has made a definite contribution through its College Accounting Testing Program. Through its direction two tests are offered: the orientation test and the achievement test. The orientation test is an aptitude test to be administered to beginning accounting students. The achievement tests measure the attainment of college accounting students at two levels. Achievement Test, Level I, designed for use at the end of the first year of accounting, is also suitable for second and third-year students. Achievement Test, Level II is planned especially for college seniors.

Since these two tests have proved to be so worthy, would it not be possible to prepare a test in bookkeeping or accounting to determine if a student has sufficient knowledge to enroll in intermediate accounting or other advanced accounting courses? If such a test could be prepared and if the results showed that high school bookkeeping courses offered essentially the same background as a college accounting course, then a whole year's work in accounting could be eliminated from the college accounting curriculum.

The immediate reaction of some will be that it is impossible to teach in a high school bookkeeping course what is taught in a college accounting course. But when you consider that high school classes meet five hours a week in comparison to four or five hours a week in college accounting courses, this may not be so unrealistic. It should be possible to teach just as much during these five hours as is done in college.

It may be said: "High school students are so much younger." Yes, they are younger—a year or two. However, intelligence tests indicate that mental maturity is acquired normally at the age of sixteen. If that be the case, then high school seniors should do as well as college freshmen or sophomores.

Another thought will be concerned with the heterogeneity of a high school bookkeeping class. Presumably, the brighter students continue their education by attending college, whereas a high school education is for the masses. This would lead to the conclusion that a high school bookkeeping course could not substitute for a college accounting course. Remember, though, that bookkeeping is an elective course in high school. Regardless of whether the purpose of such a course is for

vocational potential or college foundation, it could and should offer essentially the same coverage as college accounting. There is no reason why enough "meat" cannot be put in high school bookkeeping to eliminate it from the "snap" elective list.

Considering that a college accounting class is not necessarily homogenous, colleges are faced with the same problem as high schools. It is not uncommon to have a college accounting class composed of students majoring in engineering, pharmacy, and business—no separate class for accounting majors alone. Yet, the colleges attempt to prevent this from affecting course standards or requirements. They feel that accounting principles are accounting principles for majors and others as well.

At the present time, the carry-over of a one-year bookkeeping course in high school into the beginning college accounting course is normally about five or six weeks. Therefore, some definite changes would have to be made before any waiver of the beginning accounting course could be possible. Certification requirements for high school teachers of bookkeeping would have to be raised; a valid test for measuring achievement devised; and college administrators convinced of the validity of the test and recognizing a satisfactory score as a waiver of the beginning college accounting course.

If the high school bookkeeping course cannot be strengthened, there appears to be only one alternative. It will be the responsibility of accountants to educate high school counselors to the fact that bookkeeping has value only as immediate vocational potential upon graduation. Thus, counselors will advise students planning a major in accountancy in college to take some other course—preferably one in liberal arts. By so doing, the future accounting student will be accomplishing one of today's practicing accountants' desires—broadening the liberal arts education.

Another frontier today is concerned with your relation to your clients. This frontier will be of interest to only a minority group: those who handle the accounts of small businesses. This frontier is in the field of business law.

Business law has long been recognized as a part of the necessary education of the public accountant as evidenced by the section in the CPA examination covering business law. You all know that courses in business law are not intended to make attorneys of you, nor does passage of the CPA law exam indicate that you are an authority. However, it is supposed to reveal that you have a working knowledge of business law. It is in this "working" area that the frontier exists.

Those of you who have positions in industry or have only large businesses as clients will not be concerned with this frontier because they have staff attorneys whose job it is to familiarize the management with a working knowledge of business law. But those of you who have clients who engage attorneys only when needed or who are paying retainers, may find that you have neglected your duty to your clients.

It can be assumed that you have made the necessary explanations to your clients about the various accounting processes—why he needs to keep all invoices, why he needs to deposit cash intact, and on and on. However, that is not the extent of your job; you need to inform your clients with an everyday knowledge of business law. It is possible that he is not familiar with qualified and restrictive indorsements. He may not know the Statute of Limitations in the state in which he is operating. None of these things, nor hundreds like them, would take you more than five minutes to explain to your clients, and it may mean an actual saving in dollars and cents.

