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## Accounting Profession: Future

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# The Accounting Profession: Future

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As with any discussion of the future, there is a great deal that is completely unknown, or at best hazy, and it would be a waste of time to dwell on idle speculation. So let us consider what are almost certain to be the challenges of the future. There are at least two major areas in which there will be challenges, (1) the accounting function and (2) professional development.

The American Institute of Certified Public Accountants adopted in 1958 as one of the long-range objectives of the accounting profession, the following: "It is an objective of the Institute to encourage co-operation and consultation among national organizations of accountants to the end that the entire accounting function may make its greatest contribution to public welfare."<sup>1</sup> Perhaps this term "accounting function" should be defined. Herman W. Bevis, a member of the Institute committee which prepared the report on long-range objectives, in his article "The Accounting Function in Economic Progress" defines the accounting function as dealing "with the measurement and communication of economic data."<sup>2</sup> Let us consider then how this measurement and communication will present challenges to the profession, in the specific areas of systems, principles, and reports.

As for systems, the coming trend is toward advanced machine accounting. Already industry has installed systems which are able to store and process material with super-human speed. Manufacturers are reducing the cost of acquiring and operating machines, as well as improving their efficiency through increased input-output speeds. As machines become more practical and suitable for more businesses, we can expect an increase in the number of machines installed. Management will call upon the accountant to assist in selecting and installing machines and to adapt the machines to the particular requirements of each business. In order to meet these demands, accountants will need to have extensive knowledge of machines and how they can be expected to operate. Widespread use of machine accounting will have an impact on auditing techniques resulting in their revision and adaptation to the new systems. In future years, then, accountants will have to meet the challenges brought about by these new systems.

Another segment of the accounting function, principles of accounting, will also need study and possible revision in the future. In his article "Challenges to the Accounting Profession in the United States," Carman G. Blough, for many years Director of Research of the American Institute of Certified Public Accountants, mentions criticisms of the profession by "corporate officials, teachers of accounting, public-regulatory bodies, taxing authorities,"<sup>3</sup> and others, and makes this statement, "One of the concerns often voiced is that lack of general agreement on accounting principles and their applicability to particular situations destroys comparability among companies,"<sup>4</sup> and further that "One of the most serious reasons for urging greater uniformity in the application of principles is that the very possibility of wide variations in practice destroys confidence in the reliability of financial statements."<sup>5</sup> Some of the areas of criticism include reporting price-level changes, timing income realization, undervaluing of assets and many others. The ideal solution to these criticisms seems to be a greater uniformity in application of principles without destroying the opportunity for discretion on the part of the accountant in choosing a particular principle, which in a given situation may be most acceptable. This is very difficult to achieve, but could perhaps be solved by placing the responsibility on the individual accountant for justifying his deviation from uniform application in a particular situation where he uses his discretion. Regardless of the solution to be reached by the profession, here in accounting principles is another area of challenge to future accountants.

The end result in the accounting function, that is, the financial statement, also will require the attention of future accountants. Statements, whether prepared by company accountants or public accountants in an audit report, have several obvious areas of weakness. C. W. Bastable, in his article "Tomorrow's Accounting?"<sup>6</sup> mentions "asset classification" and "measurement of current assets" as possible areas of improvement. He suggests an alternative to classifying assets as "current, fixed,

<sup>1</sup>Journal of Accountancy, May, 1959, Pg. 71

<sup>2</sup>Journal of Accountancy, August, 1958, Pg. 28

<sup>3</sup>Journal of Accountancy, December, 1959, Pg. 37

<sup>4</sup>Ibid

<sup>5</sup>Ibid

<sup>6</sup>Journal of Accountancy, June, 1959, Pg. 52-53

and other” to perhaps “committed assets” and “those which are not committed.” This would eliminate the classifying of assets such as inventory and prepaid expenses along with current assets, and would remove a portion of the dissimilarity now present in current asset measurement. At present, current assets are measured with dollars of prior years as well as present year dollars. Also, current assets are measured extremely conservatively by anticipating all losses but anticipating no gains, such as use of cost or market, whichever is lower, for inventory valuation, but never using cost or market, whichever is higher, for assets such as marketable securities. This is perhaps inconsistent with reality. If financial statements are to provide any real use to their readers, accountants of the future must rid them of some of the ultra-conservatism and inconsistency that force present statements to be somewhat unrealistic.

Let us turn now to the other basic area of challenge, that of professional development. This is an all-inclusive term used here to refer to development as a profession, development of individuals of the profession, and growth of the profession.

As a fairly young profession, accounting has yet a distance to go to achieve the stature and public acceptance enjoyed by other professions. The development of accountants from technicians to professionals has been an arduous process, and will be fully achieved only when the profession demands of itself truly professional standards. This can be completely realized only through more stringent legislation on licensing practitioners, and more advanced education requirements of prospective accountants. Representative members of the profession have for several years reiterated the importance of graduate study for accountants and on April 22, 1959, the Council of the American Institute of Certified Public Accountants adopted, among others, the following recommendations: “That a baccalaureate degree be made a requirement for the CPA certificate” and “That postgraduate education for careers in public accounting is desirable and that as soon as it is feasible postgraduate study devoted principally to accountancy and business administration become a requirement for the CPA certificate.”<sup>7</sup> As a result of this, it appears that those who aspire to become CPA’s in future years must meet more strenuous education requirements.

