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## CPE in the 80s : a compendium of papers written by members of a planning task force of the AICPA's Educational Materials Exchange Committee

American Institute of Certified Public Accountants. Continuing Professional Education Division

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**CPE in the 80s**

by E. Kuntz and the  
Task Force on  
the 1980's



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NEW YORK, N.Y. 10020

## **CPE in the 80s**

A compendium of papers written by members of a planning task force of the AICPA's Educational Materials Exchange Committee. The views expressed are strictly those of the individuals identified with each chapter.

**Continuing Professional Education Division**  
**AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, INC.**  
1211 Avenue of the Americas New York, New York 10036

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1211 Avenue of the Americas, New York, N.Y. 10036



**American Institute of Certified Public Accountants**

1211 Avenue of the Americas, New York, New York 10036 (212) 575-6200

TO: William E. Kuntz and the  
EDMAX Task Force on  
CPE in the 1980's

As chairman of the continuing professional education executive committee, I commend your effort and compendium of papers.

Your task force has helped the profession identify and examine significant trends in the 1980s. While their implications for the continuing professional education of CPAs are difficult to assess, your willingness to project CPE in the 1980s probably has influenced the plans of participants in your study. Sharing your views with the profession may enable others to benefit as well.

Thank you for undertaking this assignment in behalf of the profession.

Sincerely,  
Austin G. Robertson, Jr., Chairman,  
CPE Executive Committee



CPE IN THE 80s

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CPE IN THE 30s

INTRODUCTION



## CPE in the 80s

### Introduction

If you are responsible for Continuing Professional Education (CPE) in your organization, we hope that you will read this volume. If you bear some responsibility for only your own CPE, we believe you will benefit from reading some of the papers and scanning others.

Why were the papers written? One of the members of the educational materials exchange (EDMAX) subcommittee of the AICPA expressed the opinion that the professional might benefit from learning about the changes in CPE in the '80s anticipated by EDMAX members. EDMAX concurred and established a task force to project anticipated changes in certain areas.

The papers were written, as you will see from the table of contents, by individuals with varied experience and backgrounds. The initial thought was to mold the views and styles of the papers into a task force report. This idea was abandoned as it became apparent that achieving the consensus of task force members was neither desirable nor probable.

Each author considers the present state of the art and projects how it might change in the future. In agreeing to undertake this risky endeavor, they demonstrate a high degree of dedication. Their motivation was to share their CPE experience with the profession. Your consideration of their views should enable you to plan more effective CPE for your organization.

The expressed views, some of which are contradictory, will not all come to pass. While we do not anticipate that you will agree with all of the predictions, we do expect that they will help you come to your own conclusions about future CPE. This is perhaps the appropriate place to state that these views are solely those of their authors - not of their firms or organizations or the AICPA.

You may find that some of the conditions mentioned in the papers do not match your situation. Nonetheless, we hope you will find that they stimulate your thinking by interjecting some new ideas that suggest additional courses of action. The papers deal with various environments of CPE because external factors have so much bearing on CPE content and delivery.

The papers are not based on and do not attempt to predict CPE standards. Obviously, changes in the standards will impact some predictions in the papers.

The task force would like to express its appreciation to the AICPA for publishing this volume and to Ellen M. Hegarty for coordinating the editing. To the extent that this volume helps you improve the effectiveness of CPE it has achieved its objective.

W.E. Kuntz  
Chairman, EDMAX 1980-1981  
And of the CPE in the 80s  
Task Force

CHAPTER 1  
CPE IN THE 80s

PROFILE OF THE PROFESSION - 1980-1990



## Chapter 1

### Profile of the Profession - 1980-1990 Dr. E.J. Pavlock

This chapter will profile the accounting profession during the decade of the 1980s. Our predictions will be based on our perception of the profession today and on the developments and trends that seem to hold most significance for the future. The profile will embrace only those aspects of the profession which are likely to be crucial to CPE in the eighties. The major elements are:

- Accounting and Reporting Standards and Requirements
- Governance of the Profession
- Peer Reviews
- CPE Standards
- AICPA/State Societies Relationships
- Impact of Computer and Communications Technology
- Profile of the Professional Accountant
- Demographics and Trends in U.S. Society and Business  
(See Appendix)

#### Accounting and Reporting Standards and Requirements

##### Scope of services

The decade of the 1980s will likely see an expansion of the role of the CPA and the range of services offered by practitioners and firms. The traditional service lines of attesting to the fairness of presentation of clients' financial statements, tax compliance and tax planning, as well as management advisory services will continue and expand in volume with the growth of the public and private sectors of the economy.

The profession is being challenged by the Securities and Exchange Commission through their recent Accounting Series Release 264, regarding the scope of services provided by independent accountants. This Release contains the SEC's views on certain factors which accountants should consider in assessing the possible effects on their independence, with respect to publicly held audit clients, from rendering nonaudit services. Its focus is directed at the

MAS practice and the relationship of MAS with all audit services offered by a firm. Little or no concern seems to be expressed about tax services and their relationship to the audit function. The SEC's objective of "sensitizing" the profession to these issues seems to have been accomplished, for the entire profession views this Release as a threat to the continuation of its full line of MAS activities in the manner in which firms have provided them over the last several decades. In our opinion, this challenge by the SEC will be successfully thwarted. Firms will continue to provide these nonaudit services with, perhaps, additional measures of control and limitation which will sharpen the outward manifestations of independence and provide assurances that independence in fact and appearance does exist.

### Types of financial reporting

Beyond the present lines of services provided by firms, new and expanded types of financial reporting will likely emerge. Some of these are already in their formative stages; others will probably come on the scene during the next 10 years. Below is a brief summary of these emerging types:

#### 1. Effects of inflation

Eliminating financial reporting distortions caused by inflation has been the focus of the pronouncement setting bodies of the profession for many years. At this writing, Financial Accounting Standards Board (FASB) Statement No. 33, Financial Reporting and Changing Prices, requires the supplemental reporting of current values and amounts expressed in units of general purchasing power for certain data in the primary financial statements of large publicly held companies, starting on or after December 25, 1979. We regard this requirement as being one in a series of formal experiments attempting to provide more relevant data to users of financial statements. There will be continuing attempts at modifying the historical cost data in the primary financial statements - perhaps extending the requirements of FASB No.33 to all publicly held companies and large private ones too. However, educating the financial community and other users of financial statements to understand new, esoteric notions such as unrealized holding gains or measurements in units of general purchasing power, as well as to understand a full



set of financial statements based on current values and on a constant monetary unit, will take considerable time. We thus see a gradual acceptance of this approach during the 1980s. CPAs will be attesting to presentations of supplemental data that depict the effects of inflation in some form by the end of the decade.

## 2. Internal accounting controls

The recommendations of the Cohen Commission, the Foreign Corrupt Practices Act of 1977, the SEC, and the AICPA's Special Advisory Committee on Internal Accounting Control have directed accountants' attention to management's reporting on their evaluation of its internal accounting controls. The Auditing Standards Board recently considered the profession's position on the auditor's review of internal accounting control and issued a pronouncement including how an auditor should opine on this review. We expect that this type of reporting by the independent auditor will continue to evolve. It is very likely that the coverage of the auditor's examination will expand to become a form of a management audit of an entity's objectives, policies and programs. This art will be fairly well defined and will be a part of the typical auditing firm's range of services by 1990.

## 3. Disclosure of nonfinancial information

In the Appendix, "Demographics and Trends in U.S. Society and Business," we cite the trend that the public will increase its dependence on professionals for knowledge and information to evaluate whether corporations are fulfilling their role in society. Such pressures are felt in areas where businesses are being encouraged, and in some cases, required to report on nonfinancial information which is not a part of the financial statements but which is included in published annual reports. Such areas include social action programs (for example, affirmative action and OSHA), environmental regulations, the make-up and compensation of management and boards of directors, relationships with independent auditors and legal counsel, and corporate codes of conduct. Perhaps these areas will also eventually include efficient energy utilization.

Users of such information will want some assurance from independent auditors that the information is properly reported. This need for the application of the professional's analytical skills and expertise to areas other than auditing financial statements and taxes is likely to become so great as to override concerns that rendering these nonaudit services to audit clients poses a risk of impairment to audit independence. (See previous comments about ASR No. 264.) Forms of attesting will be developed so that CPAs will be involved in providing such assurance to users of published annual reports.

#### 4. Attesting to forecasted data

SEC promulgations have encouraged public companies to publish forecasts and projections of financial results under certain conditions. The SEC proposed a "safe harbor" rule for companies to issue prospective information and for third parties to review these data. Movement toward this end seems to be progressing with the recent issuance of the Guide for a Review of a Financial Forecast, by an AICPA task force. We envision a gradual evolution of these forms of presentations, with CPAs being involved in the formulation of standards and reporting requirements. By the end of the decade, generally accepted practices for presenting forecasted financial data will likely emerge, along with "prospective auditing" procedures, which will be used to review and report on clients' prospective information.

#### 5. Continuous auditing

A trend seems to be developing toward continuous rather than periodic auditing. For a long period of time, accounting firms have performed a portion of their audit work at various times during the year rather than exclusively at year end. This practice has been advanced by auditors offering limited reviews of interim-period earnings results. We believe this trend will grow and continuous auditing will be facilitated by specially designed computer audit programs. These programs will be used to test the functioning of the client's programs and controls and will also be used to identify conditions suggesting further inquiry. Timesharing programs will also be employed.

## 6. Measuring the effectiveness of social programs

Increasing demands for federal and state governments to provide various social services, and the need to assess ecological impacts and natural resource limitations associated with such services, will result in pressures to develop methods for measuring the effectiveness of social programs. Taxpayer resistance to larger assessments of their incomes for government expenditures is creating additional pressures for curtailing such programs. We predict that CPAs will become involved in helping governments bring their spending programs under control.

There is an increasing awareness that the economic statistics on which national policy decisions are based are derived from the financial statements of businesses. This awareness is what is behind the calls for governmental regulation of our profession. As experts in financial measurement, CPAs can provide valuable assistance in measuring the costs and benefits of governmental programs. Such analysis would aid politicians in reducing or eliminating programs to achieve balanced budgets. We predict that CPAs will become valued advisers to legislators and governmental officials and perform this much needed public service.

### Technical Standards

The profession's present major entities, the Financial Accounting Standards Board and the Auditing Standards Board, will continue to be the principal purveyors of the technical standards which practitioners follow in carrying out the attest function. As long as close coordination is maintained with the SEC and dialogue prevails in an open and cooperative spirit, the development and pronouncement of accounting and auditing standards will stay within the profession.

It may become necessary for the Auditing Standards Board to evolve further from part-time to full-time, nonfirm affiliated memberships, similar to the FASB. The expansion of services into the areas suggested above is likely to require a greater concentration of time and effort by full-time board members so that more pronouncements can be expeditiously handled and disseminated for implementation by the profession.

In addition, the profession will also be forced to re-examine and revise its audit techniques to make audits more cost-effective and to improve detection of irregularities. During recent years, the rash of spectacular audit failures and the revelations about alleged illegal acts on the part of corporate managements have raised the clamor for auditors to be responsible for detecting all material management frauds. The profession must do better to retain its credibility. We predict that greater emphasis will be placed on improved interrogation methods, increased use of computers to perform audit procedures and more frequent application of statistical sampling techniques. Other disciplines will be added to the auditors' approaches, such as models to evaluate alternatives in complex problem-solving situations, and forecasting methods and techniques to assess management's predictive information.

The future will not bring a return to the days of fewer standards and responsibilities. All signs point in the opposite direction. The public will demand accountability by professionals for their work, and more standards - both in terms of depth of coverage and pervasiveness over all the range of services provided - will be the outcome for the decade of the 1980s.

#### International accounting and auditing

The growing importance of multinational companies which span the globe with diversified operations needs increased attention. Ways must be found to speed up the process of harmonizing accounting and auditing standards internationally and of facilitating the practice across national borders. The present efforts of the International Accounting Standards Committee and the International Federation of Accountants show some progress. However, compliance with the standards they set forth lags behind their pronouncements. The barriers of national sovereignty and national pride must be surmounted so that accounting will become not an impediment, but an aid to increasing the volume of international trade.

We predict that additional strides will be made by the two organizations mentioned above during the next decades. Additional impetus for progress will come from other groups, such as the United Nations, which are showing increased concern for action in order to control the activities of multinational corporations. Ultimate progress, however, will be governed by the degree of general world peace and cooperation. The exacerbation of the world energy situation or the outbreak of regional wars will likely curtail major efforts on a global scale.

## Governance of the Profession

### Organizational structure and self-regulation

The accounting profession in the United States is facing its most severe challenge since the mid-1930s, when the Securities Acts were written and the Securities and Exchange Commission was formed. Now, as then, the public is concerned about the way the financial system in the United States conducts itself, and some in Congress are interpreting that concern as a call for new legislation. Now, as then, there are those who see the accountant as the personification of the financial system and would therefore legislate control over the profession.

The challenge to the profession extends to many issues, but is perhaps most critical with respect to regulation. Congress has been skeptical of the profession's self-regulation efforts, and the most serious legislative proposals have been directed toward the imposition of a governmentally controlled regulatory scheme.

In response to that challenge, the AICPA has established a Division of Firms, which includes an SEC Practice Section and a Private Practice Section. To join the SEC Practice Section, a firm must agree to certain membership requirements. Most importantly, a firm must agree to abide by the standards established by the Section, to submit to a peer review, and to submit to the Section's discipline and its sanctions. The Section is governed by an Executive Committee made up of representatives of member firms and is thus a self-governed body. It is different from any other prior attempt at self-regulation because its activities are subject to review by a Public Oversight Board composed of five prominent business people, none of whom are accountants. This Board advises the Section and acts as its conscience. The Public Oversight Board will bring a broader perspective to difficult decisions and will make sure that the Section does not become a self-protective club. On paper, the present structure and its approach have won considerable praise. Implementing these objectives in a convincing manner will be a formidable task during the 1980s.

We see the profession continuing its quest for self-regulation in a spirited and more unified effort. We do not believe that civil proceedings will be the only way to regulate and discipline the profession. While the case-by-case approach does establish precedents for new practice standards, and while the threat of massive judgments can enforce adherence to those standards, this approach will not satisfy critics who seek more pervasive and expeditious formulation of a regulatory and disciplinary process. Moreover, the recent posture of

the SEC's Enforcement Division increases the necessity of changing the present modus operandi. It is likely that the Enforcement Division will continue to comb the wreckage of each financial disaster, looking for evidence of failure on the part of the company's officers, their attorneys or their accountants. Abetted by Congressional interest in the accounting profession, those at the SEC are sure to take up a more active role until the profession assumes a stronger role in disciplining itself.

To overcome this gradual usurpation of regulatory power by the SEC, the accounting profession must find a way of overcoming the natural human reluctance of one professional to discipline another. Also, structural problems which inhibit the effectiveness of the profession's internal self-disciplinary process must be addressed. Since the profession does not have subpoena powers, its ability to conduct an in-depth investigation is hampered. Given the threat to civil litigation, with the attendant significant uncertainties, firms have been unwilling to submit voluntarily to professional discipline. Thus the profession's disciplinary machinery does not handle the more difficult problem cases until all of the civil litigation cases have been completed - eight to ten years after the fact.

In today's environment, the profession is expected to take all reasonable precautions to provide additional measures of insurance against audit failures (beyond redress through litigation for civil damages.) We therefore see a combination of developments in the next decade. We expect more regulation but not complete domination by the SEC and Congress. The profession will strengthen its own internal structure to deal more effectively with problems within its own house - in a manner yet to be determined.

### Competition

The profession has always had a degree of competition for clients among the many firms - large, medium-sized and small - which provide services. This competition is good for the profession and for society, since it helps ensure high-quality services at reasonable prices.

In recent years, there has developed a degree of extreme price cutting, sometimes referred to as "low balling," which is used mostly as a tactic in bidding for potential audit engagements. The theory behind this approach is that the firm engaging in low balling is trying to increase its client base with the full intention of re-establishing normal fees once the audit is obtained (with the supplementary addition of tax and management services engagements). If this strategy is successful, total fees and income for that firm may increase in the long run.

Such will be the case as long as other major competitors do not take similar action. However, under the new rules regarding client solicitation and the competitive spirit of CPAs, it is not likely that only one firm or a few firms will adopt this strategy without other firms taking similar action. In the long run, if enough firms practice extreme price reductions, and without allowing the quality of the service to diminish, decreased compensation must be the result at all staff and management levels. In fact, compensation could fall to the level where outstanding recruits would no longer consider professional accounting a desirable career and would turn instead to other professions. The quality of service might then suffer because the quality of entrants would decline. Clients and society would be affected adversely.

Increased price competition also leads to greater concentration in the accounting profession. If extreme forms of low balling extend over a long period of time, only the largest and most economically viable firms will be able to continue their practices with adequate profit margins. The small and medium-sized firms will be squeezed out of many segments of the market. Ultimately, many professionals predict, the profession will then comprise only large and small firms, with the middle-sized organizations merging into larger units or de-merging into smaller units. And, with greater concentration in the profession, the possibility of government intervention becomes more of a certainty.

In the 1980s, we see increased competition among the firms for new clients - particularly for audit engagements. Price cutting will be a strategy along with other forms of competition. The tendency toward concentration among a few very large firms - perhaps eight or ten - will continue. This development will receive the careful scrutiny of governmental bodies - particularly the Federal Trade Commission. However, we see the profession warding off direct government intervention into the concentration issue.

