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The Accounting Profession's Future Is Bright Indeed

Louis H. Pilié, CPA

The profession's brilliant future is no secret to those who keep current with *The Journal of Accountancy*, *The Accounting Review*, *Management Services*, and the releases of the important accounting and management associations. Additionally, there has been a floodtide of excellent books and magazine articles dealing with, and seeking solutions to, the problems emerging from the new methodologies about which most accountants know too little and are by far too apathetic for their own good.

All accountants are heading upward

When we speak of accounting's multiplicity of opportunities, and the relative indifference of so many of them to the future's promise, we envision many men and women in the profession taken as a whole—accountants in commerce and industry, in the halls of education, in government, in public practice—whether or not they cared to take the CPA examination.

At this point, I must record a bit of realism: It is time that all come to know that competence and application are the real measure of value in the pursuits of public and private accounting, not a person's sex.

In building up toward my own conclusions as to the future of the profession as a whole, I shall discuss first the factors which should, in my opinion, contribute more to the challenges in store for the public practitioner. Treatment of the nonpractitioner's roads to higher professional status will then follow.

The practitioners' changing vistas of performance

Probably, the road maps of greatest substance as to what we are looking at, now, and the highways we are likely to traverse, are two comparatively recent copyrighted booklets of the American Institute of Certified Public Accountants. These are:

1962—*THE ACCOUNTING PROFESSION—Where Is It Headed?*
1963—*ACCOUNTING EDUCATION*

The first, a summary of the views on the profession's future developed by members of the Institute's Committee on Long-Range Objectives over a five-year period, is ably edited by John L. Carey. In the Preface, Editor Carey cautions that "like all planning documents, this book reflects only tentative positions,

which are always subject to revision in the light of unforeseen developments, or in the face of evidence that underlying premises or projected conclusions are not sound."

Although the Committee did not yet *formally* state its views on the probable developments in the areas covered by the booklet, it is not hard to see what some of its members visualized as, what I conclude, *are* the likely developments. My interpretation of their visualizations is, I feel, strengthened by the expressions and observations of authorities consulted by the Committee, within and outside of the profession, on the environment in which accounting is likely to find itself in 1975. These noncommittee viewpoints, published in thirteen, or fourteen papers each under the title, *PROFILE OF THE PROFESSION: 1975*, confirm in a large measure the potentials and predictions outlined informally in the booklet and clothed with what any informed observer would label as confident logic.

Further confirmation of what appears to be the LRO consensus is evident in other well documented volumes and articles, not the least of which is the Institute's 1963 *ACCOUNTING EDUCATION*. The contents comprise (A) Five Seminar Summaries resulting from the December 1960 conference on accounting education convened by the Graduate School of Industrial Administration at Carnegie Institute of Technology,¹ (B) the questionnaire sent to the participants in all six of the conferences, including Carnegie Institute, and, (C) a recapitulation of the sixty-five responses to the questionnaire, sent in by educators, practitioners, and industrial and governmental accountants. Of special interest are the viewpoints on the potential future of the attest function, to cite one example, expressed (A) by the 1962 Carey booklet, and, (B) in the sixty-five responses to the seminars participants' questionnaires. The Carey volume (Pages 58 to 62) gives justifiable cause for optimism in the attest function area. Besides recounting some proposed new areas, and supplying reasons in support of certain important ones, the booklet states on page 60:

"Recently, suggestions have appeared in professional literature to the effect that the CPA will in due course be undertaking 'management

¹The seminars, in addition to the Carnegie conference of 1960, having been held in 1961-1962 at Columbia University, University of Chicago, Emory University, Stanford University and University of Texas.

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audits' and reporting thereon to third parties. These suggestions have coincided with observations by A. A. Berle, Jr., and others as to the concentrations of economic power in the non-owner managers of public companies where the only protection against abuse of this power is a 'public consensus.' The thought is advanced that society has a growing desire that there be an 'accounting' by these managements in *non-financial* as well as financial terms for the authority assumed and responsibilities undertaken—and that enlightened management themselves would welcome this means of discharging the obligations they have assumed." (Underscoring mine.)

Continuing, the booklet cautions:

"It may well be that the future will see the CPA's services so utilized."

and, after reviewing the conditions under which such challenges must be reviewed carefully, goes on to say:

"All these performances in the attest area may come in the *nonfinancial* areas associated with the idea of 'management audits.' They are not here yet." (Underscoring mine.)

