Relation of the Accountancy Instructor to the Development of Professional Standards in the Practice of Accountancy

Homer S. Pace
Relation of the Accountancy Instructor to the Development of Professional Standards in the Practice of Accountancy

By Homer S. Pace

My conception of the scope and nature of accountancy is, perhaps, not altogether the orthodox one. Therefore, as a preliminary to my discussion of The Relation of the Accountancy Instructor to the Development of Professional Standards in the Practice of Accountancy, permit me to state briefly my own ideas of this new and developing profession.

Accountancy, to my way of thinking, is the response to the demand, on the part of modern business, for men and women who are competent to construct, to operate and to advise with respect to the administrative methods and procedures used in modern organization. These methods and procedures include the mechanism of a sound working organization; the intelligence or accounting system by means of which financial facts are recorded and made available for management purposes; and the methods and procedures used in financing, in employing and managing personnel and in conducting other administrative detail such as credit supervision, collections and correspondence.

Modern organization has created a demand for technique that is not the technique of the engineer, who is concerned especially with physical plant and equipment—a technique that is not the technique of the lawyer, who is concerned principally with legal questions related to organization and property rights. It was inevitable that the demand for exact knowledge of organization and accounting should result in a new profession. This new profession, known as accountancy, is the accompaniment of a new era—the era of organization. This profession, now in its elementary stages, is, because of our work as instructors in accountancy, very much in our keeping.

Let me say, further, that accountancy has a private practice, as well as a public practice. A person who engages in public practice offers his services to clients, on a professional basis, in matters

*An address at the annual convention of the American Association of University Instructors in Accounting held at Columbus, Ohio, December 28, 1923. The address was delivered without notes and varied somewhat from the formal text.
of principle and detail that are directly related to accounting, financial, business and organization procedures.

The accountant in private practice, on the other hand, makes his services available on a salaried basis to a private business organization, to a non-profit organization or possibly to some division of government. The duties of the private or executive accountant, while directed largely to the same matters that engage the attention of the public accountant, are of an operative nature rather than of an advisory nature.

In engineering we have an analogous condition. Many practitioners accept private employment and work for organizations on a salary basis, while others become consulting engineers and render services to clients on the fee basis. The professional basis rests upon the technical knowledge possessed by the individual and not upon the manner in which he makes his services available. The time will come when, with certain restrictions and distinctions, we shall recognize as professional accountants all those persons who possess certain technical knowledge, regardless of whether the individual engages in public or private practice. The public accountant, of course, undertakes distinctive responsibilities. A way must be found, therefore, to make certain necessary distinctions between public and private accountants, but this distinction can be made without keeping many able accountants engaged in private employment outside the pale of professional accountancy.

In my paper, having thus stated my ideas as to the greater profession, I shall speak especially with reference to the public practice of accountancy.

We have in accountancy a profession that is new. We do not have the professional incidents of texts, schools and terminology to the same extent as we do in the older professions. We have schools, but they are in their formative stages and without a generally accepted programme as to what should be included in a professional accountancy course of study. We have books, but they consist, in the majority of instances, of compilations of facts rather than of statements and elucidations of principles. We have a few definitions that are commonly accepted, but we have no professional terminology that is generally used and accepted by schools, practitioners and the courts. We have professional societies, but we are still incubating new ones and experimenting with many of those we have. We are developing ethical standards,
Accountancy Instructor and Professional Standards

but we have not yet fully crystallized our practices into a definite ethical code.

We have available for the development of the professional accompaniments of terminology, texts, schools and curricula only three classes of accountants—the accountants in public practice, the accountants in private practice and the accountants giving instruction. I realize, of course, that many of us are engaged in both teaching and practice. Generally speaking, however, we have the three distinct groups of workers.

In the group of public accountants, we have our greatest repository of facts with respect to public practice—facts as to both the constructive and the auditing phases of accountancy. We must look to these accountants for information with respect to the matters directly related to public practice.

In the group of private accountants, we have our greatest repository of knowledge with respect to operative details of organization, management and procedure. We must look to these accountants for the facts and the sanity that develop from the testing of theories in the rugged mill of actual business.