### Peer Reviews

As mentioned previously, peer reviews are considered an important requirement for membership in the two Practice Sections of the AICPA Division of Firms. The present concern is: Should there be several approaches to accomplishing this review of a firm's standards and operating practices? Most reviews are now carried out on a firm-on-firm basis. Some observers, particularly the SEC, argue that the review has greater appearance of objectivity and independence if it is accomplished by a team of professionals from several different firms. A third alternative includes individuals from outside the profession as members of review teams.

During the next decade, we foresee experimentation with all three types of peer review compositions. We believe that the task of reviewing all firms who are members of the SEC and Private Practice Sections every three years (present requirement) is so vast, and will encompass such significant manpower resources within the profession, that it will be necessary to utilize all three team structures to get the job done. We anticipate that more standardized programs for review will evolve so that regardless of team composition, the coverage of the review will remain constant for each engagement. As long as the profession directs this evolution in a manner which satisfies the SEC and Congress, we do not envision any specific mandate by either as to the structure of the review teams or the content of the review programs. However, should this peer review process break down, we expect that both the SEC and Congress will step in with prescriptions of modus operandi and greater involvement in the findings and reports of the reviews.

Another uncertainty about the peer review process remains. That is, to what extent should the results of reviews be made public? Present requirements are that such reports are to be filed with the Practice Sections at the AICPA offices after the Executive Committees of the Sections and the Public Oversight Board have reviewed and considered them. We envision that the Public Oversight Board will become more actively involved in this process. This involvement will take the form of objective challenge of the firm or team conducting the peer review. In a sense, we see the Board serving as a sort of independent audit committee to the Executive Committees of the Practice Sections. Program content will be subject to review and agreement by the Board before peer reviews are undertaken, and review results will come under the Board's close scrutiny.

Assuming that an effective review process emerges with extensive Public Oversight Board involvement, we do not believe that disclosures of peer review results will be made public in any great detail. What is likely to emerge are periodic public disclosures that Firm X obtained a "clean" opinion on its review or that Firm Y must do "such and such" to maintain the quality of its practice to meet profession-wide standards. Such reports will eventually become standard practice, largely akin to the auditor's reports, which are issued annually on clients' financial statement representations.

If the review process evolves in this manner, we do not predict any greater involvement by government regulatory agencies or Congress. However, failure to produce an open and objective peer review process (both in appearance and in fact) will bring Washington into a more direct role, with mandates, prescriptions and greater public disclosures.



We expect that all firms - regardless of size - will continue to expand their quality control systems. The profession will continue to issue pronouncements relating to Auditing Standards and practice requirements. These quality control systems will extend to firms' international practice units, and as greater harmonization of accounting and auditing standards emerges, some elements of control will be spread on a worldwide basis. Extending peer reviews to firms outside the United States who audit U.S. multinational companies will be difficult. In countries such as the United Kingdom, Canada and Australia, fewer insoluble problems exist than in other countries. However, peer review faces great obstacles in many countries, ranging from the extent of the SEC's jurisdiction over foreign business to laws on privacy to costs - a peer review for a major U.S. accounting firm costs in the neighborhood of \$1,000,000. Thus, we do not see extended peer reviews onsite during the next decade. The review, if done at all, will be limited to the working papers of overseas engagements which are housed in the U.S. offices of firms.

#### CPE Standards

The profession's present Continuing Professional Education Standards are embodied in the Statement on Standards for Formal Group and Formal Self-Study Programs published by the AICPA in 1976. These standards have been adopted, almost in toto, by the SEC and the Private Practice Sections of the AICPA Division for Firms, National Association of State Boards of Accountancy, several states, and most large and medium-sized firms.

The standards are fairly broad, covering program development, presentation, measurement and reporting. Some have criticized the standards as lacking specifics of definition and interpretation. However, CPE committees considering their content have largely refrained from enumerating specifics lest the standards become supplemented by a plethora of interpretations and details covering every conceivable situation. The profession's posture seems to be one of keeping the standards broad and general and letting individual firms, associations, state societies, the AICPA and other sponsors interpret the standards within their own programs and environment.

We fear, though, that some additional guidelines dealing with specific kinds of CPE activity will become necessary during the 1980s. As with all types of standards - particularly accounting and reporting and auditing - pressures

gradually arise for more specificity so that there can be a uniformity of application throughout the profession. Such will be the case with CPE standards.

We foresee that peer reviews will constitute the major means for ascertaining firms' compliance with CPE standards for purposes of meeting the requirements of the SEC and Private Sections of the AICPA Division of Firms. We do not envision a large, autonomous central body (similar to the American Association of Collegiate Schools of Business for accrediting schools of business programs) to accredit CPE programs of various sponsors. We also perceive a continuation of the adoption of mandatory CPE for all states and jurisdictions licensing CPAs. Unfortunately, there will be more proliferation of different CPE laws and regulations as more states enact legislation and as State Boards of Accountancy and State CPE Committees feel a need to regulate and control CPE within their respective jurisdictions. Hopefully, the profession will not be buried under the "form over substance" trend regarding CPE during the next decade.

We predict a gradual shift from the current focus on group courses and measuring CPE credit strictly by time spent in an activity, to a competency-based system of credit. Efforts will be made to develop an alternative system which places more importance on an individual's being competent to perform accounting, auditing, tax and consulting services rather than on the number of hours completed in CPE. As the profession experiments and gains experience with this approach, gradual recognition of surrogate activities to formal CPE programs will take place. This movement, we believe, will be abetted by the shift toward recognizing specialist classifications within the profession (see comments on specialists in a later section).

#### AICPA/State Societies Relationships

The history of the working relationship between the American Institute of Certified Public Accountants - the umbrella organization for the profession - and the state societies can be characterized as one of evolutionary harmony. The rapid growth of the profession and the multifarious demands placed on its governing body - the AICPA - by its membership has led to mixed reactions about this relationship. The Institute has tried to satisfy its diverse membership through innovative programs, through its committee structure and through continuous communications both directly to its members and through the state societies.

During the 1980s, we believe a more harmonious relationship will be necessary to accommodate the increasing rate of change and to thwart the legislative thrusts at overthrowing self-governance efforts. Closer working also seems to be mandated by the threat to the economic viability of medium-sized and small firms. As mentioned previously, the large firms seem to be getting larger, thus squeezing the middle-tier of accounting organizations from the broad range of services traditionally offered.

To prevent this occurrence, it appears that the AICPA and the state societies, acting in concert, can assist medium-sized and small firms to achieve certain economies of scale and to acquire the critical resources necessary under the current economic conditions to compete in the marketplace for clients. Possible areas of cooperation include training, recruiting, specialized expertise and research capabilities. The AICPA and the state societies now coordinate CPE; similar coordination of efforts must be attempted in these other areas mentioned. Cooperative efforts among individual practicing units should also be encouraged, while allowing them to remain independent entities. More must also be done to understand how associations of CPA firms can be more effective, and their role should be broadened. The professional societies must provide the impetus for and encourage discussion of the problems of collective action.

Thus, we see the importance and influence of the AICPA and state societies taking on larger dimensions during the next decade. Ways and means will emerge to assist all practicing units to become more economically viable through the coordinating programs of the professional organizations. Primary avenues seem to be through the assimilation of materials, information and direction.

#### Impact of Computer and Communications Technology

Over the next decade, the combined technologies of computers and communications devices will develop many innovations which will be useful in both business and personal life. Some of the many innovations we are likely to see by 1990 and beyond are:

- Electronically readable credit cards that make possible automatic credit verification, granting of credit, or transfer of funds from a buyer to a vendor's account.
- Computers that convert printed English text into synthetic speech.

- Scanning machines that read printing or legible script, giving computers the capability of almost instantaneous language translation.
- Earth orbiting satellites that store thousands of videotape programs. These satellites could be dialed by anyone on earth holding the proper number.
- Electronic "libraries" or data banks that store and retrieve all kinds of printed information. By merely punching some numbers on a computer console, individuals could draw on resources of the finest libraries and educational institutions anywhere in the country and receive graphs and printed materials over the screens and printout mechanisms of home terminals.
- Home facsimile-transmission devices that instantly reproduce letters, photographs and documents for recipients on the other end of a circuit.
- Educational television circuits that interconnect central universities with small local campuses (or headquarters with all offices of an operating organization).
- Millions of see-while-you-talk Picturephones that serve as a substitute for travel.
- Computerized communications networks with the capacity to put everyone inside a densely populated urban center in instant contact with everyone else, through the use of telephones, terminals and teletypewriters.
- Television or video cassettes with programmed instructions that provide individuals with the ability to learn subjects in their homes or offices.
- Laser "pipelines" capable of simultaneously handling thousands of television channels and billions of telephone conversations.

Some of these marvelous innovations may find their way into the world of the professional accountant during the 1980s. Video programming has already started. More sophisticated methodologies and equipment will be developed, leading toward greater use of this medium for communication and educational purposes, including video cassettes, closed-circuit and cable television programming. Linkages will

be made with the computer to combine computer-assisted instruction modes with video programming. Teleconferencing will be perfected and individuals will conduct meetings with others in remote cities without anyone leaving his or her office. For educational purposes, these innovations of computer and communications devices will interact with the traditional modes of learning to provide more interesting and speedier opportunities for disseminating information among practice units and professionals. Only the economics of use will deter their widespread adoption by the profession.

### Profile of the Professional Accountant

As the environment of the profession changes, individuals in the profession will undergo changes too. The following is a brief outline of the characteristics that will distinguish accounting professionals of the 1980s:

- Future professionals will be able to cope with the accelerating pace of change. They will probably be more flexible, adaptable and tolerant of ambiguity than their counterparts of the seventies. They will try new approaches to problems, will forcefully challenge the status quo, and will not hesitate to dissociate from hide-bound traditions or practices.
- There will be specialists on an increasing scale in public practice. For example, auditing will become more of a specialty, developing apart from accounting and reporting. Within auditing, there will be computer specialists, statistical sampling specialists and perhaps other specialists not yet identified to meet the complex range of problems of a broadening audit practice. Tax practice already has its general specialist; there will probably be further delineations within tax. Within the emerging practice areas, specialists will evolve into such positions as valuation engineers, operations research model builders, human resource management consultants and forecast methods analysts. Industry specialization will grow. The ranks of today's specialists in banking, insurance, oil and gas, and so on, will expand to include experts in measuring the effectiveness of social programs.
- Future CPAs will be more self-determining. They will want a larger voice in shaping what they do and where they are going. As individuals in a society that increasingly emphasizes individualism, they will expect greater freedom in determining work assignments and educational programs. They will want to be listened to and will grow impatient if the management climate does not permit a frequent dialogue between themselves and their superiors for feedback and direction of their performance.

- Awareness of the phenomenon of individualism which permeates practically all age groups, young and old, will be more widespread among firms' management. Many believe that more people, particularly those entering and presently in the profession, have most needs fairly well satisfied. As a result, individuals stress personal goals and objectives rather than strict adherence to tradition and authoritarian styles of managing. Some say that unless this pursuit of individualism is properly channeled, two possible effects may occur:
  1. There will be less allegiance and loyalty of a person to his or her firm. People will stay with an organization only as long as it provides the means to satisfy many of their various objectives and life goals. As a result, turnover will increase.
  2. There will be less desire within individuals to conform to the profession's norms and standards for conduct and ethical practices. Individualism fosters the shaping of one's own interpretations of concepts such as good and bad, right and wrong.

It seems imperative that enlightened firm policies and management practices must build on the strengths and attributes of individuals, and on their drives for achievement and excellence, so that a positive outcome will result.

- Future CPAs will also need to be broad-gauged generalists in order to manage practice units and large international firms. Despite the need for more specialists, there will always be room for the gray beard as a necessary component of the management team. Generalists will need to understand business in its totality, government influence and many broad societal issues. More clients will be conducting business in several countries and will have interests worldwide. Knowledge of international business and accounting practices will become increasingly important for practitioners who serve multinational companies. CPAs will have to stay abreast of management developments and be skillful in effectively managing multinational accounting firms.

## Appendix

### Demographics and Trends in U.S. Society and Business

CPE for professional accountants must take cognizance of what's happening in the world - from the standpoints of both business and society. We consider it useful, therefore, to briefly outline certain trends and forces emerging in our society which have important implications for the future environments of business, professional accountancy and education. In this section we will identify the trends<sup>1</sup> and relate them specifically to the accounting profession.

#### Population

- Americans will be living longer due to advances in medical technology and personal habits, better methods of coping with stress and improved working and living conditions. As a result, the quality of life of senior citizens will be given high priority, with more attention being paid to planning for retirement, improving health and maintaining productive capacity, to enable seniors to enjoy their leisure time and to ensure their economic security.
- The percentage of Americans over 55 will increase relative to those under 25 years of age and average retirement age will increase. As a result, there will be a need to create opportunities for using the talents and experience of senior partners - particularly if firms raise their mandatory retirement age and permit "elder statesmen" to remain active. In addition, attention will have to be paid to providing more flexibility regarding work requirements, leisure and retirement programs.
- The shifting in employment opportunities from the industrial and agricultural sectors to the service sector of the economy will continue. As a result, personnel needing training to make transitions to jobs in the service area will increase, and the adult continuing education market will grow and flourish.

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1 Many of these identified trends are taken from a study conducted by The College Board as part of their program "The Future Directions for a Learning Society." See the report Alternative Scenarios of the American Future: 1980-2000, (Robert Glover, The College Board, New York 1979).

- Population will continue to shift from the eastern and midwestern states to the southern and western states. As a result, there will be declines in tax revenues and loss of jobs and industry in the East and Midwest. Growth in the practice of accounting is likely to follow these shifts.
- Population shifts from urban to nonurban areas will continue. As a result, cities will likely feel the threat of financial bankruptcy, and there will be changes in the workers' mixes in urban areas (i.e., more minorities). On the other hand, if steps are taken to revitalize urban living (urban renewal), or if energy shortages force people to live nearer their work and land costs skyrocket in the suburbs, the trend toward moving to the suburbs may be reversed. Also, improved technology may enable people to work at home for employers located elsewhere.

### Economy

- The GNP will grow at a slower rate unless we can offset the decline in resources used to create past U.S. wealth, find ways to restore the free enterprise system or counter foreign competition with lower wages and lower production costs. Top priority must be given to controlling inflation, restraining government spending and regulation, finding alternative sources of energy and raw materials, and increasing technological productivity.
- The rate of inflation will likely increase. Such a trend will be very serious because a balanced economy, free from high inflationary pressures, is essential for the survival of the free enterprise system and the American standard of living. At this juncture, nobody - neither economists nor government planners - seems to know what coordinated actions are necessary to curtail or reverse this rate.
- The value of the dollar will decrease, reflecting the growing strength of other nations which are experiencing increased affluence. Conservative elements fear the American standard of living will decline as developing nations strengthen their bargaining positions in world trade and energy costs continue their upward spiral.
- The average rate of productivity is likely to decline. Liberals blame this trend on the current inflation. Conservatives attribute it to government spending and



bureaucratic inefficiency by constraining productivity. Government regulations increase overhead, they say, which results in increased costs passed on to consumers. Many see a need to get back to the work ethic, to upgrade job skills of workers and to recognize and reward productivity.

- Profit margins of corporations, which are necessary to accumulate capital and yield adequate financial return to stockholders, are not likely to change and may even decrease. As a result, competition with foreign businesses will be difficult and there may be a capital shortage for business growth and innovations. Possible impacts on the accounting profession range from dire predictions of reduced fees and declining demand for services to optimistic portents of increasing services for accountants to assist corporations in maintaining competitiveness and profitability.

### Government

- Government expenditures as a percentage of U.S. GNP will continue increasing. Depending upon one's political leanings, this trend can be viewed favorably or unfavorably. Conservatives view the demands for government services as exceeding the nation's economic capacity to supply those services and see government as interfering with productive activity. Liberals reconcile the increasing expenditures as necessary to cope with the national problems of social welfare and to protect the public against concentrations of economic power and abuses in the private sector.
- More taxpayers are expressing a decreased willingness to support traditional government services. As a result, taxpayers will hold government agencies accountable for better programs and improved results. Accountants can play a major role in bringing this about.
- Government regulation of private enterprise will increase. Many business people believe this regulation must be counterbalanced by more free enterprise and protection of personal freedom. Some feel public resistance to regulation will cause government to reassess its policies.
- There will be no change or even a decrease in government's efficiency in preparing, debating and deciding on new legislature proposals. As a result, some streamlining of the legislative process is expected; grass roots pressure might help toward this end. Otherwise, bureaucracy with its inefficiencies will prevail.

## Community and family

- The permanence of marriage and the stability of American families will decline.
- Husbands and wives will share equally in work, household and child-rearing roles.
- More husbands and wives will follow separate careers.
- Racial discrimination among minorities will decrease.

A major implication of these trends for the profession is that a larger percentage of the total cadre of professional accountants will likely be women. Managing organizations with more equal representation of the sexes will require some changes from the traditional patterns and styles which are currently in vogue. Transfer policies for staff and partners will require challenge for and accommodation of the desires of both spouses, since each is likely to be following a separate career.

With the further decline of racial barriers, entrance into the profession of more minorities may necessitate specialized training, so that greater numbers are able to join the ranks of the professional accountant.

## Work

- The frequency of mid-career job change among working adults will increase. Experienced partners and managers will likely want to leave their firms and pursue a different line of productive activity before retiring. More experienced individuals at the senior levels will likely enter the profession as partners.

Such a way of life will be beneficial or detrimental, depending on the conditions under which the choices are made. From the employee's side, job changes are made to achieve satisfaction. A firm's management must learn either to provide a climate and job structure that satisfy the needs of its staff, or to organize to get the job done with a fluid work force. Ways must be found to retain the best persons - e.g., flexible work schedules, sabbaticals, interesting work and opportunities for growth. From the employer's side, mid-career changes initiated by employers, will find more compliant individuals to effect a change of employment.

