

University of Mississippi

eGrove

Guides, Handbooks and Manuals

American Institute of Certified Public Accountants (AICPA) Historical Collection

1950

Career in Public Accounting

American Institute of Accountants

Follow this and additional works at: https://egrove.olemiss.edu/aicpa_guides



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

American Institute of Accountants, "Career in Public Accounting" (1950). *Guides, Handbooks and Manuals*. 1071.

https://egrove.olemiss.edu/aicpa_guides/1071

This Book is brought to you for free and open access by the American Institute of Certified Public Accountants (AICPA) Historical Collection at eGrove. It has been accepted for inclusion in Guides, Handbooks and Manuals by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

**A
CAREER**

**IN
PUBLIC
ACCOUNTING**

OPPORTUNITY

SECURITY

COMPENSATION

PUBLIC RECOGNITION

For Further Information

If a young man or woman wants more detailed information about accounting there are several ways to get it.

Information may be obtained by writing to the American Institute of Accountants, 270 Madison Avenue, New York 16, N. Y.

Officials of any of the 48 State societies of certified public accountants will always be willing to discuss career aspects in accounting.

High schools, business schools, colleges and universities where accounting is taught have faculty members who will be glad to help.

Students particularly interested in the Personnel Testing Program may address inquiries to: Project Office, Committee on Selection of Personnel, American Institute of Accountants, 21 Audubon Avenue, New York 32, N. Y.

A
CAREER
IN
PUBLIC
ACCOUNTING

Published by

AMERICAN

**INSTITUTE
OF ACCOUNTANTS**

THE NATIONAL ORGANIZATION OF
CERTIFIED PUBLIC ACCOUNTANTS

1950

270 MADISON AVENUE
NEW YORK 16, N. Y.

A CAREER IN PUBLIC ACCOUNTING

THERE COMES a time when high school and college students pause to take stock of themselves, and think about a career.

What will it be—what do I want? A business career? A life of public service? A profession? And—what are my top skills? What do I do best?

Each year, a great many young men and women answer these questions by deciding to train for a profession. There are good reasons. A professional man's work is interesting and important; his opportunities are geared to his own capacities; his income is usually good; and he is recognized as a responsible citizen in his community.

The accounting profession offers these advantages in good measure. Relatively new and still expanding, the world of accounting needs recruits of professional calibre. As our economy grows more complex, the opportunity for the certified public accountant continues to increase.

Of course, not everyone is well suited for the work. Accounting requires special aptitudes and qualities, and a great deal of hard work lies between every aspirant and success in the profession.

A principal purpose of this booklet, therefore, is not only to encourage able young people to consider accountancy as a career, but also to give them some yardstick for comparing their own capacities and interests with the profession's demands and standards.

THE NATURE OF THE WORK

ALMOST THE FIRST question anyone asks about a career is this: what is the work like? A few illustrations will help answer the question, but first consider several basic facts.

It should be very clearly understood that the most important part of accounting begins where bookkeeping leaves off. Accounting does involve the keeping of records, but it is the verification and above all the significance of records with which accounting is primarily concerned.

Since the success or failure of a business must finally be measured in dollars, one of the chief functions of accounting is to measure and evaluate business progress in these terms, for the benefit of business management. Proper performance of this function requires experience, skill and judgment.

A related reason why accounting is essential in the modern business world is that business managers must often make financial reports to owners, investors, credit grantors, employees, government agencies and sometimes to the general public. In such cases also, accounting is an indispensable management tool, necessary for the preparation and verification of these reports.

Businesses of any size often have extensive accounting departments of their own, since the initial responsibility for setting up and maintaining proper accounting records lies with management. But in most cases such companies also use the services of the independent professional accountant, whose firm serves many clients.

In addition, a good many smaller firms are increasingly turning to the accounting profession for financial advice, because sound accounting leads to more profitable operations.

Thus the man or woman skilled in accounting has an important and varied role to play in business affairs. If he is in public practice—as distinct from the accountant employed on the staff of a company—he serves his clients on the same basis as a doctor, a lawyer or an architect. Those independent practitioners who have acquired the necessary skill, training and experience, and who have passed com-

prehensive written examinations provided by State laws, are known as *certified public accountants*, or CPAs. While some have become business executives or have found other uses for their training, most CPAs make their careers in public accounting.