Not only is the question of pre-certificate education a problem of the immediate future, but also, the need for the continuing education of those who have already achieved profes-

sional status. Louis H. Penney, Past President of the American Institute of CPA’s makes this statement, “A substantial portion of the practicing certified public accountants must seek the increasing competence attainable only through participation in continuing education, else the CPA’s claim to professional status will never be fully recognized.”<sup>8</sup> You will note that Mr. Penney uses the word “competence” which is one of the standards of the profession on which accountants have long prided themselves. Most accountants today feel that they are competent, but there is some doubt as to how long they will remain professionally competent without some continuing education.

In addition to attaining and/or retaining true professional competence, accountants in the future will need to have a broader knowledge of industry in order to be able to serve management in an increasingly important advisory capacity. John W. Queenan in his paper entitled “Opportunities and Challenges Facing the Profession” makes this statement, “With new fields of knowledge to master, the accounting profession is continuously called on to improve the competence of its members—to do better, today and in the future, the things we now profess to be able to do well; to attain a degree of skill in new areas compatible with existing areas of expertness.”<sup>9</sup>

These demands for more competence and more general knowledge of industry can be met through continuing education. Study courses on new areas and interests to accountants as well as seminars, conferences, and other serious study will be possible methods of continuing education. If the accountant feels that he is too busy to do any of these things, he should spend at least an hour or two a week on technical reading, else he will find himself lagging behind professionally.

The last and perhaps most important area of professional development is in physical growth. A larger number of accountants will be needed in the future than ever before. We, as accountants, are challenged to devise methods of attracting larger numbers of qualified persons into the field of accounting. We can do this by active support of accounting schools in a variety of ways, such as granting scholarships to deserving students, inviting classes to visit industry to observe systems in operation, or supplying visiting lecturers of outstanding ability. Also, we should

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<sup>7</sup>Journal of Accountancy, June, 1959, Pg. 66

<sup>8</sup>Journal of Accountancy, September, 1959, Pg. 36

<sup>9</sup>SELECTED PAPERS, Haskins & Sells, 1959, Pg. 15

continue to strive for profits, but within a framework that is set by society.

The shortcomings of business education, as pointed out in some of the recent reports, have created somewhat of a revolution in the field. Leading schools of business are now emphasizing the collection of quantitative data in the fields of accounting and statistics, the analytical tools of economics, and the modern tools of mathematics, all aiming to help students develop problem-solving abilities.

In accounting education, those students seeking careers in management should be trained in the statistical approach to data collection and analysis, and how to use such data in making business decisions.

For accounting students looking forward to careers in industrial, rather than public accounting, the emphasis should be much the same as for those in the management group. If industrial accountants do not understand the problems management faces, they will not be valuable members on the management team.

Perhaps the greatest changes will occur in the accounting education for the future CPAs. The role of the public accounting firm seems to be shifting from the auditing function, and is becoming increasingly involved with internal control and management services. This will mean less emphasis on technical courses, and more on those of the general business and managerial type. In order to give the proper training in all these areas, some schools have already adopted a five-year curriculum.

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### MILEAGE

Getting more mileage out of their available cash has been a matter of prime concern to many U.S. businesses. As a result, says the National Industrial Conference Board, many companies are sharpening their cash forecasts, tightening control over the sources and application of funds, and investing their surpluses more astutely than in the past.

The Conference Board reports many companies have realized "appreciable returns" from investing their surplus cash. Over 80 per cent of the more than 180 companies queried on this point said they regularly invest cash surpluses, most frequently in government securities.

—Nation's Business

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make known to students, even on the high school level, the advantages of a career in accounting. Most high school students are not at all familiar with accounting, and do not even consider it as a possible career until they stumble across it in college; and they probably would not even do that if accounting were not required for a degree in business administration. Perhaps accounting could be written into aptitude tests to advise students at an earlier age if they do show a particular talent for accounting.

The importance of physical growth of the profession cannot be underestimated. It is perhaps the greatest challenge we face today, primarily because little has been said or done about it to date, and few realize that natural growth will not be adequate for future needs.

Many challenges have been presented to you here for the profession to face in the future, and there are many more. It is true that the leaders of the profession, those with considerable experience and talent, will have to face most of them. But there is much each individual can do. The important thing is for all members of the profession to remain alert and to help themselves and their profession keep pace with the changing times of the future.

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### LEISURE ACTIVITIES

Consumers are spending one third of their discretionary income—or 12% of their total income—on leisure activities. So the market for goods and services connected with recreation has doubled in the past ten years.

Forms of recreation involving active participation and the development of knowledge or skill are more popular. People spend relatively less time as spectators.

So Americans, while devoting more time and money to leisure, are broadening and deepening their interests. For them leisure is not idleness. Rather, increasing attention is paid to Benjamin Franklin's adage: "Do not squander time, for that is the stuff life is made of."

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