After discussing the resolutions recommended by the LRO Committee and passed by Council in May 1962, identifying and reviewing some of the possible attest function areas of the future, page 62 concludes the discussion with:

"The adoption of these resolutions may prove to be a policy declaration of unusual significance. Implicitly at least, it suggests the possibility that the CPA's attest function need not be confined to the conventional opinion on balance sheets, income statements, and other customary financial statements, as a result of independent audits of the type long familiar. It opens the door to the proposition that CPAs may perform a useful social service by attesting to financial or economic data of any type, for any purpose, when the necessary conditions are met.

"This may lead to an intellectual breakthrough, revealing new and wide vistas of potential service to society by CPAs . . ."

In the 1963 treatise ACCOUNTING EDUCATION (page 67) is given a tabulation recapping the responses to Question 2a, on "Opinions With Respect to the Existence (in 1962) of Standards that Permit More or Less Objective Measurements as a Basis for Opinions." The question pertains to attesting in the business management orbit. The rather overwhelming majority answered NO in the four areas covered. In tabulation 2b, treating the same questions but as to 1985, twenty-three years later, YES was substituted by a more moderate majority in the first three, which majority remained with NO, in slight degree, as to the fourth question.

It can be stated that, generally, the consensus of participants in both efforts indicates that, whereas annual billings will increase in dollars in *all* functions of public practice, man-

agement services will witness substantial *proportionate* increases at the expense of the attest and tax services functions. (See Page 66 of ACCOUNTING EDUCATION.) (Underscoring mine.)

Authors and participants in both volumes, and the outsiders consulted, seem to envision a far greater proportion of liberal education for *all* accountants and business administration men and women, than now prevails. All stress the need for studies designed to stimulate intellectual curiosity, develop the ability to think logically, grasp fundamental principles that can be applied to a variety of specific situations, cultivate the ability to communicate clearly, and inculcate a general understanding of human nature and the social environment.

I now invite you, too, to contemplate a really long view of our profession's future, not fixing 1975 or 1985 as the years of possible accomplishment, but with the prediction that, in time, all these things will come to pass. I emphasize that nonpracticing accountants will progress side-by-side with practitioners, thus, much of what I have said and am saying about the coming opportunities apply to *all* accountants.

A GLIMPSE AT OUR PROFESSIONAL FUTURE

A different, simplified federal tax system, but one calling for continued consultation on a high plane with CPAs.

Operations Research, with the accountant acting as a catalyst between the mathematician and the business operator. The latter needs both in his profit maximization program. The accountant now works in terms of matrix algebra, linear programming, queuing, game theory, probability methods, statistical and heuristic decision-making. He is not an electronics technician but fully understands the language and uses of the digital computer. The day has arrived when double-entry bookkeeping is a cumbersome technique of past history.

Widespread trust and trustworthiness among CPAs of all sizes, inclinations and abilities where specialties and staffpower are exchanged without thought of friction or loss of clientele. Interfirm activities are now as common and operate as smoothly as the intrafirm pool of staff accountants acting under different partners, managers and supervisors.

Collaboration in basic research with disciplines outside the accountant's field of practical endeavor. Normal procedure is the formal contract-acquisition from outside specialists of new knowledge needed by the practitioner who is too busy practicing to develop that knowledge for himself.

A finally formulated subdivision of the practicing profession, with the CPA having lib-

eral training, broad knowledge, and vast understanding of all the fundamental information of the discipline and how to communicate it. This enables him to control the techniques which are, in turn, instituted and supervised by the CPA's technicians. These need not themselves be CPAs but they have passed an examination as a support-professional accountant having a high level on a par with the AICPA examination of the mid-twentieth century. The CPA is now a man or woman of letters, versed in the arts and the sciences, in economics, human relations and the behavioral doctrines. Besides his knowledge of the basic discipline, he is conscious to a sufficient degree of all *allied* disciplines relating to the automated gathering, assembling, classifying, summarizing, interpreting, measuring and communicating of information to others. He is highly trained in the art of observation, detection and reporting.

Substitution of the public auditor's greater responsibility for adequacy of internal controls, for *no* responsibility whatsoever for undetected dishonesty or irregularity, except in special cases.

Formal acceptability by clients of the duty of preparing, under recognized procedures and the direction of the public auditor, all the work papers and report and tax return exhibits and schedules, subject to the auditor's tests and approval.

The new, distinctive role of attestor. Here he attests to everyone and anyone on any and all issues, the study of which he is willing to undertake. He attests to whether or not executives have managed their organizations in accordance with acceptable management standards and principles; whether or not the facts upon which were based a particular decision are the appropriate facts, and to what degree they are unacceptable and why. As an unbiased, objective measurer and communicator of proven integrity, his attestations—short of guaranteeing outcome—are accepted with confidence. He tells designers of computer machines what information users need. He directs the programming so as to provide the "right" information to the "right" person at the "right" time.

