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The Accountant's Responsibility to Management

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In the field of accounting today, there are two types of accountants; those who are or will be considered part of the executive group who make decisions by which a business is run, and those who are technicians supplying information to the executive group.

Formerly, accountants were considered technicians only, and their single responsibility was to furnish the information required for, and from, the books and records of an account. As business became more complex, management found that it needed explanations and interpretations of the accounting information. Conferences were called with the controller sitting in as an expert witness or adviser but not as an accepted member of the policy making group. The reasons for this exclusion were very human: the accountants rarely were trained business people with a "broad gauge" background, they came from the ranks of bookkeepers or from technical courses with the idea that if sales and production departments would only keep the paper work straight, all company problems would be solved automatically. To the bookkeeper-accountants, managers of these departments were challenges to be whittled into paper ruts, thus enabling the accountant to process his papers day after day without a hitch. Small wonder that accountants were not considered for top management posts as often as sales managers or production chiefs.

Part of the reason for this imbalance in the management group is that companies considered the bookkeeping-accounting department excess baggage recording after-the-fact information, and as such, not contributing to the services or products sold by the company. Since the companies did not rate the accountants as productive as sales and manufacturing personnel, they were not willing to pay a commensurate rate for their services. Also, colleges and business schools were slow in pushing accounting education on a professional level because the opportunities for graduates were limited. One of the finest liberal arts colleges in the country spent ten years deciding to include a second year of accounting into its curriculum for economics majors. This was felt to approach trade school education.

Slowly, but in ever widening circles, each force moved to push the others along. Professional groups urged their members to increase not only their technical knowledge but also their general knowledge, so that they

could participate fully in management. Management began to recognize the abilities and contributions of the better accountants and, therefore, to look to the colleges for better trained accounting graduates. The colleges recognizing the need for expanded accounting education, offered more accounting courses and urged the accounting majors to take other liberal arts courses to better fit them for management later on. Independent accounting firms contributed a great deal to this effort, for, the people whom they trained as staff auditors and who later left to join private industry were already accustomed to conferring with management on a conference level through their audit work, and thus expanded this field for accountants.

As in many other lines of work, the increasing complexity of the government and tax laws, opened vast new requirements for accountants in business and in government. With these greater demands, more people of ability are drawn into the field and thereby helping to supply the greater number of top executive-accountants required by progressive management today.

Because he is still something of a pioneer representing all accountants wherever he goes, the accountant who is in the management group today or who is working toward that goal, has a dual responsibility. First he has responsibility to the management group with which he is working. Second he is responsible to the accounting profession as a whole. He is being watched very closely and will be taken into management's confidence more and more completely as he earns its respect and good will.

Within the management group the accountant, that is, the top accounting person, whatever his title, has the responsibility for reporting to the president the overall dollar effect of ideas and of policies proposed regardless of which department may be affected. Each department or division head has a particular responsibility which he will drive to fulfill, sometimes not seeing the effect of his program on the company as a whole. Since the accountant does not have a quota to meet, he can think across departmental lines and bring the broad picture into focus from the financial point of view.

The accountant has a responsibility to help each department head to learn more of his own business and to interpret one department to

another where there seem to be conflicting areas of interest or points of view. Usually, if the lines of communication are kept open, the problems will fall of their own weight for a natural and reasonable solution becomes apparent to all.

The accountant must work closely with the department head to determine whether or not the flow of information from accounting is useful and/or understandable. The most beautiful and sophisticated reports have been tossed aside by the very people they were designed to help, because the report was not presented properly in the beginning, or it was not understood by the receiver. Therefore, the incentive to design and present better and more comprehensive reports is always present. When a report is really clear and helpful, the first reaction of management is surprise. The accountant *does* understand the question and how to answer it clearly. The satisfaction derived from a report well received is worth all the hours designing and redesigning it.

The accountant also should work with the department head and top management to help each side explain to the other, the financial reasons or proof for a particular point of view or plan. The more the accountant really knows about the technical, service and sales operations of the business the better he is able to fulfill his responsibility and the faster he will gain the confidence of management.

Another, and in some respects the most important, responsibility of an accountant is to interpret for, and to inform management regarding financial matters in anticipation of inquiries or problems. Cash forecasts, trends in the industry, tax consequences of certain decisions, tax consequences resulting from inaction, contemplated legislation affecting your industry, should all be brought to management's attention for decision and action.

An important aspect of the accountant's responsibility that is too often overlooked in his education and even in an employment interview is his ability to be an administrator or even a supervisor. In private industry this ability must go hand in hand with accounting ability for any person who is being hired with the idea in mind of promotion into any level of management. The controller or treasurer doing the hiring has the responsibility to furnish the company with talent for the future which will best serve private industry. Technical or theoretical knowledge alone is not enough.

The second major area of responsibility of the accountant in private industry is to his profession. He represents the accounting profession and interprets it to management. The accountant who is well versed in the newest developments in the field, who understands

them and knows whether they have a valid application to his company, will earn greater respect for his standing in the accounting profession. Management knows that any individual who keeps up with his profession is in a better position to save money for the company. Likewise, the accountant who is in contact, through professional organizations and publications, with others in his industry and with accounting in general is able to advance the status of the accounting profession in the eyes of management.

Because of the importance of audited statements in today's business world, there is an increasing amount of contact between the private accountants and those practicing in public accounting. The greater the communication between the accountant in industry and his auditing counterpart, the faster and more effective the audit will be, and of course, the less money it will cost the firm. It is the responsibility of the accountant to help the auditor explain why procedures which management may feel are unnecessary, are standard in the auditing field. It is also the responsibility of the company accountant to see to it that the auditor does not lengthen the audit unnecessarily because of his lack of knowledge of the internal control or, more important, his lack of knowledge of trade practices which may be a red flag in one business and ordinary in others.

The next fifty years will see the accounting profession expand in scope and stature comparable to law and medicine. Those responsible accountants who understand this opportunity will train themselves to be ready when openings develop in management, whether they be in private or public accounting.

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tion to design or suggest changes in any system.

The last chapters of the book introduce the student to electronic data processing systems. Examples are given of binary-coded decimals and operations using the binary code are illustrated. Simple programs for computers are developed, which give the reader some idea of the wealth of detail involved in the preparation of such programs.

The way the authors have integrated their discussion of accounting systems and the automation of such systems represents a departure from the approach taken in many other texts. The material has been developed in a very practical way, and should be helpful to both the accountant and the systems man, as well as students planning to enter into either of these fields.