- The effectiveness of economic growth, productivity and profit as motivators of management performance will probably be insufficient to satisfy the personal goals and growth objectives of most individuals. In an era of greater competition and reduced profitability, management will be forced to reduce costs and increase productivity through improved management and budgeting practices. However, management must become more aware of the complexity of human motives and develop a new style of management that considers employee needs and performance along with efficiency and productivity.
- Opportunities for workers to influence organizational decisions will increase. Upward communication will enhance top management's perception of staff and partners' needs and feelings. The leadership role and the type of individuals occupying such positions will change to provide a more responsive style of management.
- The quality of work life will become increasingly important among professionals. Devotion of extensive time and attention to professional work will abate as individuals balance out their life more among work, family and leisure. Concern for improved health and physical conditioning will occupy the time of more persons at all ages. Professionals will resist working long hours and enduring "vacationless" years.

### Education

- The number of full-time students (aged 17 to 25) enrolled in postsecondary educational institutions will decline. This trend will continue until the end of the century, when the number will stabilize at a higher level. Some of the implications of this trend are:
  - With rising inflation, higher operating costs and increasing student fees, it will become more difficult to recruit students, to maintain current faculty levels and to balance budgets.
  - Large tuition-dependent universities will have a hard time attracting students and funds.
  - Small liberal arts colleges will face declining enrollments and will shift toward more career-oriented programs.
  - Junior and community colleges operating at lower costs and with less competition in their regions, will probably experience some growth in student enrollment.

- Many institutions will be forced to close; many will reevaluate and clarify their role and purpose.
  - Faculty will spend more time teaching better students and less time giving attention to poorer students.
  - Adult part-time learners will have enhanced opportunities.
  - Institutions will become more open and flexible as the demand for lifelong learning increases.
  - Professionals will maintain expertise through continuing education.
  - There will be less emphasis on degree requirements.
- The number of adult part-time learners enrolled in post-secondary educational institutions will increase. Adult learners will be in a buyer's market. Institutions will have to make structural changes and find sources of financial aid to make the transition. Growth of nontraditional programs is expected through a variety of programs, including educational television, learning exchanges, workshops, church retreats, home study, on-the-job training, library self-study and museums.
  - Education and training expenditures as a percentage of the U.S. Gross National Product will likely increase. Priority will be given to training programs in professions and occupations which support national goals and manpower needs over general education. Business will extend its on-the-job training programs for women, low-income minorities and the unemployed. Universities will negotiate contracts with employers to provide leadership and professional and cultural programs for management. Corporations will increase their investment in education to adapt to changing technology and increase profits.
  - Greater investments in human resources will be made by employers through continuing education and training of employees. Education and training will continue to be a growth industry in both the public and private sectors.
  - The public will increase its dependence on professionals for knowledge and information required to satisfy human needs. Growing populism suggests a reaction against professional elites who have used their clients'

dependence to promote their own self-interest. Thus, various constituencies will expect professionals to justify their support and to be accountable for the quality of their services. On the other hand, public policies reinforce dependence on professionals for large segments of the population. In the future, the public will demand that professionals help clients to become self-sufficient in solving their own problems. The interests of professional practitioners will thereby be threatened by educational programs that enable paraprofessionals and clients to function more independently.

- Mandatory continuing education for periodic re-licensing and recertification of professionals will increase. The question is: Should it be voluntary or mandatory?

Professionals prefer a voluntary system and a free market approach to selecting educational and developmental opportunities. The cost would be significant and would ultimately be borne by funding sources and clients. Mandatory continuing education is difficult to enforce. Policies and standards may be too restrictive and may produce an accumulation of "credits" rather than improved performance. The standards are likely to lag behind knowledge and technology, and while programs will benefit universities and sponsors financially, they may do so at the expense of a professional's flexibility in pursuing a career. The problems experienced with mandatory requirements have been sufficiently serious that a reevaluation of these requirements is likely in the future.



CHAPTER 2  
CPE IN THE 80s

DEVELOPMENTAL NEEDS





## Chapter 2

### Developmental Needs

Rex B. Cruse, Jr.

This chapter explores the developmental needs of CPAs in the environment of the 1980s. The chapter then suggests what self-development, on-the-job development and formal continuing education can contribute to filling these developmental needs.

#### What Should the Goal of Professional Development Be?

The roles CPAs may perform in their firm are diverse. Clients are not alike, and hence engagements differ. As a CPA's career develops, he or she is expected to accept more responsibility for providing the firm's services to clients and for developing new engagements. Finally, the CPA may actually perform a managerial role important to the firm's success.

The goal of professional development amidst changing professional roles and client circumstances is professional effectiveness. Professional effectiveness is the capacity of a CPA's performance to consistently produce the results required to achieve the firm's strategic plan in the various situations he or she will encounter. Professional effectiveness is related to the firm's strategic plan because the firm's success and priorities are paramount to the CPA's personal success and priorities.

The production of consistently good results from professionals under changing plans and circumstances requires the linking of a firm's plans to the developmental needs of its staff - a significant challenge to professional development administrators.

#### What Are the Developmental Needs If Professional Effectiveness Is the Goal?

Several classifications are necessary to describe developmental needs adequately.

##### Nature of activity

Learning needs can be classified by the nature of the CPA's activity. Recurring activities, the next assignment, new services and growth are developmental needs under this classification.

Every CPA has recurring activities which he or she must learn to handle effectively. For example, the following list of activities can be considered recurring for an audit senior:

- Developing an effective engagement plan
- Knowing the client
- Knowing the client's business
- Knowing the client's planning process and business information system
- Developing a client service plan as an aid to practice development
- Studying and evaluating internal accounting control
- Designing the audit program
- Planning any interoffice aspects of the engagement
- Budgeting the engagement
- Staffing and scheduling the engagement
- Allocating the work
- Supervising and monitoring performance, time
- Completing the engagement
- Evaluating the execution of the engagement
- Initial planning of subsequent engagements

The precise nature of a developmental need will depend upon the situations an audit senior encounters in performing these activities on various assignments.

The next assignment is a matter of concern to any professional who must prepare for an effective and timely transition. Preparation must be integrated with completion of the current assignment. If the accountant needs to know more about the client or the client's industry and any special accounting or auditing requirements which affect the engagement, he or she needs to learn about them early enough to avoid wasting time. The timing of this need is very situational and varies throughout a firm.

New services are helpful in retaining the loyalty of old clients and in attracting new ones. Professionals have an ongoing developmental need to learn about new services in order to effectively contribute to the achievement of the firm's strategic plan. Learning about a new service is frequently a threshold to becoming aware of client service opportunities.

Growth is considered necessary in most successful firms. It follows that growth is a developmental need of an effective professional who wants to become an essential part of the firm's success. Growth can be achieved in different ways, but common to most of them is a professional's readiness to seek out and respond to opportunities.

### Nature of practice

Another useful classification of learning needs is by nature of practice. There are numerous ways to describe the nature of practice. One useful way is by breakdown into knowledge which should be common to all professionals, knowledge disciplines required to provide the various functional services of the firm, specialized technical knowledge within each of the various functional services, and management skills.

1. Knowledge which should be common to all is exemplified by professional ethics and their application to everyday situations in practice. Firm organization, policies, procedures and economics are other obvious examples in this category.
2. Functional services provided by the firm are another aspect of nature of practice and involve other developmental needs. A generalist may be expected to know a great deal about accounting and auditing, the basics of corporate taxation (particularly the tax accrual) and the basics of accounting systems and business management. A tax specialist, on the other hand, needs a working knowledge of the Internal Revenue Code and tax accounting. A management adviser needs a general knowledge of accounting a working knowledge of consulting engagement administration, as well as technical knowledge and industry knowledge. A small business adviser needs a working knowledge of how to compile, review, examine and interpret the financial statements of privately-held companies. He or she also needs a working knowledge of cash and financial

planning, financial techniques, proper structure for tax benefits and effective tax planning benefits. All of these various functional services are important to the firm. The special training and the learning needs they involve are situational and vary from professional to professional.

3. Specialized technical knowledge within the functional services comprises low-volume developmental needs of great importance to the quality of the client service. Frequently, these needs are so specialized that a firm relies upon individual professionals themselves to identify them and to know where, when and how to fill them.
4. As professionals assume more responsibility, their need to develop effective management skills increases. The nature of the skills needed changes with the different demands of management and executive positions in the firm.

#### Learning outcomes

Another useful classification scheme, the last to be discussed in this chapter, is based upon the learning outcomes expected. Bloom (1956) identified the following major categories in the cognitive or intellectual domain of educational objectives.

- Knowledge: Remembering previously learned material. Recall of the substance of a pronouncement is an example of learning at the knowledge level.
- Comprehension: The ability to grasp the meaning of material. This may be shown by translating or interpreting material and predicting consequences or effects.
- Application: The ability to use learned material in new and concrete situations. Application of a pronouncement or an Internal Revenue Code Section to a specific situation is an example of application.
- Analysis: The ability to break down material into its component parts so that its organizational structure is understood. Identification of the parts, analysis of the relationships between the parts, and recognition of the organizational principles involved are all included. An example of analysis would be learning how to identify such report deficiencies as unstated assumptions, logical fallacies, inferences taken as facts and "supporting data" which is irrelevant to the engagement objective and recommendation.

- Synthesis: The ability to put parts together to form a new whole. Examples of this learning need would be drafting a report on an engagement, making a proposal or giving a well-organized speech.
- Evaluation: The ability to judge the value of a proposal or report based on definite criteria which may be organizational or purpose related.

Classification by learning outcomes is particularly useful in deciding how to provide learning. It and the other two methods of help explain the diversity and timing of developmental needs a firm must be aware of, and show why learning will have to be accomplished in many different ways and times in the decade ahead.

### Who Should be Responsible for Being Professionally Effective?

Responsibility for being professionally effective is shared to the extent that the profession is accountable to the public and firms are accountable to clients and investors. However, accountability ultimately rests with the individual CPA. His or her career can be destroyed; his or her license to practice can be withdrawn - even though the firm is liable for his or her negligence and even though the profession may respond to public criticism with a new standard.

CPAs cannot escape the consequences of their own ignorance or poor judgment. Hence, responsibility for being professionally effective ultimately rests on individual CPAs' responsibility to themselves and to their firms. Obviously, one of the most important responsibilities of CPAs is to continue developing their professional knowledge and competence.

CPAs' developmental needs are very individual. Ideally, each professional's precise developmental needs should be analyzed and an individualized plan of professional development should be designed to meet them. While these are individual responsibilities, professional development can be guided and controlled within the local office to avoid the waste of mistaken perceptions and misapplications.

A firm's responsibility to facilitate its staff's effectiveness through professional development entails the following: Linking development to the firm's strategic plan, facilitating learning through coordinated self-development, on-the-job learning and formal continuing education, allocating resources to each phase according to a well conceived philosophy which considers the educational objectives to be achieved as well

as other important factors and administering the developmental effort so that the educational objectives can be achieved within the firm's constraints.

### What Are the Relevant Characteristics of the Learning Professional?

The learning CPA is an adult, and as such learns differently from children and adolescents. For example, a CPA is motivated to learn primarily by a need to use what he or she learns immediately to serve a new client with an identified problem. Immediate payoff is of prime importance in designing a professional development plan that will motivate a CPA to learn.

The learning professional has other important characteristics too. The identity of an adult is largely the sum total of his or her experiences. A positive professional development plan which seems relevant in light of the CPA's experience, or which builds upon the CPA's past experience, is more likely to result in learning than one which does not. Partly for this reason, a CPA who is allowed to assess his or her own developmental needs (or to participate in such an assessment) is more highly motivated to learn than one who is not. A CPA needs to be self-directing and independent in his or her learning - perhaps with occasional guidance and the opportunity to ask questions - in order to learn thoroughly a complex skill. Participation in a small group discussion of an experience also motivates learning among CPAs. Whatever the format, more learning will happen if individuals' concerns about revealing their inadequacies can be alleviated.

### What Is Likely to be the Role of Self-Development in the 1980s?

Self-development is likely to be more important in the 1980s than it was in the 1970s. One main reason for the increased emphasis on self-development is the growing acceptance of the view that the individual is responsible for being professionally effective. As CPAs mature, they become more and more aware that only they - not mentors or the firm - are ultimately accountable for their decisions. People who have accepted responsibility for themselves also are impatient with forms of learning which do not further their development.

Emphasis on self-development has been helped by a growing awareness that self-development need not be irrelevant to the firm's interests. Nor must it be unmonitored and unrelated to on-the-job training and formal continuing education. Each CPA should write his or her own development plan, then review and discuss it with the local office person assigned to professional development.

In the 1980s, firms are likely to count on self-development as one important answer to several types of developmental needs. One such need, already apparent, is related to the diversity of academic preparation which CPAs bring to their role. For example, tax specialists may or may not have graduate degrees in taxation or law. When each person needs individualized development, self-development with guidance by the firm is necessarily the answer. Firms also will want their CPAs to orient themselves to specialized industries when new clients are added. Further, if these or other clients have needs that require specialized skills or knowledge of new developments, firms will want the CPAs on these engagements to become competent in these areas themselves as quickly as possible and well before completion of the engagement.

Another entirely different reason why firms are likely to count on self-development in the 1980s is the increasing set of demands on the CPA's time. Managing time successfully is difficult, and yet relationships depend upon it. Clients, the firm itself, the CPA's family and the community need some of the CPA's time. As the CPA's responsibilities grow, satisfying developmental needs is likely to be deferred unwisely unless the developmental effort is convenient and flexible enough to accommodate a tight schedule. Forms of continuing education which have these desirable qualities will be sought after by CPAs and their firms.

Greater reliance on self-development also will allow firms to devote more resources to developmental needs which are best satisfied on the job or in sessions on the firm's newest strategies for success. To the extent that turnover is a problem for a firm, self-development could be one of the least costly ways of learning insofar as the firm is concerned.

But self-development is not a panacea. Like everything else, it must be managed wisely. Controls are necessary to assure that what is needed is indeed scheduled and what is not needed is deferred or set aside. Someone also must follow up with the individual CPA to be sure that the scheduled learning actually occurs on a timely basis. Finally, how the learning applies to client assignments needs to be understood.

## What Is Likely to be the Role of On-The-Job Development in the 1980s?

Much of the best learning occurs on the job. For this reason and others, learning on the job in the 1980s is likely to reassume the important role it once had, plus new ones as well.

As was suggested above, learning which is unrelated to client service needs is likely to be wasteful learning. Relating the firm's strategic plans to the real needs of clients will become an important function of on-the-job development. However, the traditional technical development of the various individuals assigned to the engagement will continue.

In terms of opportunity to learn, on-the-job development is rich. In the 1980s, more structured attempts will be undertaken to reinforce the comprehension and application of technical knowledge on the job, when immediate payoff is most apparent to the learner. While more difficult, more structured attempts to develop analysis, synthesis and evaluation skills on the job are also likely through discussions with supervisors, peers, clients and other professionals.

An engagement is an excellent opportunity to stimulate genuine concern for and interest in the client's business and systems. This opportunity is likely to be seized by firms which are linking their futures to giving financial advise to clients, particularly to small businesses.

In highly structured firms, on-the-job development is likely to be one important means by which resource people with scarce skills hired at executive levels are given the general experience they need to serve the firm well in the long run.

Finally, among the most important administrative reasons for utilizing the potential of on-the-job development is the opportunity to have learning done locally through the interaction of the firm's engagement scheduler, supervisor and the learner.

Despite the resurgence of interest in on-the-job development in the 1980s, on-the-job development during hectic times of the year is still likely to be plagued by the pressures of time budgets and limited personal energy for anything not essential to the report. However, firms will no doubt be aware of these conditions. Firms can develop easy-to-use questionnaires and checklists which will facilitate questioning, coaching and learning over lunch or after work, if not literally on the client's premises. These discussions are likely to encourage additional self-development and perhaps formal continuing education.



## What Is Likely to be the Role of Formal Continuing Education in the 1980s?

The concept of formal continuing education grew out of concern that day-to-day routines of practice could interfere with learning that contributes to a CPA's competence and even keep him or her isolated from the views of other practicing CPAs. So genuine was this concern that firms tended to expect formal continuing education to satisfy all learning needs, cure some systems problems and prevent occasional lapses of judgment. In the 1980s, the concept of formal continuing education is likely to be limited only to the best and most suitable applications.

Probably the expectation with the most potential for change is the use of formal continuing education to develop the firm's executives to achieve the firm's strategic plan. Nothing could be more important to the firm, nor more expensive in terms of the value of the participants' time. However, the investment is likely to be worthwhile because of limited executive turnover and high potential results. A related expectation is improvement in firm administration through executive development programs which are more relevant to a firm's problems and more timely in meeting an executive's need to learn for a specific role in the firm.

In order to control the cost of formal continuing education in an environment of escalating travel costs and time pressures, more centralized continuing education resources are likely to be spent in developing or acquiring formal self-study programs for local office administration. These programs will be offered in a variety of formats to suit learning needs and preferences. Local office administration is likely to be monitored for actual performance.

One of the most interesting expectations for formal continuing education in the 1980s is that it will be an important line service for clients. Firms are likely to offer clients training in conjunction with and apart from other MAS engagements. Some firms may make organizational adjustments in order to create programs for clients while satisfying their own internal training needs. A few firms are expected to use training as a lure to possible merger candidates. Almost all firms are expected to develop their practices through active participation in educational functions of trade associations and professional societies.