Much closer dependency upon the CPA in many circles, but particularly by bankers, lawyers and government.

A clearer, more easily enforced—and better enforced—code of professional ethics.

The high order of performance of the internal accountant is rising higher.

As Carey puts it, following the Herman Bevis definition, "The accounting function discharged internally is the measurement and communication of economic data regarding parts of an organization for the benefit of su-

perisory echelons within such organization." (Pages 11 and 12 of the Carey volume.) Elaborating further (Page 16): The elements of the accounting function have to do with the observing, measuring, recording, classifying, summarizing, interpreting, reporting, and inspecting (auditing) of economic data." It is observed (quoting from Pages 78 and 83) that this definition purposely avoids confining the accounting function to dollar data, or even financial data in the broad sense; that the term "economic data" includes in the subject matter of the accounting function all quantitative data that may be part of the control and operation mechanisms of management. The role of the controller, for example, is changing, the booklet warns. No longer can he regard his interest and responsibility as related primarily to the accounting system, with perhaps only an indirect interest, or concern in related areas, such as production and sales. If, the booklet continues, the controller does not expand his interests, activities, and responsibilities—as many have—to comprehend all information systems within the business enterprise, that responsibility will be given to someone else, perhaps a "Director of Information."

It follows that educators, internal auditors, and accountants in governmental occupations shall, along with practitioners and controllers, also have to broaden their concept of the proper accounting function. It is easy to see that the factors bringing about that circumstance will call for broader areas of learning on the part of all participants. These factors include the increasing complexity in the basic operation of business and the development of an ever-growing arsenal of analytical techniques to serve the new scientific management methods involving modern mathematics, statistics, EDP, simulation techniques, the behavioral sciences, and so on. All this will demand broader gauged men and women in our sphere of activity, and will condemn mediocrity to the dead sea of impoverished effort.

What are some of the signs pointing to that conclusion? The moving finger of recent business history is one. Another needs but the use of your own imagination which tries to fit into the framework of, say, a modern management reporting system the sorry plight of the untutored, unimaginative individual who is slow in grasping changing situations, unskilled in coordinating the human efforts of others, who is a stranger to the attributes of the mobilizer and motivator of men and women, and who cannot communicate effectively his thinking on short- and long-range management problems.

Let's give a little of our attention to these two signposts, the first being:

Some recent occurrences revealing relationship between management uses of accounting and profitability and success.

About a year or so ago, it was my good fortune to review for the *Journal of Accountancy* two books: "Uses of Accounting for Small Business" by Stephen A. Zeff, 1962, and "Small Business Accounting in Massachusetts: Practices and Problems" by Alvin Slavin and Seth A. Armen, 1962. Both reviews were published simultaneously in the March 1964 *Journal of Accountancy*.

Both volumes, to repeat my own review, give ample descriptive evidence as to those parts of accounting which bring to management the refined procedures of selective comparison, planning, projecting, budgeting and forecasting which function as locators of trouble spots and as aids to decision-making. Both books reveal that the accountant has the responsibility to create an awareness on the part of his principal of the management benefits arising from these procedures, and the duty of taking the initiative in that area. Both are filled with helpful examples of "how to do it."

The Slavin-Armen study's objective went beyond that aspect. It reports, in detailed tables, on the results of the 518 responses in complete form to 2,132 questionnaires mailed at random to small businesses in Massachusetts. In addition, 25 per cent subsamples were drawn for the 2,132 firms and the business managers of 152 of these subsample firms were interviewed in depth, and the tables cover them.

To me, it was amazing to find such high percentages of those small firms using so many helpful management aids. More amazing was the extent to which profits and general operating success were attained by those establishments so utilizing such modern aids, when compared with the results of those neglecting them.

Obviously, the larger and more complex the successful business, the more informed will be its management because of the higher degree of its accounting function. Something more has to be added. Timeliness and quality of reporting can make a big difference, whether the enterprise be large or small.

And this brings us to the second signpost. It points to the educationally well-rounded, broad-gauged person as the only logical candidate fit to deal with the demands of accounting guidance in the decision-making process. The better the education one possesses, the greater facility he has to communicate orally and in writing—and communication, more than in the past, will mark success in accounting and in management.

Other things being equal, the liberally trained executive will perform much more effectively than his less erudite counterpart.

More and more, business problems will be solved and business futures will be "created,"

as it were, by techniques and management conceptions unheard of two decades ago. Modern mathematics and other scientific procedures rendered feasible in measuring probabilities by electronic computer speeds, bring into play talents and training not yet generally associated by the uninformed with the accounting profession. Superimposed upon technical knowledgeability in this area is the need for an appropriate attitude in dealing with the higher echelon and lower level management people within the organizational teams.