The successful CPA will find many rewards in his profession. One leading practitioner, with many years of experience, put it this way:

"The important thing to tell the prospective CPA, it seems to me, is not so much the details of the work he might be doing on some given day, but rather the durable satisfactions which will be his in the long run. There are always new and different problems to be solved, and always there are new and different opportunities to make real contributions to the sound functioning of our economy. No CPA ever has reason to be bored, or to think his work unimportant. Every day brings its new challenge, and its new opportunity for service in the public interest."

Some of these challenges and opportunities may be indicated by examples of the varying scope of the CPA's work.

THE AUDIT

One of the most important functions of the CPA is concerned with auditing.

Most people know the word "audit"—but not everyone really understands what it means in terms of professional accounting. In essence, it covers the procedures and examinations which must be carried out by the independent CPA before he can give his opinion that the financial statements of the business under examination are a fair presentation of the results of operations for the period covered by the audit, and of the financial condition of the business at the end of the fiscal period.

The procedures selected for any particular audit depend upon the circumstances in each case, but they usually include such steps as: checking the amount and value of inventories; substantiating the cash on deposit and on hand; inspecting records—cash, payrolls, purchase invoices, contracts—to make sure that these have been correctly and adequately reported in the accounting records; writing letters to "spot check" the validity of accounts receivable; and other procedures which the CPA may consider necessary in the individual situation.

Much more important than these procedures, however, is the quality of professional judgment which the CPA brings to his work. It is his

job not only to check the accuracy of the records, but to provide an informed opinion as to whether the financial reports actually reveal what they are supposed to reveal. Even a financial statement prepared with complete honesty and arithmetical accuracy may be seriously misleading if the accounting methods are unsound or inappropriate. Moreover, it is quite possible to have an honest difference of opinion as to what accounting methods are best in any given case.

For this reason, a wise proprietor or manager of a business uses the services of an independent auditor even when the financial statements are solely for his own use. He realizes the value of an unbiased professional opinion. Time and again, certified public accountants have been able to point out dangerous financial weaknesses in businesses which the proprietors thought were completely sound and profitable.

When financial reports are presented for the information of third parties, such as bankers or stockholders, the value of an opinion by an independent certified public accountant is obvious. This means, of course, that the CPA stakes his professional reputation on every opinion he renders. He must have adequate training, experience and professional judgment to build the reputation which makes his opinion valuable.

The auditor's report on a financial statement is, as Stuart Chase has said, "something like the Sterling mark on silver," because the certified public accountant is bound by the ethics of his profession not to give unqualified approval unless he has fully satisfied himself that the statement is a fair presentation of the facts.

In this lies one of the great satisfactions of the CPA's work. When he serves as an auditor, he knows that his opinions have much more than mere technical interest: they are closely related to the smooth and efficient running of the economy in which he serves.

THE QUESTION OF TAXES

Now take a different field—income taxes.

Paying taxes is both an obligation and a problem for the average citizen, and often decidedly complicated for the businessman. The Government wants the taxpayer to pay all that he should, and the taxpayer wants to pay no more than is required.

But—how do you tell? Some authorities say it is a fair bet that no one ever pays exactly the right amount of income taxes. The plain fact is that taxation is not an exact science, and there have been cases

in which companies, with the best intentions, have overpaid or underpaid taxes by literally millions of dollars.

One major reason for this can be indicated in a single word: *Time*. Business is a *continuing* thing, with complicated costs—such as the cost of buildings and fixtures—which should be spread over a period of years, while profits, and taxes, are normally figured on an annual basis.

The accountant, therefore, must be able to determine costs and profits for a specific length of time. That is one reason why skilled judgment and interpretation—not just simple arithmetic—are involved.

The Government has always recognized this problem, and income taxation is based on accounting concepts. Tax liability can usually be figured in several different ways, and choosing the best way may mean substantial savings to the taxpayer. Most businessmen and many individuals need the advice and assistance of an expert who knows both accounting methods and tax regulations. Naturally, many CPAs find the calculation of income for tax purposes and the preparation of tax returns an important part of their work.

Some accountants specialize in this field. Any prospective accountant may be sure that his future clients, large or small, will be deeply concerned with the income taxes they have to pay, for the equitable determination of taxes—which depends to a large extent on the determination of net income—can sometimes mean the difference between success and failure.

BUSINESS ADVISERS

While auditing and tax work fall into reasonably clear categories, as two important fields of public accounting, it would be a mistake to assume that the whole range of accounting activities can be so neatly tabulated. Variety is a characteristic of the accounting profession.

Consider the small businessman. There was a time, not so long ago, when running a small business was not too complicated, when the single owner-manager could keep all the necessary details in his head.