In the group of accountancy instructors we have a great potential ability with respect to the formulation of a terminology, to the discovery and statement of principles, and to the preparation of acceptable curricula. We may look with confidence to our teachers for the discovery and the statement of many principles and for the development of texts and curricula. All of this work, however, should be based upon an intimate study and a thorough understanding of the results obtained by accountants who are engaged in the actual private and public practice of accountancy. Care should be taken to refine and test the theories developed by original thinking by the actualities of business itself.

Many public accountants, it is true, fail to realize the potential power in the hands of our teachers—they do not realize that we have in our schools our greatest opportunity for moulding incoming accountants to our standards of ethics and practice. Many able accountants give much thought and time to the matter of establishing ethical standards among practitioners and neglect to give thought or time to the teaching of ethical concepts to students whose minds are receptive, and who are anxious to have guidance from successful practitioners.

Our profession, still somewhat in the apprentice stage of development, does not properly recognize or encourage its teachers—
those upon whom the continuity and development of the profession to a considerable extent depend. These matters will, in due course of time, change as we develop as teachers and give evidence that we are capable of giving instruction in accountancy that really prepares for practice.

Many of my friends in public practice are valiantly striving to overcome as best they can the defects in the equipment of their juniors—defects caused in many instances by the lack of effective cooperation between teachers and practitioners. My impression is that it would be much more profitable for us as a general procedure to go back along the line of vocational progress to the professional school and there, at the fountainhead, to take steps to insure the inculcation of sound principles and conceptions of practice. More and more attention must be given by practitioners to the schools in which accountants are trained if we are to save the enormous waste of imparting in practice ideas that should have been acquired in school.

What can we do as teachers to help practising accountants in the important matter of establishing ethical standards of practice? First, we must look for the most complete and best recognized set of ethical rules. We find them, I believe, in the rules of professional conduct of the American Institute of Accountants. The institute is our oldest and, I presume, our largest national society of practising accountants. By dint of a good deal of hard work, extending over several years, the members have brought their ethical beliefs into a definite set of rules. The institute's code includes, as a former president of the institute, Carl H. Nau, points out, rules dealing with the accountant's duty to the public, his duty to his clients, his duty to his profession and his duty to his fellow practitioners.

It is not my purpose to speak in detail of the provisions of the institute's code. Suffice it to say that the institute has accomplished the remarkable task (remarkable in view of the relatively undeveloped state of the profession) of bringing its ethical rules into substantial harmony with the ethical rules of professions whose development has extended over centuries.

I am sorry to say that little effort has been made by the institute, so far as I am aware, to encourage accountancy teachers to bring these rules to the attention of students. Every accountancy student, in my judgment, should be taught these rules as a matter of routine. In accordance with this idea, the rules of
Accountancy Instructor and Professional Standards

professional conduct of the institute, as well as many historical and other matters relating to professional accountancy societies, have been included as a part of the text used in the schools in which I teach. Every student is required to answer in writing questions that relate to the ethical standards maintained by the institute. The rule on advertising, recently added to the code, was thus being taught to large numbers of students within a few months of its adoption.

Many of the older professions seem to have no serious difficulty with respect to ethical problems such as advertising. The young attorney entering into practice usually possesses, no matter what other defects he may have, a proper ethical sense with respect to his calling. An analysis would disclose the fact, I believe, that this invaluable professional attribute of the young lawyer is acquired from his instructors while attending a school of law. The same result is attained whenever the instructors in a school of accountancy take pains to teach their students the ethical procedures of accountancy practice.

Teaching of this kind need not be limited to the rules of the institute. Many interesting phases of the ethics of the other professions may be elucidated. In addition, a presentation of the ethical standards of modern business as developed and codified by forward-looking business men's clubs, such as the Rotary, Kiwanis, Civitan and Lion organizations, in conjunction with the study of professional ethics, would be of great value to accountancy students. No school can afford to neglect so important a topic, and the professional societies, it seems to me, should urge such instruction upon all accountancy schools.

What can we do as teachers to develop a greater civic consciousness and usefulness on the part of incoming practitioners? The teaching of professional ethics is important, but it leads chiefly to the protection of the profession itself. There is even a greater need for encouraging accountants to seek public service that will enable them to make their technical abilities available for community purposes. The young attorney, who often has plenty of time on his hands, enters gladly into such service. The young accountant, on the other hand, is likely to be more limited in time, and he is too likely to consider his hours of time in the nature of a commodity which is to be made available only in consideration of his established per diem rate.