By way of illustration, let us assume that the requirement is a written report to the president, to be amplified orally later, calculated to move him in the direction of a certain action deemed important to the company's welfare. The newcomer controller, whose conviction on his point of view is strongly supported, as the result of thorough analysis, must meet the busy president with every persuasive force available if success is to ensue.

His six years at the university have given him these insights:

1. *Regarding his right to recommend*
 - a) He must be certain that his foundation is sound and based on understandable facts.
 - b) He must remind the president, with dexterity, of his own personal authoritativeness, his right to speak on the subject. (This attribute usually develops through repeated overt acts of good faith and fair dealing and a history of unbiased expressed convictions. For the accountant in particular, it normally comes from, among other things, the habit of disclosing the *pertinent* facts impassionately at any cost; of arguing, not to gain a point, but that the truth may appear.)
2. *Regarding the president's attitude, with emphasis on the need to foster his acceptability, and knowledge of the circumstances which may affect that acceptability favorably or unfavorably*
 - a) He will make report brief, clear and to the point. If longer than one page, the controller's signature will go on the first page beneath as few well-chosen words as possible to get to the heart of his presentation; then, the supporting pages will follow.
 - b) It will furnish easily understood visual aids to facilitate understanding and promote acceptance.
 - c) It will be kept free of all danger of jarring reaction through uninviting design or poorly balanced physical appearance.

(Continued to page 13)

Chapter 4 of the report deals with assigning capacity costs to periods for measuring performance and the final chapter (No. 5) deals with assigning capacity costs to products. Chapter 5 includes a brief history of the methods of assigning capacity costs to products and ends with a discussion of the problems surrounding the use of capacity costs in pricing.

The control of capacity costs has become more important in recent years because these costs have become a relatively larger portion of total costs. Mechanization of operations has progressed and the labor force has become less flexible. For these reasons, accountants are well advised to pay increasing attention to capacity utilization and costs.

M.E.B.

Studies in Accounting Theory, edited by W. T. Baxter and S. Davidson, Richard D. Irwin, Inc., 1962.

Studies in Accounting Theory contains a group of selected articles by outstanding American and British authors on eleven separate topics. Some of the outstanding American writers (accountants and economists) whose names you will recognize are: Henry R. Hatfield, W. A. Paton, Sidney Davidson, Carman C. Blough, Paul Grady, William Blackie, Maurice Moonitz, and Joel Dean. The book includes sections on history, asset valuation and income theory, depreciation, price levels, published statements, management control, and new techniques. This is not a textbook for the superficial accountant. These articles are deep and thought provoking. They have been written for the fellow professional accountant who wishes to stretch his mind.

As may be expected, some of the British articles are more difficult for the American accountant to understand. Work and phrase differences and some real differences in accounting procedures occasionally force the reader to pause and reread sentences or paragraphs. Most of the articles are short and, unlike a novel, the book can be read one article at a time without losing value or significance. Most of the contributions have been previously printed elsewhere in publications which are not readily available. Some come from sources such as the *Political Quarterly* or congressional hearings. *Studies in Accounting Theory* presents in one 630-page volume contributions from over 35 writers, many of whom are or will be recognized as outstanding leaders of our time.

M.E.D.

Readings in Financial Management, edited by Edward J. Mock. Scranton, Pennsylvania: International Textbook Company, 1964.

Financial theory and business applications are balanced fare in Professor Mock's excellent collection. Selected articles deal with the many

aspects of business finance in six parts of the collection: 1) The Finance Function, 2) Financial Planning and Control, 3) Management of Assets, 4) Capital Budgeting, 5) Capital Structure and Cost of Capital, and 6) Management of Corporate Capital. All of the articles have publication dates falling after 1957 and are from leading business and professional periodicals.

An analysis of the finance function includes an explanation of the contemporary role of the financial executive in management. The essential steps in the construction of a financial control program are presented as a guide to management. Familiar topics (cost-volume-profit analysis, break-even analysis, profit planning, cash forecasting, and the funds statement) are treated sometimes in unfamiliar ways. In "Cash Forecasting: The Four Methods Compared," William E. Mitchell favors the use of a funds statement approach to the cash forecast on the grounds of simplicity of preparation and interpretation. Subscribers to *The Woman CPA* may remember reading "Inventory Management," by Robert W. Arnold, which appeared in the February, 1960 issue of this publication. Mr. Arnold discusses optimum lot size, the fixed order, periodic reorders, obsolescence, control through turnover, budgetary control, and maximum-minimum quantity control.