But no longer. Today, with complicated taxes, federal and state regulations, merchandising and marketing problems, expensive overhead items and high operating cost, even the man with only a few employees is likely to need help on a wide variety of fronts. He will almost certainly save money in the long run if he engages an expert to help him install a good accounting system, and to assist him from

time to time in interpreting and making use of the accounting records.

Business advice, of course, is by no means restricted to small business. Many a large business today, in addition to specific accounting assignments, has a great many problems in which the CPA's capacities as a general consultant are of aid and comfort.

THE LIMITS OF ACCOUNTING

The examples given illustrate some of the work of the CPA—but by no means the full scope of the field.

In addition to the kinds of work already indicated in auditing, taxation and the sphere of business advice, certified public accountants are often called on to perform a great many other useful services in the financial area of business operations. For example:

The design of accounting systems for new or growing businesses is a frequent assignment.

The establishment of methods and systems for adequate cost accounting is another task the CPA is trained to handle.

Making financial investigations of companies when partnership changes are being made, or when business interests are being merged, is a not uncommon task.

When a company must make special financial reports to government agencies, the services of the CPA are often required.

The professional accountant may also find himself an important witness in court when the financial affairs of companies are concerned—for instance, in connection with a reorganization or a bankruptcy proceeding.

In these and many other cases, the work of the accountant has to do broadly with the measurement, evaluation and thus the control of the financial side of business affairs. The reasons for this spread of activity are not obscure. What are the limits of business? When that almost unanswerable question is answered, you have the limits of accounting. For whenever and wherever and however business is carried on—there the functions of accounting must be carried on as well.

THE SCOPE OF OPPORTUNITY

GETTING AHEAD in accounting depends partly on the same factors which control progress in any field: good mental equipment to start with, plus training, plus aptitude for the work, plus personality, plus energy generously displayed.

But there are other factors. The successful accountant, for example, usually has a turn of mind which interests him in accuracy, in the interpretation of facts and figures, in evaluation of data, and in the orderly presentation of information.

The successful accountant understands *qualitative* as well as *quantitative* measurement; he is able to see patterns of relationship. He may be a "whiz at figures," but this, though useful, is only a small part of his professional equipment. Creative imagination, for one thing, is much more important.

The profession is one which calls for hard work, long hours and intense devotion to the problems at hand. There are seasonal fluctuations in the work load which sometimes make it necessary to work at night and over weekends. The rewards for success are substantial, but there is no getting around the fact that the major opportunities in accounting are likely to fall to exceptional men and women who are willing to work hard for what they want. For those who are, there is the comforting fact that accounting is a relatively young profession, with plenty of room at the top.

EDUCATIONAL BACKGROUND

One of the prime requisites for a successful career in accounting is a sound education. Technical knowledge is essential, but it would be a mistake to suppose that general academic training is any less important. Increasingly, young CPAs are finding college training or its equivalent an important part of their equipment.

Basic training in professional subjects should include a thorough study of accounting theory and practice, cost accounting and auditing. Where possible, training should include some of the more specialized subjects which advanced accounting schools now offer to students—especially taxation, systems, Government accounting, CPA problems and commercial law.

Naturally, these technical subjects should have a broad orientation, and the would-be CPA will benefit by knowledge of general economics, finance, insurance, industrial organization and business practice.

One particularly important facility which he should have is the ability to write clear and lucid prose, since his professional duties will require him not only to talk effectively but to write simply and understandably. Many employers feel that an accounting student's program should also include study of the physical sciences, foreign languages, geography, history and literature.

CHECKING APTITUDES — EARLY

It becomes quite clear that anyone who embarks on an accounting career must make a substantial investment in terms of time, energy and money. And the question arises—just how can the candidate find out how well he is adjusted to the accounting way of life?

Fortunately there are ways in which the accounting student can "take a reading" on his potential as an accountant before he gets too deeply involved. Under the auspices of the American Institute of Accountants, a series of tests has been developed to help the student find out—much sooner than was the case formerly—how well he may be fitted for a career in public accounting.

One interesting test produces a "profile" of the student's vocational interests, and tells whether they are similar or dissimilar to those of successful practicing accountants. This "vocational interest" test and an "orientation test" can be taken by one with no experience in accountancy; two related "achievement tests" are given to accounting students after some schooling.

The Personnel Testing Program has become an important element in the profession's efforts to attract qualified young men and women and to provide standards by which their aptitudes can be measured against the demands of a successful accounting career. Increasingly these tests are being given in colleges where accounting is taught; increasingly employers are asking young accountants to show evidence (there is an official "score card") of how well they performed on the tests.