There are many instances, it is true, in which accountants have
performed notable public services, but this spirit of public service does not often show itself in the early years of practice. Many an accountant, able enough in practice, never fully awakes to the fact that there is a great opportunity in local government, and in local philanthropic, religious and social affairs, for him to contribute an extremely valuable service. The civic consciousness of the accountant, particularly the young accountant, needs stimulation. In the absence of this public service, the community not only loses valuable technical help that it needs, but the profession of accountancy loses much of the prestige which comes to the other professions by reason of the civic activities of their members.

The accountancy teachers of the country could do more than any other agency to stimulate the civic consciousness of the accountant. The teachers are already doing much to encourage their students to take an interest in public affairs. Many subjects are introduced into our courses of study for this very purpose. As a very practical instance of this tendency, in New York hundreds of accountancy students from various private and collegiate schools were employed at election time, at the suggestion of a well-known public accountant who is interested in civic matters, to verify the ballot count. In this instance, however, the suggestion came from a practising accountant—not from a teacher. It can be shown, incidentally, that work of this kind, undertaken in the genuine spirit of service, not infrequently results in personal advantage and benefit to the individual practitioner. There is no better way for a young professional man to come to the favorable notice of his fellow citizens than to render effective public or philanthropic service.

Many of you know of the action of the American Institute, taken at its last annual meeting, for the establishment of a bureau of public affairs. The plan is to make available to chambers of commerce and other civic organizations, to clubs, and to various commercial organizations the services of members of the institute for the purpose of speaking or of rendering advisory services with respect to matters of public interest. Speakers will be provided on taxation, arbitration, commercial fraud, budgeting and other subjects that are of public interest. In addition, the bureau will provide articles on various technical subjects for use in trade magazines and other periodicals. The whole work is to be conducted as a technical accountancy service for the benefit of the public.

As a member of the committee which is in charge of this new
and important division of institute work, I wish particularly to ask the cooperation of the instructors present in laying a foundation for our work. I ask you to undertake, as a specific matter, the development on the part of your students of a spirit of public service. If you can develop this spirit in the students in our schools, within a few years the viewpoint of the members of the profession will have been measurably broadened and a great good to the public and to the profession will have been accomplished.

We are a great commercial country, possibly the greatest. Our supremacy in commerce we may hope to maintain for many generations. It is reasonable to suppose, therefore, that it is in order for us to develop financial advisors and counsellors of commanding stature—men who will be able to give sound advice on the problems of international finance, of federal, state and local taxation, of rate regulation, of tariffs, of wage scales, and the like. Advisory work of this kind should be closely related to the greater accountancy which I have attempted to describe. Our aim should be nothing less than the development of men able to carry successfully the great burdens of a professional service related to all forms of organized effort, particularly those of an economic character.

We may reasonably hope, it seems to me, that many of the master intellects in commerce of the next generation will be found within our own group of practising accountants. We may hope to have directors of finance and municipal controllers chosen, as a matter of course, from our own ranks. We may reasonably hope to have a professional accountant filling the position of the director of the federal budget. We may hope, in due time, to have an accountant filling the position of commissioner of internal revenue and others serving as members of the cabinet—as secretary of the treasury or secretary of commerce. Why not? It is merely a matter of measuring up to the opportunities of our calling.

Our success in attaining these results will depend not so much upon the accountants now in active practice as upon the accountancy teachers of the country. Busy practitioners are not especially concerned with tomorrow or even the day after—they are grappling with conditions as they are, and their viewpoint in the majority of instances will be shaped by the exigencies of the hour.

The teacher, on the other hand, is chiefly interested in things more distant. He is fully aware that his graduate is not likely this year or the next to achieve fame. The teacher believes, how-
ever, that if the educational equipment of his protégé is sound, he and his fellows will carry the profession in which they work to new achievements, to new heights.

To you, the teachers of accountancy, therefore, the accountants must look for the future of the profession. You have in your hands the fate of accountancy of tomorrow, the greater accountancy. I trust, therefore, that each one of you will leave nothing undone in his particular sphere of work to inculcate ethical and civic conceptions that will serve to advance the interests of the calling in which we are so keenly interested and of which we are so proud—the profession of accountancy.