There are some constraints, of course. Most firms will have limited resources and, accordingly, are likely to set priorities on the use of their formal continuing education dollars and commitments of time. No firm will want to do a

mediocre job of training for clients, and each firm has only a few industry specialists to which it can turn for marginal engagements or events. Another problem is choosing and using technology appropriately. Most firms are still traditional in their training modes, but some firms are expected to utilize such nontraditional technologies as formal video or audio-assisted self-study programs and professional self-assessment programs. Changing from traditional to nontraditional forms of continuing education undoubtedly will present some difficulties of application and administration.

Summary: How Are Firms Likely to Meet  
Developmental Needs in the 1980s?

In the 1980s, firms are likely to focus on professional effectiveness as the goal of professional development. They are likely to emphasize contribution to the achievement of the firm's strategic plan and to decide to accomplish most professional development through coordinated self-development and on-the-job development, both done locally or nearby.

Formal continuing education resources are likely to be channeled into developing the firm's executives to achieve the firm's strategic plans and into providing formal continuing education programs which can be administered locally, preferably at the learner's convenience when he or she has the immediate need.

The 1980s will be a time of competition among firms in client training and financial services. The relationship between internal and external training will require clarification as demands are made on the industry specialists and internal training functions in the firms.

Among the major constraints will be the current lack of systems for planning, coordinating and tracking self-development, on-the-job development and formal continuing education. Another major problem will be the intelligent use of new technologies for decentralizing formal continuing education.

CHAPTER 3  
CPE IN THE 80s

PROGRAM DEVELOPMENT AND DELIVERY



## Chapter 3

### Program Development and Delivery Joseph T. Cote

#### Introduction

The objective of this chapter is to explore how instructional design and delivery systems may change in the 1980s. It will emphasize what is most likely to happen as opposed to what is possible. For example, extensive use of computer-assisted instruction by CPAs in the eighties is possible, but not likely, as we'll describe later.

This chapter is not a description of how to develop and deliver a CPE program. However, the elements of CPE program development and delivery will be discussed as part of predicting how they will change in the 1980s. Development and delivery are difficult to separate, because how a CPE program is delivered is a logical outcome of the development process. But, delivery is important as a separate topic because many of the changes in CPE programs in recent years have been in delivery systems. Many of the more recognizable changes in the 1980s will be changes in delivery systems.

This chapter is divided into these major sections:

- Types of CPE Programs
- Instructional Design
- Delivery Systems
- Predictions for the '80s

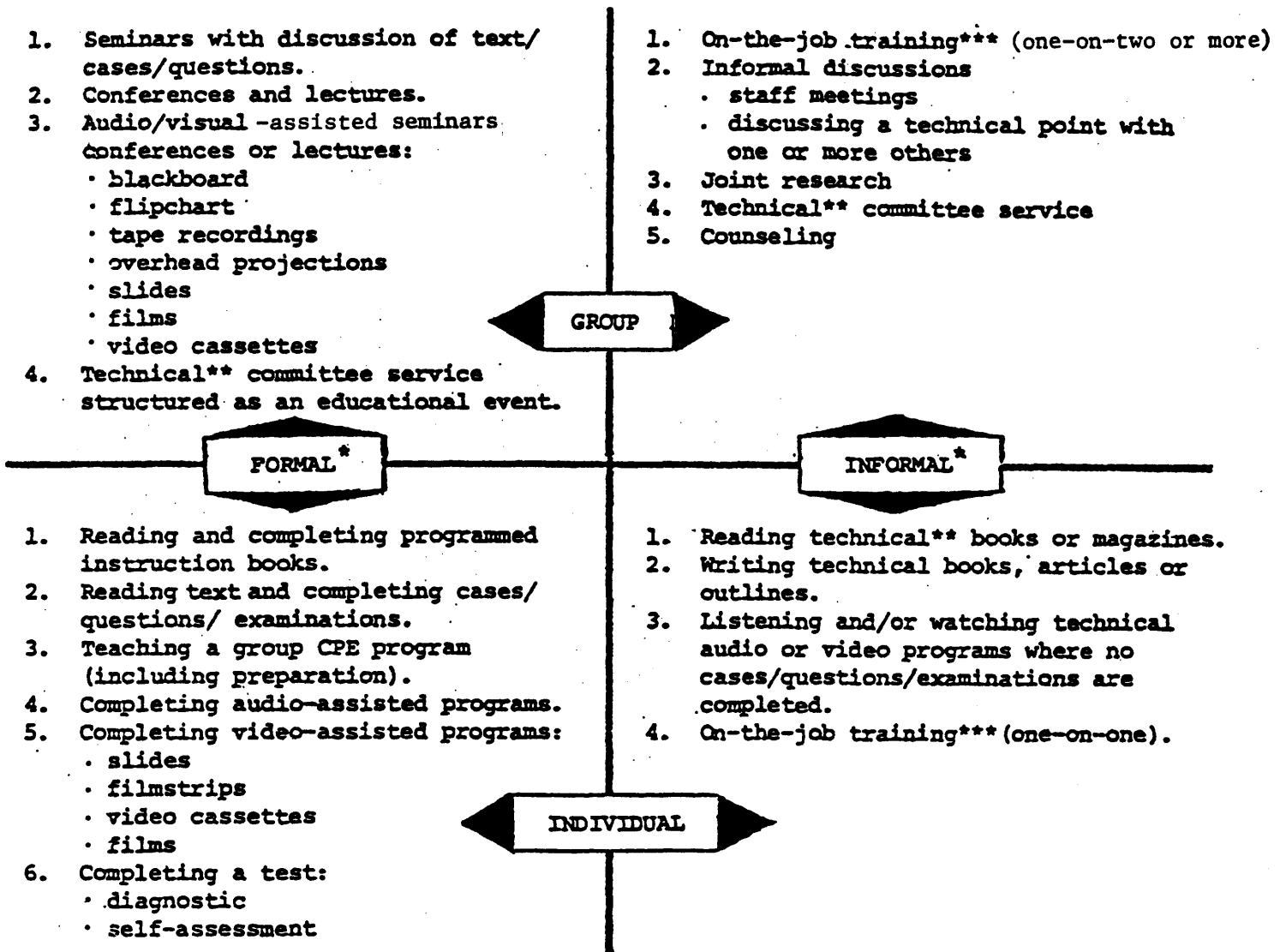
These sections are so interrelated that you will notice considerable overlap in the text that follows.

In each of the sections, a description of what the profession is currently doing will be interwoven with a few predictive statements. In this way, the groundwork will be laid for the predictions that come at the end of the chapter.

#### Types of CPE Programs

Illustration 1 on the following page shows the "types" of CPE programs most commonly used by CPAs and/or their firms. Of course, many CPAs don't use all of the programs listed, and some CPAs are using programs that aren't listed.

TYPES OF CPE PROGRAMS  
CURRENTLY IN USE BY  
MANY CPAs



\* Most state boards of accountancy and the AICPA's Division for Firms grant CPE credit for formal CPE programs where the appropriate CPE standards have been complied with. Only a few informal programs typically qualify, generally only writing on technical subjects. To be "formal" an individual study program must be sponsored by someone who maintains evidence of completion for participants.

\*\* "Technical" is used here to mean any subject that increases professional competence. For any educational event to be CPE for a CPA, the CPA must increase his or her professional competence.

\*\*\* We've assumed that OJT to be listed as CPE must be a planned and organized effort of some staff teaching other staff on the job. Of course, the CPA's normal work is valuable experience, but we do not intend that to be called OJT.

Illustration 1 distinguishes between group and individual programs and formal and informal programs. The four quadrants illustrate the possible combinations of these four elements. An individual CPE program is one taken by one person only. A group program is one taken by two or more people. The dichotomy between formal and informal programs is made by the AICPA's Statement on Standards for Formal Group and Formal Self-Study Programs. That Statement defines a "formal" program as one that complies with all the standards in the Statement; an "informal" program includes all programs not complying with all standards. (Some state boards of accountancy allow CPE credit for some of the informal programs listed in Illustration 1.)

You may feel that as used in Illustration 1, "types of programs" are synonymous with "delivery systems". We will define "delivery systems" more fully later. "Type" is simply a broad way of categorizing kinds of programs, one we think most CPAs can easily relate to. Most of the types of programs in Illustration 1 should be familiar to most CPAs even if they haven't experienced them.

Distinguishing programs this way is important as we look to the future because:

- Emphasis has been and will be put on formal CPE programs, but informal programs will become more important - especially as high costs cause managers to reassess the importance of CPE.
- Changing instructional design and delivery systems will affect group and individual study programs differently. Having video cassettes readily available for individual use in the office and home is one example.

Illustration 1 doesn't show the relative importance of these types of programs for the "typical" CPA. Of course, there isn't any such thing as a typical CPA, but it is possible to make generalizations based on the fact that some of these types of programs are used more frequently than others. Illustration 2 on page 4-4 shows several different "typical CPAs" and where they get their CPE from. (The averages in this illustration are the author's judgment and are not based on empirical data.)

The point of Illustration 2 is that some types of CPE programs are more frequently used than others. Seminars, conferences and lectures account for most of the formal CPE at present. As we go into the 1980s, these types of programs will continue to be important, although the mix of their usage will change and there will be greater pressure on them to show results.

TYPES OF CPE PROGRAMS  
TAKEN BY SEVERAL "TYPICAL"  
TYPES OF CPAs

Illustration 2

Type of CPE Program	Local CPA Firm or Small Business	Large CPA Firm		Large Business
	More than 2 years experience	First 3 or 4 years experience	After 3 or 4 years experience	More than 2 years experience
Formal Group:				
Seminars	16	32	16	8
Conferences or lectures	16	16	8	8
Audio-Visual assisted		16	16	8
Formal Individual				
Text/questions and cases		8		12
Audio-Video assisted	8	8		8
Teaching	8		16	8
Informal Group				
On-the-job training	8	24	8	16
Informal discussions	40	40	56	24
Informal Individual				
Reading	40	32	56	40
Writing			16	16
On-the-job training	16	24	16	8
<b>Total CPE Hours</b>	<b>152</b>	<b>200</b>	<b>208</b>	<b>156</b>

Note: This illustration shows an estimate of the CPE hours per year the "typical" CPA spends on the major types of CPE (see Illustration 1). While we've made some assumptions about years of experience, there are many other factors which influence how many hours are really "typical". That's why a true average hasn't been calculated or wouldn't have a lot of meaning if it had been.

This illustration does not consider sources of CPE. The sources aren't necessarily relevant to the types of CPE, although different sources tend to use different types. One of the best breakdowns of sources comes from the California Board of Accountancy, which reports the following for three two-year reporting periods.

Two years ended December 31

	<u>1974</u>	<u>1976</u>	<u>1978</u>
	(in percent)		
National and State Accounting organization courses	36	33	33
University and college courses	21	29	22
Firm in-house programs	17	11	16
CPA Society Chapter programs	4	2	2
Government Agencies	-	2	3
Other	<u>14</u>	<u>14</u>	<u>16</u>
<b>Total Programs</b>	<b>92</b>	<b>91</b>	<b>92</b>
Correspondence and self-study courses	3	4	2
Service as instructor	4.5	4.9	5.9
Publications	<u>.5</u>	<u>.1</u>	<u>.1</u>
	<u>100</u>	<u>100</u>	<u>100</u>

Sources of CPE are covered more thoroughly in another chapter of this report.



Illustration 2 shows a heavier reliance on formal group programs than on formal individual programs. It also shows a great deal of CPE is informal. The two types of programs having the most hours are informal discussions and reading. Informal discussions can be two people discussing a technical tax point or a staff meeting to discuss the audit approach on a given client. The hours shown may be light for many CPAs. That may be the case with "reading" too. "Reading" includes reading technical pronouncements, books and magazines. The amount of time spent on these activities is a very personal thing.

Keep the types of programs listed in Illustration 1 in mind as you read on. You may be surprised by some of the changes predicted later, and having this particular classification of types of CPE program in mind will help you better understand how we got to those predictions.

### Instructional Design

"Instructional design" is a teaching plan that considers the organization and interaction of the materials as well as the method of presentation (delivery system).

Instructional design is an approach to the development of an educational program that integrates course reading materials, an instructor and other teaching aids into a CPE program that achieves some specified learning objective(s). By way of illustrating, let us consider how instructional design might enter into the process of reading a technical pronouncement. One option is for a learner to simply read the pronouncement. Referring back to Illustration 1, we see that this kind of reading is informal individual study, but there really isn't any "teaching" taking place. Second, the reader could discuss what he or she has read with someone else. That would be informal group study, but again, there is no "teaching".

A third option is to have someone design questions and answers about the content of the technical pronouncement. The learner could read the pronouncement, answer the questions, and then check his or her answers against the prepared answers. (This is formal individual study.) In this case, there is "teaching". The person who determined the methodology, the questions and the answers, is the instructional designer.

A fourth option would be to assemble a group of people together to discuss the pronouncement and the answers to the prepared questions. Someone who already understands the pronouncement could serve as the discussion leader (instructor). (This is formal group study.) Obviously, "teaching" would take place in this case. Once again, the person who determined the methodology, questions and use of a discussion leader is the instructional designer.

Most CPA firms which develop in-house programs and most other developers of programs for CPAs (the AICPA, state societies, private consultants, etc.) ask technical people to do the course development (instructional design) work for their CPE programs. This has worked well, mainly because the technical staff working in these roles have:

- Been students for many years and have an ingrained concept of what is good instructional design and what is not. (Interestingly, however, most people remember their best teachers - not the best instructional design they had for any particular course.)
- Participated in many CPE programs before they're asked to design one: they've had on-the-job training.
- Picked up the principles of instructional design through some formal training, by talking to others on the staff they've worked with or by designing several programs.

Recently, however, some course developers have hired people with formal training in instructional design. Their rationale seems to be that instructional design is an art that not everyone can practice. Most good instructional designers need to be taught. They feel that a good instructional designer working with a subject matter expert can design a good course on a subject the designer knows nothing about. They may also feel this is the most cost-efficient way to organize; the technical person can concentrate on content, the instructional designer on methods.

The instructional design of most CPE programs CPAs take has grown more complex over the last few years. The reasons for this are many, but include the following:

- The subjects being taught are more complex.
- Audio and visual aids are in greater use and require special expertise to work with.
- The demand for CPE has sharply risen. (This rise in demand is caused by both the complexity of the profession's body of knowledge and mandatory CPE regulations.)
- Increasingly available CPE from a variety of sources. CPAs demand high quality CPE programs. Each CPA firm or other developer must offer CPE programs as good as the competition or no one will attend them.

- The use of CPE as a recruiting and practice development tool is growing. Presently, a firm that doesn't have an outstanding CPE program can't hire top college graduates. Also, a growing number of firms are showcasing their CPE efforts to clients and others. Obviously, for this to be effective, the firm's courses must have good instructional design.
- CPE for CPAs is still in its infancy. Even though we've had CPE for many years, it's only in the last 10 years that CPE organizations have shown dramatic growth.

All of these reasons lead to the conclusion that instructional design will grow in importance in the '80s. Selecting the right people to decide how best to design and present courses will become a more critical decision.

People making instructional design decisions will also have to understand the capabilities of the various available media. More will be said on this topic in the next section, which discusses changing delivery systems.

The traditional lecture method will not die in the 1980s, but instructional designers who choose it all the time are going to be forced to seek viable alternatives because it won't be acceptable in many situations.

Part of the instructional design of a CPE program is determining the right content and covering the subject matter thoroughly. The designer needs to be sure that the subject is covered in a logical way, that all important parts of the subject are dealt with, and that extraneous subjects are not introduced. The designer needs to integrate learning theory with program development to produce the best learning environment.

The importance of the technical content of a CPE program is the main reason why most course developers come from technical backgrounds. Who else can decide whether a given case or problem is representative of actual practice? The answer may be no one. It probably takes someone with substantial experience in a given subject area to develop a CPE program to teach someone else about that subject. If such a person also has a special knowledge of how to bring the learner along slowly and effectively, he or she may only need a little training in instructional design or a little experience working with a trained designer.

Regardless of who develops a CPE program - a technical person, a professional instructional designer or both - these steps are important:

1. Analyze the CPE needs.
2. Establish the instructional objectives.
3. Design the program, including
  - Technical content
  - Delivery system
4. Promote the program.
5. Hold the program.
6. Evaluate the program.

This basic model won't change in the 1980s, but our use of instructional technology and delivery systems will.

### Delivery Systems

The term "delivery systems" does not have a clear, generally accepted meaning in the literature. Several near-synonyms are often used - for example: "training methods," "media" and "learning situations". The following definition will be used in this section: "Delivery systems" is a broad term referring to the way CPE is presented to the learner. It encompasses all teaching methods and media.

Here are some examples of delivery systems:

1. A book
2. A lecture where one person speaks and provides an outline to a large group of people
3. Video-assisted small-group discussion led by one instructor using a text and list of discussion questions.

Many of the types of CPE programs we listed in Illustration 1 might be called delivery systems.

A delivery system usually includes both the instructor (if any) and media for instruction. The course developer (instructional designer or technical person) determines the delivery system.

Different instructional objectives may require different delivery systems. Many of the formal group CPE programs offered for CPAs are either:

- seminars - one instructor and group discussion of questions or cases; or
- lectures/conferences - one or more instructors speaking to, usually, a large group.

Even in seminars, discussion is often minimal and the program is held in the "traditional lecture method". There is a lot of material to cover in a limited amount of time. These programs succeed only if the instructor or instructors are good - and that means being a good entertainer too.