THE CPA CERTIFICATE

Once the student has completed his formal schooling, he has acquired a good deal of knowledge and a foundation for learning by

practice. His next step is to find a job in an accounting firm and begin acquiring practical experience.

At first there will be a good deal of routine. But the ambitious young accountant has the satisfaction of knowing two things: that the facts, figures and records with which he deals are the very fiber of the important job on which his firm is at work; and that he is getting the practical experience he must have to advance and prepare for the examination leading to his CPA certificate.

Each state has its own laws governing the issuance of this certificate, and the laws of the various states differ somewhat as to academic requirements and experience. In most states, high school graduation is the only educational prerequisite for taking the CPA examination. This minimum requirement, however, is gradually being changed to one that calls for at least some college work. The accounting student should check the requirements in his own state of residence.

Some practical experience is required in almost all states, either before a candidate can take the examination or before his certificate may be issued, but in this respect, the state laws also differ. The minimum varies from two to six years of practical experience in public accounting, except in a very few cases.

THE CAREER LADDER

When accountants talk shop about personnel and staff assignments, they often use such phrases as *junior accountants*, *semi-seniors*, *seniors*, *supervisors* or *managers*, *principals* or *partners*. These are simply ways of indicating how high up the career "ladder" the accountant has climbed.

Since accounting firms differ somewhat in their internal administration, the categories indicated by these phrases are not precise and rigid; it would be fruitless to try to list all the kinds of things which an accountant might be called on to do on each of these levels of achievement. However, to illustrate in the most general way, it may be helpful to show how a firm engaged on an audit for a major company might use a staff including all grades of accountants.

One of the *partners* would probably arrange for the audit and discuss broad questions of policy and procedure with the client company. A *manager* might act in a supervisory capacity on the project, being responsible for its satisfactory execution, for work assignments and for review of the work completed. He would satisfy himself that the work was being carried on with sufficient depth and

scope, and in accordance with accepted standards. The manager, in short, would in this case concern himself primarily with questions of policy and appropriate procedures.

Working under him, one or more *seniors* and *semi-seniors* would be engaged with work slightly less executive in nature, but still requiring mature judgment, analysis and the ability to deal not only with objective facts but also with the meaning and implications of the work. With the assistance of *juniors*, they also carry out the actual work of the audit. The juniors, in such a case, would probably be engaged in work such as reconciling cash on hand and figures in the cash book; checking reports of receipts and sales or shipments with inventory records; perhaps writing letters to confirm accounts receivable; and carrying out other procedures required in the particular audit.

SMALL FIRMS AND LARGE FIRMS

One of the problems which confronts the young accountant is whether he should go to work for a small firm, a medium-sized firm or a large one. This is a question almost impossible to answer for obvious reasons. Some men might well find themselves better adjusted in a smaller firm, perhaps in a small community, while others of equal competence might find that their personal inclinations gave them more satisfaction in working for a larger firm located in a metropolitan center.

Opportunities for CPAs in smaller communities have been growing rapidly in recent years. Thus a successful CPA may be in practice for himself in a small office, or he may be a manager or partner in a large firm which has offices all over the United States.

In any case, it is clear that what matters is not whether the junior starts with a small or a large firm but rather how well prepared he is, and how much energy and ability he can display under competent supervision.

THE HORIZONS OF OPPORTUNITY

Once the young accountant has his feet on the ground, the career opportunities he will face are largely of his own making.

He may, for example, decide to remain in public practice all his life. On the other hand, he may find that the opportunities to exercise his accounting skills in private business are attractive, in which case he may leave public practice and embark on a career in industry.

A good many top industrial executives started out as CPAs and found this training of great benefit when confronted by the management problems of large industrial concerns.

The man trained as an accountant, who has a certificate as a certified public accountant, has special knowledge, but it is not the kind of special knowledge which will limit his scope of opportunity.

SECURITY AND COMPENSATION

Almost anyone choosing a career would like to know the long term possibilities. The several professions for some years past have combined a good deal of stability with a gradual rate of expansion. The ranks of teachers, doctors, lawyers, architects—all have increased.

The accounting profession during the past generation has grown more rapidly than any other. And the profession is continuing to grow. From 1920 to 1940, the number of certified public accountants increased by 303 per cent. In the following decade the total number of CPAs again almost doubled.

Look at it this way: so long as business expands and advances technically and becomes more complicated, accounting—which is the language of business—will continue to grow and progress. So long as we have commerce and industry, there will always be need for professional accounting services.