A reference to an actual situation which occurred recently might better substantiate this point. In this particular case, the client operates in a state that requires the payment of a three per cent sales tax on gross receipts. If remittance of the sales tax is made on or before the twentieth of the month following the month in which it was collected by the taxpayer, a discount of two per cent is granted; if the tax is not paid by this time, the discount is lost and a ten per cent penalty is charged. Things had always run smoothly for the client-taxpayer—he had unquestionably received the two per cent discount—until payment of the June, 1958 sales tax was made. In July, 1958, the month in which payment was due, the twentieth fell on Sunday. As a result of a combination of circumstances, the client-taxpayer was later than usual in paying his tax; in fact, he made payment on Monday, July 21. Several weeks passed before the taxpayer received a notice from the State Department of Revenues stating that the two per cent discount had been disallowed and a ten per cent penalty had been charged because he had been delinquent in making payment. Imagine the staggering effect that this notice had upon the taxpayer. Before the taxpayer had recovered to the extent that he had made payment of the disallowed discount and penalty, the accountant entered upon the scene. In a matter of a few minutes the accountant had explained to his client why he should abandon his consternation. The accountant made clear to his client the policy of making payment on the next succeeding business day when the due

date falls on Sunday or a holiday. Immediately, the client-taxpayer wrote the Commissioner of Revenues questioning him about the application of this policy in the payment of state sales taxes. The Commissioner replied stating that the taxpayer was absolutely correct in assuming that the payment had been made within the discount period, and he thanked the taxpayer for calling the error to his attention. Thus, a real savings was made possible to the client by the accountant's rendering a service which is his duty to perform.

Please understand that the new frontier in business law is not intended to encroach upon the legal profession. The accountant's responsibility ends when he has informed the client of a particular rule of law. Then it is the attorney's responsibility to assist the client in determining his rights or liabilities in a particular situation in which a rule of law is involved.

The last frontier to be considered requires an attitude of cooperation between certain federal and state agencies. If a satisfactory settlement is to be made of this frontier, however, surely it will be members of the accounting profession who will have to take the initiative. This "New Frontier for the Accountant" exists in the instigation of a movement resulting in the standardization of forms used in preparing employers' quarterly tax returns.

The differences between the state form and the federal form is greater, of course, in some cases than it is in others. Nevertheless, it would probably be astounding if there were some way to report the number of manpower hours lost annually because of a lack of form standardization. Considering the amount of form designing that accountants have done in systems work and their ever-present desire to decrease clerical costs, it is difficult to believe that they would have tolerated the situation for the period of time that they have.

A comparison of the form used by one state with Form 941, the federal form for reporting employers' quarterly taxes, may impress upon you the emergency of this frontier. Assume for the purposes of this illustration that all the employees worked in one state and, therefore, the information on the state form is identical with that on the federal form. Form 941, as you know, is legal size whereas this state form is letter size. If for no other reason, this is objectionable because it requires the use of

both sizes of carbon paper. However, in the overall picture, that is classed as a mere minor irritation. The real waste of time due to the difference in the lengths of the forms occurs because the federal form provides spaces for thirteen names on the first page while the state form provides spaces for only twelve names. This means that separate totals must be prepared for the first page, and as a result, for each succeeding page of the return.

The next inconsistency appears in the setting of tabulator stops. You find, after completing the typing of the federal form, that all the tabulator stops must be reset before beginning on the first page of the state form. This is all contributing to the loss of your time and your temper, but there is still more to come. You insert the first continuation sheet for the state return into the machine, and depress the tabulator key. Something must be wrong with the typewriter, because you are not aligned with the first column. Oh, no, the typewriter is in proper working order. The column alignment on the continuation sheets varies from that on the form itself. All of these things actually happen each time quarterly tax returns are filed. And, if it is necessary to file a return in several states, there is a possibility that there will be a greater number of variances.

So much progress has been made through the years in standardizing office forms, that surely the federal and state agencies involved will recognize the desirability of standardizing the quarterly tax returns to the greatest extent possible. But first, you as accountants, will have to let it be known that the situation as it exists today is resulting in waste of time.

In conclusion, may it be stated that it is very difficult to make a contribution when offering proposals or predictions to the members of a profession. For one thing, they are engaged in the same area as you; and, as a result, they are quite familiar with the existing problems. Furthermore, an idea is rarely the property of a single individual. It might be said that there are frequently several discoverers of an idea—discoverers because the idea was conceived in their own minds even though at precisely the same time other individuals' thoughts were harboring the same idea. There is no question that the presentation of a well-founded idea will make a contribution. But an old idea, too, can make a contribution if it offers a challenge.