In recent years, more CPE programs have used visual aids to enhance learning. These include transparencies, slides, charts, and video cassettes. This trend will continue growing in the 1980s.

Using Illustration 1 as our base for current technology, let's examine some of the likely outcomes for the newer technology.

#### Video-assisted instruction

All things considered, very little video production has been used in CPE for CPAs. Most of what exists has been done by large CPA, industrial or commercial firms. A lot of what has been done is of the informative or indoctrination type and is not available to CPAs outside each respective firm. Most of the video programs available from commercial vendors are not meant specifically for CPAs and are only marginally useful to them.

One of the biggest problems with video is that commercial-television-type quality, which we as a society expect, is very expensive. It takes studios, script writers, producers, directors, professional actors (a must) and a lot of equipment. The demand at such a high cost hasn't been great enough. So what will happen?

The future for video in CPE is bright. Many firms involved in video production are doing more, not less. The AICPA has embarked on an ambitious, high-budget project to produce over 30 video-assisted programs in the next few years. With the declining costs of home (and office) video recorders, there may even be enough demand for high-cost programs. (One predictor has

estimated that there will be 10,000,000 video recorders in use in this country by 1985.) We as a people are so visually oriented (and think of those joining the work force in the next ten years) that good video CPE is both a must and a foregone conclusion. However, it may be 1990 before it's in substantial use.

### Computer-assisted instruction (CAI)

CAI is an important new technology that is not being used now by CPAs and will most likely not be used to any appreciable extent during the next 10 years.

You may have heard of the PLATO, Bell & Howell, or Apple CAI systems. And there are others. They are available and getting more affordable. So why won't CPAs start using them? They will for business, but not for CPE.

CAI isn't cost effective unless you have an existing computer network at many locations being used for other purposes with available capacity. It has to be programmed by true experts. Except with the most basic subjects, the developer (computer programmer) must anticipate most of the possible confusing situations in a given subject area; otherwise the learner can't seek any particular level of competence beyond familiarity with the subject. For this reason, CAI is not very flexible educationally.

Perhaps the most important drawback to CAI - at least with present systems - is that after the initial excitement wears off, it's boring. It's an individual interacting with a machine. If the machine isn't highly sophisticated, the human will get bored. Someday, CAI may be in widespread use in CPE for CPAs, but we don't think that will be before 1990.

### Cable, satellite or commercial television

Television lends itself to special programming. That's especially true for cable television, where a special CPE channel could be created. However, because CPE for CPAs would only be one specific, limited use of such a channel, it probably wouldn't be one of the first applications.

During the next 10 years, there will probably be increased use of television as a medium for CPE. However, the development of CPE programs for CPAs will be slow.

One of the drawbacks of television is that it isn't interactive. In other words, you can't stop it while you work on a problem or discuss a point with someone. That's the beauty of video cassettes. With the availability of video recorders, however, a learner could record something from television and play it back at his or her own pace.

### Telephone networks

The telephone is still primarily a general communications tool. However, teleconferencing is now available and video conferencing will soon be available.

It is now possible to have a group hear a speaker from a remote location and be able to respond and ask questions. Because of the high cost of travel, this medium will be more widely used in the next 10 years - especially when seeing the speaker will also be possible.

The major problem is that the contact between learner and instructor isn't personal. Nevertheless, you'll see limited use of this medium by 1990.

The traditional delivery systems will still play the major role in the way CPAs will earn their CPE, but there will be an evolution to more sophisticated methods and newer technology.

### Predictions for the '80s

So far this chapter has offered some background to the subjects of program development and delivery, while weaving in a few predictions for the '80s. Now, however, we'll focus on predictions. We hope you'll find adequate rationale for these predictions in the preceding text, but that might not always be the case. In the final analysis, predictions are only calculated guesses.

Here are the ways we think CPE program development and delivery will change in the next 10 years:

1. The types of CPE programs now being developed by and for CPAs will change, but not dramatically. Emphasis will still be on formal group programs. Informal programs will continue to take a lot of the CPA's time (reading for example), but until they count for CPE credit under mandatory CPE regulations, they won't be emphasized. Formal individual programs will be used more - especially video-assisted programs.

2. While the types of programs won't change dramatically, their content will. More emphasis will be put on quality. Instructional design as a separate skill will become more important. Commercially provided programs that aren't of good quality will fail. Poor in-house programs will not be accepted; firms will reject them or staff will seek alternatives.
3. Subject matter gaps in the curriculum of CPE programs will be filled by most sponsors of programs. In the 1970s, CPE enjoyed dramatic growth in the number of programs available, but these programs weren't tied neatly together in a curriculum. In the 1980s, the curriculum gaps will be filled while existing programs are improved.
4. CPAs and their firms will reassess the value they're getting for what they're spending on CPE. Many will be caught between a rock and a hard place because they'll want to cut costs, but the costs will be increasing. The increased costs will be due to inflation, of course, but also to the necessary efforts to improve program quality and resultant costs.

The answer for many CPAs will be to run more programs in-house while finding ways to cut costs. This will result in several likely changes, including the following:

- More formal individual study programs will be sought. The video-assisted programs will be in the greatest demand.
- More firms will hire full or part-time training directors. Some will hire consultants to fill this role. Others will look to larger firms for help. Larger firms will market their CPE courseware as a means of recouping some of their CPE costs.
- The AICPA, state societies and other CPE providers will expand their sales to firms. This will probably result in some cutback of the public programs offered by these organizations.
- There will be a substantial move toward management development programs being done in-house.
- Some firms will try to develop and present all of their CPE in-house. Many will not develop quality programs and, as a result, will hurt their reputations with staff and clients.



- Practice offices of larger firms will start developing their own programs in competition with their home offices. Much more time will be spent on coordination of efforts.
  - Some studies will show no direct change in professional competence as a result of CPE. Other studies will show a direct, beneficial effect. There will be no clear consensus by 1990, but there will be growing pressure to change CPE requirements.
  - More sophisticated ways of measuring learning will be developed. Testing will be more frequent. There will be new ways developed to demonstrate increased competence from CPE.
  - On-the-job training will be formalized. Many CPAs feel that OJT is the most important CPE. One of the big problems is training all staff to be able to teach those below them on the organization chart. OJT is done well by some and poorly (or not at all) by others. During the 1980s, firms will find ways to systematize and train for OJT.
5. Major developers of CPE for CPAs (including CPA firms, the AICPA, state societies, etc.) will hire proportionally more non-CPAs to work on their staffs. Trying to improve quality will be the main reason; reducing costs will be a strong secondary reason. The types of non-CPAs hired will include:
- Instructional design specialists (professionals with college degrees in instructional design).
  - Audio/video specialists
    - script writers
    - directors
    - producers
    - engineers
    - camera operators
  - Professional teachers
  - Marketing and sales professionals

Even the smaller developers will be forced to hire these experts - at least on a consulting basis.

6. Major developers of CPE for CPAs will begin to compete more aggressively. With costs going up, these developers will look for new markets to either recoup costs or make a profit. One important way they'll try to compete is by designing a better delivery system. They will begin to offer "special features" that other developers don't offer. They'll also advertise in creative ways.
7. Large book publishers and other commercial enterprises will enter the market seeking some of the CPE dollars. By 1990 they should have a sizable share of both the group and individual-study CPE markets.
8. Video equipment manufacturers will also begin producing CPE for CPAs. They'll sell video-assisted programs with the long-range motivation of selling their equipment.
9. Computer-assisted instruction (CAI) will have no appreciable impact on CPE for CPAs. However, in the 1990s and later, CAI and related technologies will be used.
10. The "traditional lecture method" will be less and less acceptable. Learners will demand delivery systems that better help them retain what they've been presented.

### Conclusion

CPE program development and delivery are changing. The changes in the 1980s, though, will be subtle and evolutionary rather than dramatic and sweeping. The main reason for this is that CPE in the accounting profession is still young. We've got a long way to go before the effort is too unwieldy or really needs an overhaul.

There is concern about the cost of CPE. Mainly, that's because most managers don't understand that quality CPE is expensive, as many clients don't understand how an audit can cost so much.

CPE will be much stronger by 1990. The quality of CPE programs will be better because:

- The curriculum will be more relevant and fully developed.
- The instructional design of programs will be more responsive to CPAs' educational needs and help them better retain what they've learned.
- Delivery systems will be more complex, but more successful. Video will play an expanded role.

CHAPTER 4  
CPE IN THE 80s

PROGRAM EVALUATION



## Chapter 4

### Program Evaluation

William K. Grollman

Jack Fingerhut

Evaluation of CPE programs will assume greater importance and will be performed with increasing sophistication in the 1980s. Evaluation is required by the AICPA Statement on Standards for Formal Group and Formal Self-Study Programs, which contains five standards for CPE program presentation. Standard No. 5 reads: "All programs should include some means for evaluating quality."

Evaluation is also required by economic good sense; mandatory CPE, combined with the overriding forces of inflation, has caused CPE costs to skyrocket. On both an overall and a per capita basis, firms will be spending many times what they spent on CPE ten years ago. Such huge expenditures demand an evaluation of how effectively the dollars are being spent. An upsurge in the costs of the travel, lodging and food involved in live programs has led firms to evaluate the effectiveness of live programs vs. videotaped, audio cassette, closed circuit or various self-study programs.

The onset of mandatory CPE has also caused a tremendous increase in the number of programs offered and the number of program sources. The AICPA and state societies, other professional organizations, colleges and universities, large accounting firms and consultants have flooded the market with courses, creating intense competition. We must have a means of evaluating these programs.

Fortunately, the increased capability of computers and reduced processing costs have placed the computer at the disposal of virtually every accounting firm today, facilitating the collection and analysis of data on which to evaluate programs.

### Evaluation Questionnaires

Questionnaires are likely to continue to be the primary means of program evaluation. Such questionnaires, which are normally completed during or immediately after a program, are easy to implement and analyze, especially if a computer is used. Several types of questionnaires have been used in the past and are likely to be used in the future:

- Participants evaluate program and instructors.
- Instructor evaluates program.
- Instructor evaluates participants.
- Administrator evaluates instructor.
- Administrator evaluates program.

What specifically is evaluated? Instructors may be evaluated on content, relevance, preparation, effectiveness of presentation, assistance to the group they are leading, etc. Participants may be evaluated on their knowledge, participation, practical application, preparation and ability to communicate. The course material may be evaluated on the basis of relevance, technical accuracy, effectiveness of presentation, clarity and level of coverage.

Topical coverage can be evaluated according to what the participants like best or least, what should be added to or deleted from the program, or what subjects need more or less time. Facilities may be evaluated on suitability of the location, quality of classrooms and lecture halls, sleeping accommodations, food, recreational facilities, transportation arrangements, audio-visual equipment, air conditioning, heating and lighting.

The computer facilitates quantitative ratings; scales ranging from one to five, one to nine and even wider ranges now exist. Yes/No questions are easily tabulated by hand. However, open-ended statements like "I like best \_\_\_\_\_" are often the best way to get a frank, explicit response. Another common method is to ask participants to feel free to comment on the back of the questionnaire.

Evaluation questionnaires have substantial disadvantages in that they are often nothing more than popularity contests, an evaluation of how much a participant enjoyed a program or a direct result of the comfortable surroundings in which the conference is held. Questionnaires merely provide an on-the-spot evaluation of a program before the participant has a chance to go back to the office and test the practicality of the knowledge gained.

Post-evaluation questionnaires are currently used by very few firms, but their use should increase in the eighties. Such questionnaires may be completed three to six months after the completion of a program. The aim is to ascertain,

at that time, the extent of practical working knowledge gained directly from the program. Participants - and their supervisors - may be questioned on how much the program improved their job performance. The subject of post-evaluation will be covered more fully later in this chapter.

### Testing

When properly implemented, testing can be an objective means of measuring knowledge of a given subject. Long the standard for measuring a student's progress in college, it has enjoyed only limited acceptance in professional education programs. In fact, aside from self-study programs, in which a completed quiz or test is mailed to the course sponsor as evidence of a participant's completion of the course, testing has rarely been used.

There are several reasons why course presenters are reluctant to use testing. There is a belief in some quarters that testing is too closely identified with the academic classroom and is less applicable to professional education. It is also extremely difficult to construct reliable tests, as several firms can attest.

Nevertheless, the advantages of testing cannot be denied. Tests can be used effectively to measure the degree of advance preparation or the entry-level knowledge of course participants as well as their level of knowledge at the end of a program. Because of the huge investment that firms are making in CPE, the use of testing is likely to increase.

There is a disadvantage in testing only at the end of a course. In college, most students know little or nothing of a given subject before taking a course. In professional education programs, however, participants bring varying degrees of knowledge into a program. A participant who scores well at the completion of a course did not necessarily gain that knowledge in the course; unless there was proper screening of participants in advance, a given participant may have had substantial knowledge before attending a conference.

In testing the effectiveness of a program rather than the knowledge of a participant, we want to determine what increase in knowledge takes place as a result of the program. One way to do this is to construct a comparable pretest and post-test and measure the change in results on the two tests. This type of testing may become more widespread in the eighties.

A major problem in pretest/post-test evaluation is the difficulty of constructing two equivalent tests. It is foreseeable that to alleviate this problem, a data base of a given subject matter could be stored in a computer and the tests, particularly those containing objective questions, be generated by the computer. Computerized scoring of tests has been used extensively for at least two decades; it should now be practical to computerize virtually the entire testing process.

### Post Evaluation

With both direct and indirect costs for training expected to increase exponentially in the 1980s, we are faced with the complex question of how to develop new methods for evaluating training courses. Discussion of evaluation will often produce such comments as "Evaluation is too difficult" or "Evaluation is too expensive" or "We know how our training works and we don't need to evaluate." These comments avoid the issue - which is to determine the benefits and consequences of training in terms of on-the-job performance. Although it is not easy to measure costs, it is far more difficult to measure the benefits of training programs.

First we must define our training objectives. We must determine later whether these objectives have been met. For example, one stated objective for a course might be: "At the end of this course, the participant will be able to prepare a management letter." Achievement of this objective could be measured in the classroom by having the instructor review letters written in class by the participants, but in-class evaluation is not sufficient.

Training must not end when the course ends, but should be continued by supervisors. Any organization whose supervisors do not consider themselves agents or extensions of the training department is probably doomed to a relatively low yield from its training investment.<sup>1</sup>

To get the best return on this investment, we must measure participants' on-the-job performance. For example, we might have supervisors evaluate the participants' ability to write satisfactory management letters, considering participants' performance before and after the course. Another technique might be for the participants to submit samples of management letters written on the job at selected intervals after the course to be evaluated by the training department.

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1 Saul Gellerman, "Training and Behavior Change," Training and Development Journal, February 1977.



Naturally, to properly evaluate participants, we should develop a minimum acceptable performance standard. For example, a performance standard for the objective described might read as follows:

Performance will be considered satisfactory if the participant recognizes what is appropriate for management letter inclusion and has based his or her evaluation on the factors described in the course.

### Evaluation of Training in Financial Terms

Evaluation of training courses from a financial point of view will be increasingly important in the coming decade. The more training focuses on judgmental skills instead of manual skills, the more difficult it is to measure the benefits of training. However, we must make a correlation between training costs and benefits.

Evaluation of training costs may be divided into two major categories: cost effectiveness and cost benefit.

"Cost benefit is the analysis of training costs in monetary units to benefits derived from training in nonmonetary terms. Examples of nonmonetary benefits would be trainee attitudes, health and safety."

"Cost effectiveness is the analysis of training costs in monetary units as compared to benefits derived from training in monetary terms."<sup>2</sup>

Calculating training costs and returns is very complex, and no single precise formula exists. Models must be tailored to fit the situation.

Many past cost-effectiveness studies do not really deserve the name. Two such examples cited by George Odiorne follow:

1. Cost per student trained. "Costs" seldom include all true costs, including trainees' wages during the training period; even when they do, the figure may not reflect true cost effectiveness because it fails to show what contribution each case element made to the objectives.

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2. James Cullen, Stephen Sawzin, Gary Sisson and Rich Swanson, "Cost Effectiveness", Training and Development Journal, January 1978

2. Comparison of absolute costs. By simply comparing total costs, it might be decided incorrectly that the least expensive program is the most effective or that an expensive program is more effective than a less expensive one.<sup>3</sup>

When discussing training costs we should include the following costs, among others:

1. Salaries and employee benefits for technical and clerical staff involved in preparing and teaching course material, coordinating course presentations, and evaluating effectiveness of courses.
2. Contracted amounts for outside consultants utilized for program development.
3. Cost of production and reproduction of training materials such as audio-visual aids.
4. Cost of production or purchase of text materials.
5. Cost of outside tuitions.
6. Cost of training facilities, travel, food and lodging.
7. Cost of training programs for in-house instructors.
8. Fees for instructors brought in from outside the organization.
9. Cost of equipment used for audio-visual aids.
10. Cost of materials used in program preparation.
11. Cost of time of management personnel, subject matter experts and similar personnel consulted in the development of course material. This expense is often overlooked.
12. Salaries and employee benefits of trainees. This is very significant but sometimes overlooked.
13. Overhead costs of facilities used for the preparation of training materials.

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3. George S. Odiorne, Training by Objectives - An Economic Approach to Management Training, New York, N.Y.: The MacMillan Company, 1970.

As mentioned earlier, it is more difficult to compute the estimated return on investment. There have been studies made and models developed that attempt to quantify the dollar value that will be achieved if the training program accomplishes its objectives. Among the studies is one cited in the January 1978 issue of Training and Development on "Cost Effectiveness, a Model for Assessing the Training Investment", by James G. Cullen, Stephen A. Sawzin, Gary Sisson and Richard Swanson. Although this model is demonstrated in terms of industrial training, it has been used in several accounting situations and has proven workable.