This does not mean, of course, that security can be had for the asking—in accounting or any other profession. Successful CPAs are men or women who have worked hard for their success. Out of every group of accounting graduates, some may remain in lesser jobs all their lives, and some will go only part way up the ladder. A few will reach the top.

As for the pay a young accountant may expect, averages do not tell much about the prospects of any individual. Pay scales have changed considerably as a result of inflation since the war, and would probably change again if prices should go up or down substantially.

However, with many reservations about widespread variations, from firm to firm and from one part of the country to another, it is possible to give some general idea of the range of compensation in the accounting field in 1950. Most juniors probably receive from one hundred and thirty to two hundred dollars or more a month to start, depending upon the place, size of firm, and their own previous training. If they are good, they may expect to advance fairly rapidly after a couple of years. The pay scale of semi-seniors is rather indefinite,

varying from one office to another. Seniors are likely to get a minimum of four or five thousand dollars a year, and may make as much as eight or ten thousand if they have supervisory responsibilities. †

A CPA having his own firm with half a dozen employees, in a medium-sized city, could clear for himself anything from ten thousand dollars a year to twenty-five thousand or more. The income of a partner in a large firm is likely to be at least twenty thousand a year, and a few senior partners may receive a good deal more than that.

Perhaps the most significant thing which can be said on this score is that the income of certified public accountants, generally speaking, is comparable to or somewhat higher than that of members of other professions.* Government statistics, compiled before World War II, bear this out. The top men in the field achieve substantial wealth, and the average successful practitioner is comfortably well off. But of course there is no automatic progress toward wealth in any profession—or any business. †

*Income levels in New York City and the surrounding area are not representative of incomes in all sections of the country, but some interesting data were produced by a survey made in 1949 among readers of "The New York Certified Public Accountant," official publication of the New York State Society of Certified Public Accountants. The survey indicated that the magazine's readers had an average annual income of \$9,863. While the readers include a few teachers, students, government workers and others, 87 per cent of the total are CPAs, and 75 per cent are in public practice. The salary ranges may therefore be considered fairly typical for practicing CPAs in New York. The breakdown: Under \$5,000—12 per cent; from \$5,000 to \$10,000—39 per cent; from \$10,000 to \$15,000—25 per cent; from \$15,000 to \$25,000—16 per cent; over \$25,000—8 per cent.

SOME PROFESSIONAL MATTERS

EVERY MAN has a valid desire to win recognition for work well done.

In the several professions, fortunately, every practitioner has a good chance to win a reputation—perhaps more readily than in fields where the work is more routine and individual effort more difficult to discern. Certainly this is true of the accounting profession, even though it is relatively young.

The public significance of the CPA title is considerable. When an accountant is *certified*, it means that he holds a certificate granted by his state, after formal examination, attesting to his capacities and qualifications. And this explains the fact that the importance of the CPA's work is recognized wherever business is carried on. His work is accepted as impartial, objective, independent, and expert.

Trained in the arts and skills of accounting, guided by the ethical standards of the profession, the certified public accountant today is in a position to make substantial contributions to society, and is winning increasing recognition.

PROFESSIONAL SOCIETIES

The fact that the profession is well organized is one reason for public recognition of its members.

Each of the states has a society of certified public accountants, which represents and serves the profession in that state. These state societies conduct activities designed to advance the position of professional accountants and widen the opportunities for productive public service.

The American Institute of Accountants is the national professional society of CPAs. It maintains facilities to aid individual practitioners, firms, and state societies, and engages in research, educational work and a wide variety of activities on behalf of the profession as a whole. The CPA examinations used in most states, for instance, are administered with the active aid of the Institute facilities; and the bulletins issued by the Institute's Research Department and Committees on

Accounting and Auditing Procedure are everywhere regarded as authoritative.

A majority of certified public accountants are members of the Institute, of state societies—or both—and find their memberships of great value in their professional careers.

A FINAL WORD

This booklet is called "A Career in Public Accounting."

The word *career* has a variety of meanings, but an appropriate one is this: "A profession or other calling demanding special preparation and undertaken as life work."

Obviously not everyone will have reason to be interested in public accounting as a career; and, of those interested, not all will be qualified. Accounting is not an easy profession; its disciplines are rigorous.

It is, however, a calling which offers to its members the five rewards most people seek in their careers: a chance to do interesting and important work, opportunity for advancement, reasonable security, adequate compensation, and recognition.

And it offers one thing more: a chance to work in an important area of the business world where the public interest and welfare are always involved.