Capital budgeting, the structure and cost of capital, and the management of capital are important subject areas. Approaches are suggested for evaluating alternative investment opportunities and alternative sources of financing. Short and intermediate sources of funds and long-term sources of capital are considered in the light of recent trends in the money and capital markets. Several of these articles are highly theoretical and others describe capital management programs or investment evaluation procedures in current use in manufacturing concerns.

V.R.H.

Accounting Profession's Future (continued from page 6)

- d) If possible, the controller will ascertain the president's thinking in the area, so as to nurture more effectively his receptive mood. (But he will not compromise his well established point of view to soften or "condition" the executive's mood.)
- e) The controller knows that timing is important. People's judgments when they are pleased are not the same as when they are hostile. The feelings and emotions of the listener, or reader, are as important as his intellect, when we are trying to move

him to thought or action. The president could be motivated by his passions, by the emotional stress of the moment, and his action at a particular time of the day or the week may be exactly opposite to that which he would take when his mind is clear and uninfluenced by foreign mental impurities.

- f) It is futile to attempt in fifteen minutes that which the controller knows will take forty-five. He will insist on the full time needed to do the job, a little later on. And when that time comes, at the right point in the discussion when the subject has been adequately exposed, the controller's training will prompt him to become, as soon as practicable, an attentive listener. This does not mean that he will remain mum throughout. On the contrary, by his facial expressions and a right statement now and then at the right time with brief and skillful pointedness—by selling from the president's point of view, not his own—the adroit controller could well leave his executive with the feeling that the end accomplished has been largely of his own making.
- g) Finally, the controller knows that he cannot dissolve resistance without a *logical* position. His plan or proposal will be clothed with reasonableness. In presenting it, that highly trained person will quickly remove the gristle and splinter-bones and resolutely get down to the meat of the situation. The controller, with communication expertise, will quickly reach the heart of the problem; will, without arm-waving and high pressure tactics generally electrify his listener to action.

I think it is worth emphasizing here that communication is a two-way process, and that active listening is as essential, if not more essential, than over-active talking. It is just impossible by the use of words to be so precise that the other fellow will understand exactly what is in our mind, what it is exactly that we wish to convey. He or she will not understand our language in exactly the same sense in which we use it. The person on the listening end must, at appropriate moments, ask questions skillfully and be supremely attentive, in order to get the message straight. When trying to sell a superior, it is vitally necessary that he get your, and you get his, messages straight.

I think I can count on general agreement from you that the considerations we have just looked at would not suggest themselves to the untutored person. Also, no one will disagree that they are important considerations for the

successful management accountant. The controller's concern at the university was an education which would prepare him to be a good accounting administrator after employment, not at the time of employment. Once employed, he traveled not by stagecoach but by air express, and reached his desired destination well in advance.

Conclusion

Back to the Carey edition:

"In the probable economic environment of the United States in the years ahead, it seems inevitable that the accounting function will expand rapidly in all its aspects and at all levels." (Page 23).

And to ACCOUNTING EDUCATION:

"(There is) a belief on the part of many accountants, both practitioners and educators, that the accountant should be a skilled businessman as well as a competent accountant." . . . "As the complexities and size of our economy increase, so must the auditor's knowledge of our economy increase. As the applications of mathematics and electronic data processing to the operation of a business increase, so must the auditor's knowledge of these techniques increase. If the accountant is to examine and report upon management activities he requires the broadest kind of education, experience, and outlook. Many of the participants felt that he must be first a businessman and second an accountant."

I repeat with enthusiasm: The Accounting Profession's Future is Bright Indeed.

A READER'S SUGGESTION

One of our readers is Mr. Dodd Watkins, associate manager for the International Accountants Society in the Los Angeles Area. Mr. Watkins has written as follows concerning this publication:

"THE WOMAN CPA is quite a publication. Being presently top-heavy with professional impressiveness, two pages (new) would blend in well with the friendly, general tone that prevails in spite of this."

For the new pages, Mr. Watkins visualizes one page addressed to the newcomer (professional beginner) which might present the experiences of other beginners, both with a touch of humor and a good measure of encouragement.

The second page suggested by Mr. Watkins is one "dealing with a 'between the lines' perspective on accountants' experiences."

For those of our readers who have expressed a willingness to write for this publication but who have asked for possible subjects, we suggest consideration of the ideas advanced by Mr. Watkins.

In connection with the second page suggested by Mr. Watkins, he wrote further:

"There is a wealth of material in experiences of accountants . . . which would be valuable to the profession when shared."