Another model, cited in the August 1977 Training and Development Journal, is a three-phased model for evaluating training. Although not stated directly in financial terms, this presentation by Christina Howe and Asia Elsbree provides a thorough and workable evaluation process to determine the benefits of specific training programs.

Another approach is to set a financial objective for a program and then determine later whether the objective was met. The savings would be compared to the training cost to determine the return on investment. For example, we might have a course on completion of audit programs. Our stated objective might be to reduce budgeted audit hours in this area by 10 percent. We could measure the return on investment by comparing the hours spent on audit program completion before and after the course and quantifying the time savings in monetary terms.

The evaluation of training courses in financial terms is still in the experimental stage. We will see more and more firms attempting to measure accomplishment of objectives in financial terms in the coming decade.

### Summary

Program evaluation should assume greater emphasis in the 1980s and be performed with increased sophistication.

Four types of evaluation methods predominate: evaluation questionnaires, testing, post evaluation and evaluation in financial terms. Questionnaires have been the most popular evaluation medium in the past and will continue to enjoy great usage because of simplicity and ease of implementation.

Testing, though sound in theory, has not been greatly utilized in professional education programs. However, with the demand for additional means of evaluation and the convenience of the computer in generating and scoring tests, it is likely that test use will increase in the next decade.

Post evaluation, measuring the behavioral change in a course participant through subsequent on-the-job performance, offers much promise for the future.

Finally, it is important to be able to evaluate a course in financial terms. At present, attempts to measure cost effectiveness and return on investment are still in the infant stage. However, if measurable behavioral objectives can be set, and if savings generated by achieving these objectives can be quantified, such evaluations will proliferate.

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CHAPTER 5  
CPE IN THE 80s

PROGRAM ADMINISTRATION





## Chapter 5

### Program Administration David Bright

#### Introduction

The current pressure on professionals in every walk of business life to maintain their skills and expertise on an on-going basis has given rise to an unprecedented demand for continuing education programs. This demand has led to the establishment of an education function in many large professional organizations in recent years.

The public accounting profession is no exception. Over the years, many CPA firms have acknowledged a responsibility to provide their professionals with a convenient and economical means of keeping their skills current. This acknowledgement led to the establishment of in-house training at most CPA firms. Originally, this meant that one partner with a staff of one professional was given the responsibility for developing and sometimes conducting professional education programs. Over the years, as the number of programs and participants has increased, whole departments have been created to develop and provide administrative support for these programs. CPE has become big business. As the trend toward more programs and more participants continues into the decade of the eighties, new methods of program administration must be found.

This chapter will attempt to discuss where the state of the art in program administration is in 1980, and will also try to identify areas where new techniques and procedures are needed to keep program administration manageable through the coming decade. We will also try to predict changes which may occur in this area during the coming decade to keep pace with the increasing demands for continuing professional education.

#### Organization of the CPE Function

In response to the demands for continuing professional education which have grown very quickly over the last few years, most CPA firms have set up a basic organization to meet the immediate needs. The results of this period indicate that no one organizational structure exists that fits the needs of every provider of CPE. Currently, CPA firms are reassessing and re-evaluating their CPE organizational structures to verify that they meet current demands and provide for growth to meet the demands of the eighties.

Figure 1, presented on the following page, gives an example of an organizational structure which we believe will meet the demands of the eighties. CPA firms and other sponsors of CPE should not use this structure blindly. Each sponsor must determine its own goals and objectives and design an organizational structure which best suits its needs. However, while the number of people involved may vary, there will generally be common elements in each of these organizations. Most CPE functions will consist of three major areas: a director who has overall responsibility for the CPE function; a program development area, responsible for developing and updating the program materials, and a program administration area, responsible for administrative and logistical support of the program. We will now review the organization depicted in Figure 1, concentrating on and describing these common elements.

### Director

The director will normally be responsible for the overall operation of a firm's CPE function. His or her primary duties will be consultation, planning, supervision and administration. The director normally should report to top management; in many firms, he or she will report to an executive administrative partner or through an executive personnel or human resource partner. This line of reporting is important if the CPE function is to play its critical role of providing training to support the long-range goals and objectives of the firm. In addition, because CPE normally will affect every professional in a firm, annually the director can provide field professionals with a direct communication link to management on educational matters.

The director will generally obtain the firm's long-range goals and objectives directly from management. He or she will then identify interim goals and objectives to be met annually to ensure timely accomplishment of the long-range plan.

Once interim goals and objectives have been identified, the director will plan continuing professional education programs to meet them. This process will entail identifying the programs that are necessary, setting their timing and sequence, developing each program's learning objectives and developing a curriculum for each program to ensure that the objectives are met.

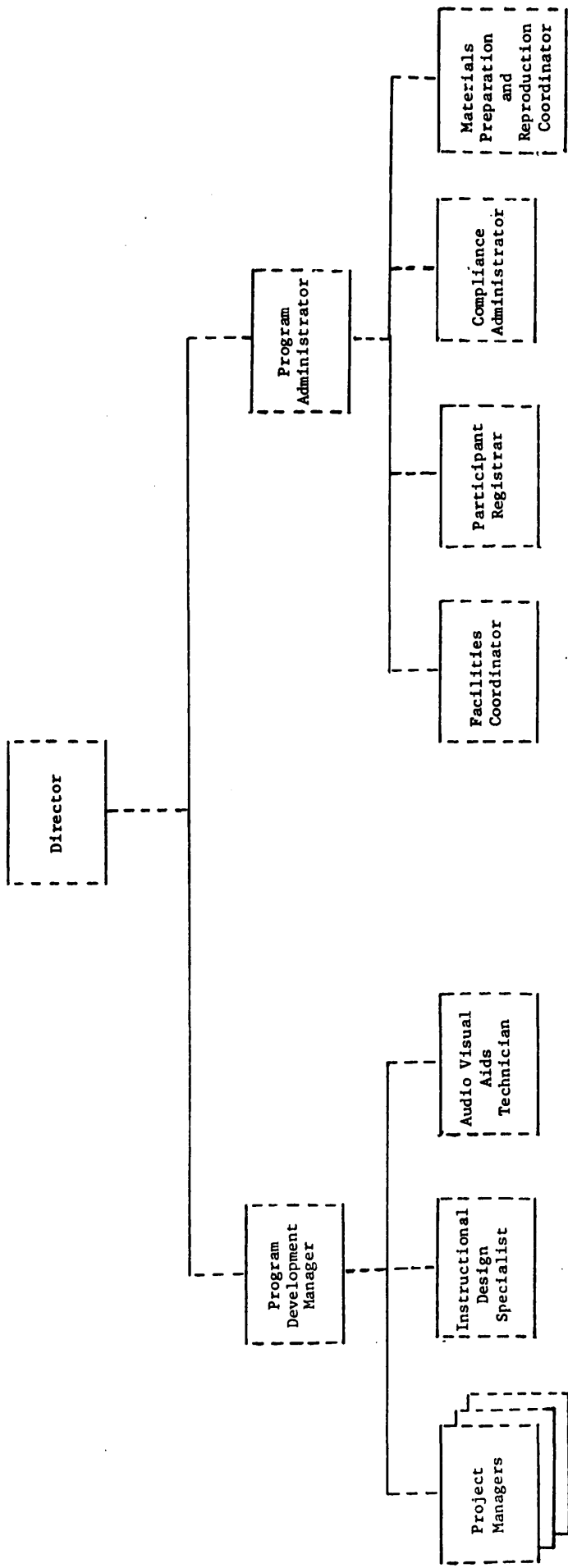


Figure 1

After completing this initial continuing education plan, the director should consult with the firm's management to ascertain whether the plan properly supports the firm's long-range objectives and to obtain management support for the plan. Once management's approval and support have been obtained, program development can commence.

The director should also serve as the chief adviser to management on educational matters. He or she should be active in professional education activities outside the firm through participation on committees in the CPE area, and should establish communication with his or her counterparts in other firms. Through committee memberships and discussions with his or her counterparts, the director should be able to advise his or her firm's management concerning what the competition and the profession are doing in the CPE area.

A considerable amount of the director's time will be spent supervising the program development and program administration areas. In most instances, the director will have supervisors or managers in these respective areas reporting to him or her. CPE is so complex today, that these supervisors or managers are a key to the successful operation of the CPE function. The director should set broad goals and objectives with these supervisors and should establish general standards and procedures for their areas with them. The director should ensure that the program development and program administration supervisors have sufficient time to plan and accomplish their respective tasks. Supervision and review of their completed work should be one of the director's ongoing responsibilities.

Administrative matters will also consume a large part of the director's time. The director's responsibilities will normally include defining and administering the CPE budget as well as recruiting top qualified personnel to fill the positions within the CPE area. He or she will also find it necessary to coordinate with technical directors and directors in specialized areas to ensure that their recommendations and requirements are taken into account in developing the CPE program.

#### Program development

The program development area will normally be headed by a program development manager, who should be supported by individual project managers and development support personnel.

The program development manager will normally receive the program schedule and overall goals and objectives from the director, and will then assign responsibility for one or more programs to project managers. Once program responsibilities have been assigned, the program development manager should work individually with the project managers in setting specific goals and objectives for their programs. Together they should agree on what topics the programs will cover and on tentative program schedules, listing topics and estimated time allocations per topic. Once the program schedules have been finalized, the program development manager should supervise and review the actual program development.

The program development manager should coordinate the work of the project managers with that of instructional design specialists and visual aids technicians, if such personnel are available. He or she should also coordinate the work of the project managers with the technical and quality control functions within the firm. The program development manager should work closely with the program administrator to ensure that adequate logistical support is provided for the programs being developed.

The project manager is the actual program developer. Once the subject coverage is approved, he or she begins the process of developing the program materials, which normally would consist of participants' materials, including handouts; instructor's guide or outline; and appropriate audio-visual aids. The project manager should discuss each program with an instructional design specialist to ensure the best instructional approach for each session and should also coordinate with the audio-visual aids technician to ensure timely production of audio-visual aids necessary to the program. He or she should submit initial drafts of programs as well as the final program material to the program development supervisor for review and approval.

Instructional design specialists have not been used to the fullest extent possible in CPA firms in the past. As programs become more complex and sophisticated in the eighties, the instructional design specialist should be used to ensure that programs are developed with an instructional approach providing maximum benefit to the participants. The instructional design specialist should have a working knowledge of the Statement on Standards for Formal Group and Formal Self-Study Programs to ensure that these standards are met in the development of programs. He should recommend changes in the programs based on new instructional technology as it becomes available during the coming decade.

As technology advances in the eighties, audio-visual aids technicians will be in demand. Certain visual aids already in use, such as video recorders, will be used even more. New technology will result in new forms of visual aids which may replace the flipcharts, slides and overheads of today. Closed circuit TV and computer-prepared visual aids may become commonplace. The audio-visual aids technician must monitor these developments and incorporate these technological advances into the programs being developed. He or she should also work closely with the project manager, recommending audio-visual aids which supplement the subject matter of the session and complement the instructional approach taken.

### Program administration

The program administrator should have overall responsibility for the administration of continuing professional education programs. As the demand for CPE increases in the eighties, so will the number of participants. As a result, responsibilities of personnel involved in program administration will increase from both a logistical and a record-keeping standpoint.

The program administrator's responsibilities will normally include supervision of facilities scheduling and coordination, participant registrations, program material printing and reproduction, and CPE requirement compliance for both programs and professionals. The program administrator should work with the director in setting policies and procedures in each of these areas. He or she must also work closely with the program development supervisor to ensure timely logistical support for the programs being developed.

As the number of programs increases, a facilities coordinator should be added. Programs will normally be given at a number of locations throughout the country. The facilities coordinator would be responsible for scheduling the required space for continuing education seminars. He or she would ensure that space is available on the required dates, that the number of meeting rooms is sufficient, that the rooms are set up properly and that all audio-visual aid requirements are available. Scheduling the proper number of rooms would require the facilities coordinator to work very closely with the participant registrar.

The participant registrar is responsible for ensuring that each participant is properly registered for each session. He or she would be responsible for obtaining the appropriate registration information from the participants, for ensuring that all advance preparation and prerequisites have been met by those requesting attendance, and for mailing all course materials, advance information and instructions, and transportation information. The registrar must work very closely with the facilities coordinator to ensure that space is obtained for each participant, that the maximum number (if any) of participants is not exceeded, and that the number of meeting rooms is sufficient.

The materials preparation and reproduction coordinator would be responsible for the typing, printing and reproduction of all program materials. The materials coordinator would need to maintain contact with the project managers and the facilities coordinator. He or she would consult with the project manager to ensure timely typing and editing of program materials, review and return of drafts by the project managers and a smooth, consistent flow of program materials through the typing and reproduction process. Regular contact with the facilities coordinator would be necessary to ensure timely delivery of program materials to the seminar site.

As required continuing professional education continues to expand and grow, it will become necessary to have a compliance administrator in each CPE group. This individual's responsibilities will include monitoring changes in state and professional organization requirements for CPE and ensuring compliance of professionals within the firm in meeting their professional and state requirements. The compliance administrator will also be responsible for ensuring compliance with the quality control and peer-review requirements of documentation for qualifying programs.

#### Staffing the CPE Function

With the accelerating pace of change in the profession during the 1980s, the job of keeping education programs current and technically correct will become more difficult. The staffing of the CPE function becomes critical to accomplish these objectives.

In order to keep programs current, we believe there will be continued emphasis on staffing the CPE function with professionals directly out of the field. Permanent positions within the CPE function will become nominal or nonexistent. Instead, formal staff rotation programs will be used to staff

the CPE function. Practicing professionals will rotate into the CPE function for a period of time and rotate back into practice offices at the end of this period. The demand for these professionals with approximately six to eight years experience will increase over the next decade.

As more and more specialization occurs in the profession, specialists will need to be added to the CPE staff. The necessity to include specialists in the CPE function will lead to increased part-time use of these professionals. Programs will be developed in which firm specialists work in the CPE function a month or two out of the year. Such programs will allow the CPE function to obtain the benefits of in-house specialists without expanding the staff size.

The demand for more and varied specialized programs will lead to increased use of outside consultants by CPA firms. The field of outside consulting firms to help in designing, developing and implementing education programs will continue to expand in the eighties. These consultants will normally be used to develop programs in new areas, in the management skills area and in programs designed to be given at an advanced level. In addition, many smaller firms will probably rely on outside consultants to advise them concerning instructional design and audio-visual aid techniques.

There will be increased emphasis on expanding the treatment of tax within the CPE functions. Tax work will continue to grow as tax laws become more complex and tax rates continue to increase. The cadre of tax professionals within a firm will continue to increase, creating additional demands for CPE in this area. There will be an increased number of tax professionals starting work with an advanced degree in the tax area, which will require general upgrading of basic tax education programs. The need for tax training in specialized tax areas will continue. All these factors will contribute to the increased opportunities for tax professionals to participate in the CPE function.

Specialists in other areas will also increase their representation in the CPE function. Initially, these other specialists (e.g., computer and small business), will be involved in the CPE function on a part-time basis, but gradually their participation will increase. Towards the end of the decade, full-time educational staff positions for these areas will not be unusual.



## Compliance Administration and Documentation

Most large firms have had continuing professional education requirements for a number of years. Within the last few years the AICPA established its own CPE requirements. As we enter the 1980s, there are a number of states in which continuing professional education is a prerequisite to renewal of the CPA license.

During the eighties, we expect that additional states will commence mandatory CPE requirements. Eventually, we believe most states will have some form of mandatory CPE requirements which will have to be met prior to renewing the CPA license.

State-mandated CPE has produced a myriad of regulations and procedures. While each state has generally established a minimum number of hours, the actual requirements vary widely. Reporting period length and end vary from state to state. Some states have a one-year period, some two and some three. Some states end their period on December 31, some on May 31, some on the licensee's birthday. Minimum hours also vary from state to state, generally ranging from 20 to 40 per year. Some of the states give no guidance as to the types of subjects which qualify while others require certain minimum hours in specific subject areas.

We believe there will be a movement during the next decade for the various states to standardize their requirements. How successful it would be is open to question. Standardization would only occur through involvement of the federal government, which is unlikely, or through additional cooperation among the AICPA, the various state societies and their respective state boards of accountancy, which seems probable.

The AICPA's Statement on Standards for Formal Group and Formal Self-Study Programs will be accepted by the profession. Once accepted, we believe these standards will find their way into the various state regulations. Programs for which practitioners desire credit will have to comply with these standards in order to be accepted. While the standards are broadly written, their use will have a positive effect on the quality of continuing education programs during the next decade.

During the 1980s, the problem of adequately documenting compliance with CPE requirements will be addressed. New files, reports and checklists will be developed in an attempt to meet documentation requirements at the least possible cost. We believe that initially, firms will probably overdocument to be safe. Then, after a period of adjustment early in the decade, peer review results and examinations will eventually establish minimum documentation standards.

New reporting systems will be developed during the eighties to provide information required to be reported to the AICPA and the respective states. Firms will accumulate the information to be reported through internal reporting systems and then file summary reports of the accumulated data.

### Facilities

The facility used for continuing education programs and the physical surroundings can mean a great deal to the success or failure of a good program. Unfortunately, like most other costs, the cost of good facilities has been rising at unprecedented rates in recent years. We believe this cost escalation will continue, though perhaps at a slightly lower rate in the years to come.

With increasing facility costs and escalating air fares, we believe more firms will establish mini-education centers within their own offices. These centers would allow education sessions to be held periodically at little or no out-of-pocket cost. Moreover, they could be designed specifically with the training needs of the particular office in mind.

We believe more firms may purchase their own educational facility during the decade. During the 1980s, we will probably see many educational institutions forced to close due to declining student enrollments. These closings will put the acquisition of a ready-made educational facility within the reach of many firms. Increasing property values, reasonable interest rates and continued tax advantages to owning real estate will cause firms to take a serious look at the purchase of an educational facility.

Where in-house facilities are not used, we believe there may be major changes in the use of outside facilities. The use of college and university campuses will become more economical as these institutions maintain low rates to encourage their use during school vacation periods and try to supplement income decreasing as a result of declining enrollments.

Training will generally be conducted in an increased number of smaller sessions. Smaller sessions can be regionalized to reduce air travel. A decrease in air travel, of course, translates into a reduction in unit and total cost of these sessions.

As high turnover rates in public accounting firms continue for staff in their initial two to three years in the profession, we believe that lower-cost facilities will probably be used for professionals at this level. More expensive facilities will be reserved for those individuals with long-term interests and potential in the firm.

We believe conference centers will continue to provide the best service and support for continuing education programs. Currently the demand for these centers exceeds supply. However, during the coming decade, we believe that more conference centers will become available. There is a possibility that such centers will be overbuilt during the 1980s, with the result that supply will exceed demand. Also, as competition increases in the conference center business, there may be some relief available during the decade from the steep price structure presently existing in this industry. As the demand for more space for continuing education sessions increases, we believe that airport hotels and other hotels will begin to compete more effectively with the conference centers for this business. A gradual change will occur in the hotel industry whereby meeting room facilities are used to generate additional room sales. Many new hotels being built are designed with conference facilities in mind, and many older hotels will be upgrading their meeting facilities and offering attractive packages to try to capitalize on the current demand for meeting room space.

During the next decade, there will be an increased demand for facilities, both in-firm and outside, to have available all the necessary equipment to support educational presentations. Facilities will make increasing investments in order to have a sufficient number of flipcharts, overhead projectors, slide projectors, sound-on-slide equipment, videotape players, monitors and cameras on hand to support a number of educational sessions.

Costs of facilities will continue to rise at an alarming rate in the early 1980s. The rate of increase will eventually slow but will probably not level off. Continued high rates of interest and inflation will keep facilities' rates climbing during the eighties. The high cost of using these facilities must be weighed against the kind of educational environment they create. If a facility can create an environment conducive to learning, it may be well worth the price. On the other hand, facilities which do not help the educational process will be avoided.

### Scheduling

The expansion of both the role of the CPA and the range of services offered will create increased scheduling problems for CPE programs. Previously the summer was a slow time for the profession and therefore was usually the time of the year when most CPE programs were held. In the late 1970s, however, the additional services demanded of CPAs generally meant scheduling more work to be done during the summer months. As we enter the 1980s, the trend toward increased summer work will continue. Also, the increased employment

of continuous auditing, in which accounting firms perform their work in portions throughout the year rather than just at year-end, will affect the availability of personnel for training in the summer months.

Because of the scheduling of work year round, CPE sessions must now be offered year round. The CPE season for most firms now runs from late April through November. With the increased numbers of participants attending these sessions and the trend toward a greater number of smaller sessions, the training period will probably continue to expand during the eighties.

With the demand for facilities space continuing at a high level through most of the 1980s, space will need to be contracted for well in advance of the dates desired. Most facilities now require notice nine months to a year prior to the program to guarantee that space will be available. This notification period will increase during the eighties. Booking space this far in advance will require better methods of estimating attendance at programs. We believe the technology of the 1980s will provide these methods.

### Advanced Technology

The ever-increasing number of professionals demanding continuing education places a tremendous administrative burden on CPA firms in preparing, scheduling and documenting their CPE programs. The next decade will see increased demands for technology to find the ways to decrease this administrative burden.

#### Word processing

The 1980s will see greater and more sophisticated use of word processing equipment. Word processing allows easy updating of repetitive programs and facilitates the drafting of new programs. Current testing and experimental products indicate that word processing equipment will do even more amazing things during the next decade. Sometime during the eighties, you will be able to record your voice onto a tape which will be converted to a typewritten page through the use of word processing equipment. This will allow those developing programs to do so without putting pencil to paper. This process would also allow the author to time his presentation or program length as it is developed.

Another possibility for the coming decade is the ability to create a word processing disk through the use of a "reader." A typed page would be passed through an optical scanner similar to those now used to read prices in some supermarkets. The scanner would convert the typed page to a disk which could then be reproduced onto paper through word processing.

### Video

The high cost of travel and facilities in the coming years will lead to more programs that "bring the instruction to the participants." The AICPA recently introduced its "VIDEOFLEX" program consisting of a series of videotapes and workbooks which may be purchased or rented for use at continuing education sessions. Some of the large accounting firms have also invested in small recording studios in which they produce taped programs for the use of their offices.

The expanded use of videotapes, which is expected to continue in the eighties, will create the need for easier-to-operate and more portable videotape players. With the ability to produce TVs with 6-inch screens and pocket calculators today, it would not be surprising to see a pocket videotape player developed during the eighties. Such an instrument would allow individual study anywhere, through use of videotapes.

### Computers

Computers will play an even greater role in CPE in the eighties than they did in the seventies. Computer systems currently being developed would provide for a complete education package. Remote terminals could provide direct registration for programs. As a result of this registration, computers could be used to control class size, advise on overbooking and possible alternatives to solve the overbooking, update personnel records to give CPE credit for attendance, send bills for tuition or create checks for reimbursement.

More individual educational records will be kept by computers during the 1980s. As offices expand and grow, the number of professionals will make it less and less possible to keep conventional records. One central processing unit could maintain the records. Remote office terminals would enable individuals to review their educational record at any time, make corrections to it and obtain a formal printout for filing with the appropriate regulatory and professional organizations.

With increased use of TV for CPE in the 1980s, computers could be used to generate graphics as they now do for commercial television. Good graphics would add a great deal to the current educational videotapes now currently available.

### Closed-circuit television

During the 1980s, we believe there will be increased investment in TV and videotapes as a method of obtaining CPE. As TV becomes more available in offices, there may also be an increase in closed-circuit CPE. Closed-circuit CPE would allow firms to prepare CPE programs for their employees and deliver them to all their offices through closed-circuit TV channels. We believe that closed-circuit TV may eventually provide for two-way participation in education programs. This would mean that a person in any office participating in the closed-circuit program would be able to stop the instructor and ask a question. The instructor could provide the answer or ask any other participant in the system to answer it. Closed-circuit TV would be essentially the same as a live classroom except that the instructor and other participants would not be present, but would rather be seen and heard through the closed-circuit TV system.

### Conclusion

Program administration plays a very important part in the conduct of successful CPE programs. As CPE requirements become more complex and the number of participants and programs increases, the administration accompanying these programs becomes more burdensome.

In order to be effective, program administrations must be properly organized and staffed. As programs and requirements become more formal, the administrative function must be able to monitor compliance with standards and provide for the necessary documentation that programs were designed and conducted properly. The advent of required peer review and state-mandated continuing education has forced the program administration function to react very quickly to these issues in the past two years.

Air fare rates and costs of facilities have been increasing at an unprecedented rate. These increased costs have forced CPA firms and other sponsors of CPE to re-evaluate many of the traditional methods of conducting programs. New methods and means of conducting CPE will necessarily emerge during the eighties, as ways are sought to conduct programs economically while retaining the high level of program quality existing at the end of the seventies.

The introduction of home computers, hand calculators and home videotape recorders will have a tremendous impact on the conduct of CPE during the eighties. All of these technological advances will have to be taken into account in the designing and administering of CPE programs during the coming decade.

Overall, we believe the eighties will be a dynamic and exciting period for those involved in developing and delivering continuing professional education. With the changes we see in program delivery techniques and technological advances, the eighties promise to be just as exciting for those attending these programs.





CHAPTER 6  
CPE IN THE 80s

SOURCES OF CPE - DIRECTIONS FOR THE 1980s



## Chapter 6

### Sources of CPE - Directions for the 1980s

Ellen M. Weisberg  
Ernest E. Bartholomew

#### Factors Impacting Sources

The 1980s will be a decade of rapid change in the economic, social, professional and regulatory environments. For individuals to function effectively, lifelong learning, a much discussed concept in the 1970s, will become a necessity. In the past, continuing professional education for CPAs has been aimed primarily at individuals in their early staff years. This type of training will continue to be a necessity; however, the focus of CPE activities will shift from younger firm members to managers and partners - the middle-agers. Consequently, the audience of CPA-CPE in the eighties, will have different characteristics and needs than the learners of the seventies. The types of programs offered and the methods and media used will change to meet the learning characteristics of this new majority.

The increasing professional requirements for CPE, increased numbers of learners and their increased age, combined with heightened awareness of lifelong learning needs, will result in a proliferation of CPE providers competing for attention. This competition will lead to new approaches in the development and delivery of training subject matter, all of which will serve to drastically alter the face of CPE.

Many purveyors of CPE will commit substantial effort and resources to improving or revising subject development and delivery methods. Techniques will be developed which make continual learning an integral part of the practitioner's professional life. Increased emphasis will be placed on self-assessment programs which assist the individual in determining in a nonthreatening way, professional learning needs. While maintaining technical competence will continue to be of major importance, the offerings most likely to compete favorably in this environment are programs providing tools for improving cognitive processing abilities, managerial and interpersonal skills and self-motivation.

The middle-aged, lifelong learner will recognize the importance of receiving an adequate return on the monetary and time investments devoted to learning activities. Increasingly, professionals will demand evidence which demonstrates a positive relationship between specific learning activities and

improved competence. Vendors will respond to learners seeking better learning/competency relationships by developing techniques which provide prospective learners with opportunities to compare competitive offerings - largely through more sharply defined program objectives and the use of more sophisticated evaluation methodologies. If learning/competency relationships cannot be demonstrated, regulating groups will be urged to change or eliminate existing CPE requirements.

### Sources

A 1976 study concerning the sources of CPE credit for CPAs in the state of California found that thirty percent of the total credit was obtained through AICPA and California Foundation courses, twenty percent through colleges and universities and the remainder through outside programs, in-house activities and self-development programs. The extent to which the AICPA, state societies and colleges and universities can hold their shares of the market is significantly dependent upon their willingness to pioneer and/or react to learning innovations.

The following discussion focuses on the projected activities and issues affecting major groups of CPA-CPE providers. An appendix to this chapter includes references from which information on specific providers can be obtained.

### AICPA and state societies

The AICPA and state societies will continue to be the largest single source of CPA-CPE activities. These organizations possess the skills to identify practitioners' needs and have direct access to CPAs seeking developmental activities. In fact, practitioners will look increasingly to these organizations not only for the educational courses and materials they offer, but also for consultation and assistance in planning their activities and determining sources for activities which the AICPA and state societies do not offer.

The AICPA and state societies will continue to provide their traditional programs. However, they will also be expected to offer subject matter and use delivery systems which meet the needs of the lifelong learner and reflect the impact of economic conditions. Although these organizations will be less likely than independent entrepreneurs to risk investments in innovative approaches, they are in a unique position to monitor developments in the field and to adopt those which appear to be cost-effective.

An example of this in 1980 is the use of the video medium. During the 1970s, video became a more viable educational tool. However, it did not have widespread use within the accounting profession principally because sufficient instructional programming was not available to warrant the expenditure necessary to purchase equipment. As equipment costs decrease and efforts such as the AICPA's VIDEOFLEX produce educationally sound and relevant programs, the video medium will reach its potential as an effective instructional aid.

The ability to assess and react to the needs of practitioners, to offer meaningful programs and to use cost-effective delivery systems will, in the long run, enhance the AICPA's image as an able provider.

### Colleges and universities

Potentially, colleges and universities could have the most significant impact on the nature and delivery of professional CPE in the 1980s. Decreasing university enrollments will hamper these institutions' ability to obtain the funds necessary to operate facilities. With facilities and instructional resources underutilized, these institutions will more actively seek alternative markets, including the CPA-CPE arena. The impact of colleges and universities will be enhanced by the increasing number of advanced degree-conscious professionals who seek to keep pace with technical changes while striving to attain advanced organizational roles.

To effectively deliver CPA-CPE activities, colleges and universities will be required to wed the techniques and materials used for full-time learners (their traditional market) with those used for lifetime learners (their new financial saviors). Smaller, local colleges and universities may be eliminated from the CPA-CPE market due to the decline in the number of full-time learners and the perceived marginal rate of return from seminars and lifetime learners. Nevertheless, funds will be available to and will be used by larger universities for state-of-the-art educational developments. Some will prove successful and have applicability to professional CPE.

During the early 1980s, off-campus educational centers for formal advanced degree programs will grow in importance. Some will be tailored to a large company's own programming, with classes held at the company's facilities or a professional learning center. Examples of this in 1980 are the master of taxation programs currently being piloted by Golden Gate University and De Paul University.

The mobility of CPAs, especially within regional and national firms, will present a limiting factor for those contemplating entrance into a lengthy degree program. Alternatives will be developed, including work-related master's programs with no required classroom attendance. This type of program will function under a "set-your-own-pace" plan and lead initially to degree equivalency, but ultimately to an advanced degree.

Universities as well as state societies and larger firms will increasingly join together in programs similar to those presently existing at the Illinois Institute of Technology (IIT). IIT telecasts live classes from its Chicago campus to business offices in the area. Through two-way broadcasting, students in office classrooms interact with students in the live classroom. By attending the TV classes, a student can earn 80 percent of the credits for an MBA degree. Eventually, such credits will be transferable to similar institutions in other urban areas, thereby overcoming a portion of the CPA mobility problem.

The technology for remote delivery has long existed and will become more prevalent as transmission costs decline while time and transportation costs increase. The ability of universities to obtain funds for research and experimentation with alternative delivery approaches provides them with an advantage over other CPE providers. In the past, however, many professors have been reluctant to use electronic media or to tailor their materials to meet the needs of particular organizations. For universities and university professors to effectively provide CPA-CPE, they will have to shed some of their traditional, and often purely theoretical, approaches to education and adopt more practical and innovative techniques.

### Consultants

There will be an increase in the number of private consultants, former practitioners, professors and adult learning specialists who design and deliver CPE to the profession. The long-term success of private consultants will be dependent upon their ability to deliver cost-effective activities. These consultants will be focusing on both the technical and managerial aspects of CPA practice, and their ability to blend the two to provide meaningful programs will be crucial. Their competitive advantage will be that they can assist firms in determining the appropriate types of CPE activities for their personnel and can help ensure that these CPE efforts are tailored to meet firm and individual needs. Their individual success will depend upon their ability to overcome the perception that they are selling a product rather than providing a service.

## Other professional and industry associations

Other professional and industry associations will also be a ready and more frequently used source of CPA-CPE. The growing need for specialization to enable CPAs to provide quality service to specific clients will encourage a better understanding of client industries. To obtain this expertise, CPAs will increasingly participate in activities sponsored by specialized industry groups, e.g., the law, banking, insurance and savings and loan industries. Not only will providing education to the CPA market assist these other professional and industry associations to recover development costs, it will also cause them to alter their programs to ensure that they meet CPA needs and qualify for CPA-CPE credit. For instance, a self-study program which does not include a test or some means of verifying completion, would likely be ignored by CPAs concerned with CPE credit.

Increased recognition of the need for and effectiveness of "crossover" education will encourage those from different disciplines to minimize their differences and facades of uniqueness and permit them to work together in creating meaningful learning experiences. As the accounting profession and industry groups begin to recognize their common training needs, they will offer more joint programs and will increasingly share development and delivery techniques. This will result in rapid acceleration of the state of the art. One example is in the area of self-study.

### Self-study programs

Self-study has long been recognized as a method in which learning can be truly individualized. However, the inherent problems of self-discipline and ability to devote time to self-study work rather than to client matters or other readings have resulted in a relatively low percentage of self-study program completions. The completion rate for self-study programs will increase as techniques are found to permit individuals to truly perceive the benefits derived. Possible techniques include the use of self-study as a prerequisite for attendance at formal sessions, the granting of credit toward a certificate program, and the direct applicability of the learning to a specific problem within the individual's practice.

One example of successful self-study is in the savings and loan industry. Their self-study courses are correspondent courses, with completed chapters submitted for review and subsequently returned to the sender.

This personalization improves the completion rate. Other successful techniques have included establishment of timetables for completion of lessons and implementation of procedures to quickly remind delinquent learners of their tardiness.

Self-study acceptance will increase when CPE credit regulations are revised to eliminate the requirement of two hours of completed self-study for one hour of CPE credit. Further, as other professions, such as the legal profession, permit self-study programs to qualify for continuing education credits, purveyors will recognize the large potential market and commit funds necessary to develop meaningful self-study programs. Finally, more creative types of self-study programs, such as video and minicomputer, will make self-study a more attractive delivery system.

### Publishing companies

Book companies and other publishers will also be more active providers of CPA-CPE. These companies have the resources to write and produce programs and will increasingly devote more resources to their marketing efforts. To be effective, the programs that publishing companies produce will need to be more practical than theoretical and have the capability of being easily revised to keep current of the state of the profession. Currently, publishers primarily produce materials. To become more viable CPE providers, they will eventually employ a variety of delivery systems. Thus, publishers will both sell and present instructor-led and self-study materials, probably using state-of-the-art electronic delivery systems.

### CPA firms

Larger CPA firms represent yet another source of CPE. Many already have large investments in their educational activities and will increasingly seek to recover these investments by offering programs to smaller CPA firms, CPAs within non-CPA firms and other business associates. The larger firms will be more comfortable in sharing their materials with other large firms and ultimately, the rising cost of producing educational materials will encourage more cooperative efforts among them. Generic programs, or at least the basic portions of such programs, will be developed jointly. Firms will also turn increasingly to in-firm and in-office seminars as the method to obtain CPE by staff personnel. Additionally, smaller firms with similar practices or in local areas will increasingly join together in formal and informal associations to share the cost of funding the development and presentation of CPE programs.



## Commercial vendors

Large commercial providers of seminars will continue to be a major source of CPE. In the past they have found the marketing of seminars to the public to be highly profitable, due to the low variable cost of offering proven seminars. The general conference or seminar will continue to be a primary type of offering in CPE, even though more effective delivery systems will be found, because learners, especially older learners, are accustomed to receiving their CPE in this manner. Further, people attend outside seminars because they believe in the discipline of attending a structured program and appreciate the opportunity to participate in forums in which their own questions can be answered and in which they can meet people with common interests. However, large commercial providers increasingly will be required to demonstrate learning/competency relationships in their programs and ability to use state-of-the-art techniques. Since the cost of seminar attendance will continue to be a budgeted cost for practitioners, participation in conferences and seminars will continue to be significantly affected by the perceived economic climate. Any prolonged period of economic sluggishness will significantly reduce the number of offerings available from large providers. Conversely, a prolonged period of income growth could lead to a form of franchising by large providers, whereby previously independent consultants would be brought together under the umbrella of the large provider.

## Appendix

Further information on potential sources of CPA-CPE may be obtained from the AICPA, state societies and the various CPA firms, as well as from the following publications and organizations:

### Reference Texts

Buyer's Guide & Consultant Directory  
American Society for Training and  
Development, Madison, Wisconsin

Directory of Management Education  
Programs, AMACOM, A Division of American  
Management Associations, New York,  
New York

### Organizations and Associations

American Bar Association  
Chicago, Illinois  
American Bankers Association  
Washington, D.C.  
American Hospital Association  
Chicago, Illinois  
American Legal Institute - American Bar Association  
Philadelphia, Pennsylvania  
American Management Institute  
New York, New York  
American Society of Certified Life Underwriters  
Bryn Mawr, Pennsylvania  
Bank Administration Institute  
Park Ridge, Illinois  
Matthew Bender & Company, Incorporated  
Albany, New York  
Executive Enterprises, Incorporated  
New York, New York  
Institute of Financial Education  
Chicago, Illinois  
McGraw-Hill Book Company  
New York, New York  
McHugh Publishing Company  
Worthington, Ohio  
Practicing Law Institute  
New York, New York  
Prentice-Hall, Incorporated  
Englewood, New Jersey  
Warren Gorham & Lamont  
Boston, Massachusetts  
Xerox Learning Systems  
Greenwich, Connecticut

CHAPTER 7  
CPE IN THE 80s

ACCOUNTABILITY AND ITS DIMENSIONS IN THE '80s



## Chapter 7

### Accountability and Its Dimensions in the '80s

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Over the next decade, we anticipate the following changes in the environment of public accounting and in the traditional CPE function within public accounting firms:

- The scope of services to be provided by the public accounting profession will continue to expand. As a result, the common body of knowledge for practicing professionals will continue to expand in both depth and breadth.
- Regulatory and public pressures on the accounting profession for more self-policing activities will increase, resulting, among other things, in more CPE requirements.
- Clients and other segments of the public will be more and more demanding, and CPE will become more responsive to their demands.
- Learners will demand more sophisticated CPE to respond to client and public demands.
- Learners will be expected to assume more responsibility in determining their own needs. As a result, learners will expect a good deal of CPE to be more customized.
- Instructional technology will become increasingly more available for CPE, and will become an important variable in CPE decisions.
- More variety and sources of CPE will compete for the time commitment made by the professional for CPE.
- There will be more integration between CPE, on-the-job training and self-development. A good deal of what is now considered to be in the domain of CPE will be accomplished through structured on-the-job development and directed self-development. CPE will focus more on new horizons of the accounting profession, i.e., new knowledge.

In summary, more as well as new demands will be placed on the CPE function. Resources allocated to CPE will be subject to scrutiny in terms of how effectively they are being utilized. There will be more pressure for greater accountability by those responsible for the CPE function.

## The Concept of Accountability

The fifth edition of a Dictionary for Accountants defines accountability as "The obligation of an employee, agent or other person to supply a satisfactory report, often periodic, of action or failure to act following delegated authority." Accountability implies that persons controlling the use of resources allocated for certain purposes have an obligation to evidence good management of those resources. As it applies to the CPE function, the concept of accountability comprehends an obligation on the part of those responsible for the CPE function to show that the resources allocated to CPE are managed well.

The management of resources encompasses several tasks, including planning, organizing, staffing, directing and controlling. As they apply to the CPE function, these tasks can be described as follows: Planning is the task of setting short and long-run objectives for CPE and deciding on the means that will be used to meet them. Organizing is the task of deciding on the roles that will need to be assumed by different people involved in CPE and on the duties and responsibilities attaching to each one. Staffing is the task of finding the right person for each role. Directing is the task of day-to-day supervision of the CPE function. Controlling is the task of ascertaining how well the resources allocated to CPE are being spent, what progress is being made towards stated objectives and how well responsibilities are being discharged.

Since accountability is the obligation of evidencing good management and since management encompasses the aforementioned tasks, it follows that accountability for the CPE function is the obligation of evidencing good:

- Planning
- Organizing
- Staffing
- Directing, and
- Controlling

## An Accountability Model

An accountability model is being offered to provide guidance on the various aspects of accountability to those who have responsibility for the CPE function. The model is intended to depict the relationships between the following:



Exhibit A

Nature Of Accountability	Group Accountable	Top Management	CPE Administrator	Line Personnel	Learners
Overall Philosophy	+++	++	0	0	
Allocating Resources	+++	++	0	0	
Psychological Support	++	++	++	+	
Corrective Action	+++	++	0	0	



Exhibit B

Managerial Task	Group Accountant			
	Top Management	CPE Administrator	Line Personnel	Learners
Planning	+++	++	0	0
Organizing	+++	+++	0	0
Staffing	+	+++	0	0
Directing	0	+++	0	0
Controlling	+++	++	0	0

EXHIBIT C

Managerial Task	Nature Of Accountability			
	Overall Philosophy	Allocating Resources	Psychological Support	Corrective Action
Planning	+++	+++	++	++
Organizing	0	0	++	+
Staffing	0	0	++	+
Controlling	+++	+++	++	+++
Directing	0	0	++	+

EXHIBIT D

Information Need	Group in Need of Information			
	Top Management	CPE Administrator	Line Personnel	Learners
Alternatives	+++	+++	0	0
Opportunity Costs	+++	+++	0	0
Dollar Costs*	+++	+++	++	+
Program Costs* **	+++	+++	++	+
Human Resource Costs *	+++	+++	++	+
Capital Budgeting*	+++	+++	0	0
Variances	+++	+++	0	0
Program Analysis***	++	+++	++	+
Learning Outcomes*	+++	+++	+++	++

\*Projected as well as actual

\*\*Include out-of-pocket dollar costs and the value of nonchargeable time necessary to get the program ready for delivery.

\*\*\*Expost analysis

## The Accountability Model Explained

### Nature of accountability and the groups accountable

Exhibit A suggests that top management is accountable for:

- The overall philosophy
- The allocation of resources, and
- Corrective action

The exhibit suggests that to a significant degree, the CPE administrator is also accountable for these three areas. However, there is a difference between the nature of the accountability that should be assumed by top management vis-a-vis the CPE administrator. We perceive top management to be ultimately accountable to the partners of the accounting firm for the overall philosophy of CPE, the amount of resources allocated to the function, the effectiveness by which allocated resources are utilized and the timeliness and appropriateness of corrective action. On the other hand, the CPE administrator is accountable to top management for ensuring that it is aware of:

- The responsiveness of its overall CPE philosophy to changed environmental considerations
- The responsiveness of its resource allocation decisions to identified needs, requirements and objectives, and
- The need for and the nature of corrective action.

Exhibit A also indicates that line personnel are accountable to a limited extent for resource allocation and corrective action. Their accountability is limited, in our opinion, to faithful compliance with decisions made by top management in those two areas.

Finally, the exhibit suggests that accountability for psychological support is shared by all groups responsible for or affected by the CPE function. Even the learner is expected, in our model, to understand and provide psychological support to a program which is intended to complement his/her personal professional development.

### Accountability for managerial tasks

Exhibit B suggests that top management is primarily accountable for two tasks, planning and controlling. A significant degree of accountability is also assigned to

the CPE administrator with respect to these two tasks. Again, there is a difference between the nature of accountability assumed by top management and the CPE administrator. In our model, top management is accountable to the partners of the accounting firm for the manner in which the planning process is carried out, including the efficiency and the effectiveness of the process. In addition, top management is accountable for establishing the proper mechanism for monitoring the implementation of adopted plans, i.e., the controlling task. On the other hand, the CPE administrator is accountable to top management for:

- Providing it with appropriate test readings as to the effectiveness and efficiency of the planning process, as well as recommendations for desirable changes in the process and the reasons therefor, and
- Providing it with appropriate timely test readings as to progress made toward the actualization of adopted plans, accomplishment of educational objectives and compliance with budgets. In addition, the CPE administrator is accountable to top management for ensuring that all viable courses of corrective action are considered before one is selected.

Exhibit B also suggests that the CPE administrator is ultimately accountable for two tasks; namely, staffing and directing and shares the accountability with top management for one task; namely, organizing. To a very great extent, the approach used by the CPE administrator to organize the function will be influenced by top management's overall organization philosophy. A CPE administrator will have a hard time selling a centralized CPE function to a top management that does not believe in centralization. Top management has a limited degree of responsibility with respect to staffing the CPE function. Its responsibility is limited to setting an overall limit on total dollar costs allocated to staffing. How well that limit is utilized to staff the function is clearly the responsibility of the CPE administrator, and accountability for the proper staffing should be assumed at that level. Finally, the CPE administrator is ultimately accountable for the day-to-day supervision of the CPE function.

#### Nature of accountability and managerial tasks

Exhibit C depicts tasks through which the accountability assumed by groups responsible for the CPE function in a public accounting firm are discharged. In Exhibit A, we have suggested that top management is ultimately accountable for the overall philosophy of CPE, with a significant

degree of accountability assigned to the CPE administrator. In Exhibit B, we have suggested that top management is ultimately accountable for the planning and controlling tasks, again with significant accountability assigned to the CPE administrator. In Exhibit C, we are suggesting that the responsibilities for the overall philosophy and allocation of resources are discharged through the proper performance of the planning and controlling tasks. Specifically, the proper performance of the planning tasks should result in a CPE plan that reflects top management's overall philosophy. Such a plan should also reflect allocation of resources consistent with the adopted philosophy. However, the responsibility for the overall philosophy and for the allocation of resources is not completely met until a mechanism is put in place to monitor the implementation of the adopted plan and to identify any variances from the adopted philosophy or the allocation of resources scheme reflected in the plan. The responsibility for psychological support is discharged through the performance of all the tasks that make up the CPE function in a CPA firm. Finally, Exhibit C suggests that the responsibilities for corrective action are discharged mainly through the proper performance of the controlling and planning tasks.

Whereas the need for corrective action as well as the definition of the corrective action to be taken are identified through the controlling process, future CPE plans need to take into consideration the factors that caused the need for the corrective action. For example, through the discharge of controlling tasks, top management and the CPE administrator might become aware of the fact that certain programs did not achieve the behavior changes that were expected. Further analysis of the underlying reason(s) might indicate that the programs were designed at a level that was significantly higher than the needs level of the participants. The corrective action indicated by this situation is careful needs assessment and analysis. Top management and the CPE administrator in this case would not have completely discharged their responsibilities for corrective action unless future CPE plans are predicated, among other things, on careful needs assessment and analysis that would avoid this situation.

#### Information and groups accountable for CPE

Exhibit D defines the information needs of different groups responsible for or affected by CPE. The exhibit reflects our conviction that information is and will continue to be an important resource for groups that make decisions impacting the effectiveness with which the CPE function is

managed. However, the exhibit also reflects our belief that new types of information needs will be identified and compiled as a matter of course in the '80s. Planning CPE will involve a complicated set of variables. Proper consideration of those variables will generate the need for those new types of information. Information about alternative courses of action and their related opportunity costs will be requested by top management before an overall philosophy is selected, resources are allocated or corrective action is taken. Information about projected dollar costs and program costs will be requested by top management before plans are finalized. Information about projected human resource costs - e.g., the value of nonchargeable time spent by trainers and learners in education-related activities, including program delivery and attendance - will be requested by top management before plans are finalized to determine the cost-benefit relationship of different CPE proposals. Capital budgeting-type information will be requested by top management before decisions are made to invest in educational technology. Learning outcomes will have to be forecasted before CPE plans are finalized. Variances from plans, including dollar cost, program cost, human resource cost, capital expenditure cost, and learning outcome variances, will have to be identified and analyzed before corrective action is taken and new plans are finalized. It will be up to the CPE administrator to provide for all these information needs to identify alternatives; measure their related costs; project dollar, program and human resource costs; prepare capital budgets; forecast learning outcomes; analyze programs; and identify and analyze variances from approved plans. The CPE administrator of the '80s will need to be versed in cost accounting, information systems and operations research techniques that were found to be useful in planning and controlling activities of commercial and other enterprises. The CPE administrator of the '80s will become more of an information manager and less of a decision maker.

Exhibit D also suggests that line personnel and learners have information needs, e.g., dollar costs, program costs, human resource costs, program analysis and learning outcomes. Their information needs are related to their responsibility for providing psychological support for CPE. To expect learners and line personnel to provide psychological support for CPE without providing them with information regarding the cost and learning outcomes would be unjustified. To be sure, the format and the amount of details provided line personnel and learners about cost and learning outcomes need not be the same as for top management; indeed they should not be the same. Rather, the information to be provided to these two groups should be in the form of a report from top management at the conclusion of the planning activities, setting forth a summary of the adopted plan, its related costs and its expected outcomes.

## Implication of the Accountability Model

Our accountability model implies that the accountability for the CPE function in a CPA firm will be assumed at the highest level of management. The CPE administrator's role and the accountability assumed by him/her will be secondary to those assumed by top management. Two factors will be paramount in establishing this relationship:

1. The size of the resource commitment that will be needed to provide for CPE in the '80s will justify management's close attention at the highest level as to how the resources are utilized.
2. Top management's realization that properly structured and designed CPE may contribute more than any other element to practice expansion.

Our model does not suggest that top management will need to be involved in the day-to-day operations of CPE. What we are suggesting is as follows:

1. Because of different pressures reflected in the assumptions set forth at the beginning of this section, top management will assume direct accountability for the CPE function. Specifically, top management will assume the accountability for the overall philosophy, resource allocation and corrective action.
2. The CPE administrator will play more of a supportive role, and his/her accountability will be secondary to that of top management with respect to the overall philosophy, resource allocation and corrective action. The CPE administrator will be expected to provide top management with relevant and timely information to help it select and maintain an appropriate overall philosophy, allocate resources effectively and select timely and appropriate corrective action. Obviously, under our model, the CPE administrator is still directly accountable for the day-to-day operation of the CPE function. He/she remains accountable to top management with respect to how the function is organized, staffed and directed. However, in evaluating the contribution made by the CPE administrator, top management will place more and more emphasis on the quality of the information provided by him/her to help it discharge its accountability for an appropriate overall philosophy, proper allocation of resources and timely and appropriate corrective action.

The final and perhaps the most important implication of our model is that the CPE administrator in the '80s will find it necessary to design, establish and maintain a management



information system, as opposed to a system of recordkeeping, which integrates the internal and external environmental factors that affect the success of the CPE function. Such an information system will be essential for the CPE administrator in order to adequately fulfill his/her responsibility to provide top management with the information input needed to make decisions. What are the prerequisites of an effective CPE management information system, and what must exist before it can be put together?

The most fundamental prerequisite, of course, is knowledge. The word "managing" implies that knowledge (information) exists about the CPE function's objectives, environment, operations, resources, policies and procedures. These types of information represent the why, what, where and how of the function's managerial operations and processes. All CPE functions have data stored in one form or another, whether it is in the mind of the CPE administrator or other people involved with the function, in accounting records, in filing cabinets or in a computer. But in order to have a management information system, these data must be organized in a manner appropriate to the problem at hand - e.g., how best to allocate limited resources to competing CPE demands, or what corrective action is needed to avoid a recurring budget variance, or what changes are needed to improve the efficiency by which educational objectives are met. In addition, these data must be able to be recorded, stored, retrieved and displayed as required for purposes of decision making.

The second element required for an effective management information system for the CPE function is the necessary hardware for storage, processing and retrieval of information. There is no question but that computer technology provides the capabilities for information handling and that all CPE functions have information of one sort or another. However, not all have the third basic requisite - information management. People, money, materials, machines and facilities have always been considered the basic resources of the CPE function and the basic factors with which the CPE administrator and other people involved with the function are concerned. A fifth resource that will be recognized as equally important in the coming decade is information. The effective use of information will become as important as the effective use of other resources in the CPE function. Indeed, the extent to which other resources are well managed will be a function of how well information is managed. Information management will become an important concern of the CPE administrator during the coming decade. The acquisition, protection, dissemination and proper utilization of this important resource will be significant for the vital existence of the CPE function.

