Social Responsibility of the Accounting Profession

Clara C. Lelievre

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

Part of the Accounting Commons, and the Women's Studies Commons

Recommended Citation
Available at: https://egrove.olemiss.edu/wcpa/vol31/iss6/2

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in Woman C.P.A. by an authorized editor of eGrove. For more information, please contact egrove@olemiss.edu.
THE SOCIAL RESPONSIBILITY OF
THE ACCOUNTING PROFESSION

The author describes some of the challenges to the accounting profession in the area of social responsibility and points out some opportunities for accountants to help in building a better society through acceptance of these challenges and responsibilities.

By Dr. Clara C. Lelievre, CPA
Cincinnati, Ohio

Introduction

Social responsibility is a broad, vague term used to describe many of the aspects of one's desired behavior in society. The term suggests a duty to society and alludes to such varied topics as one's duty within the economic setting or to one's helpfulness to his fellow man. Keith Davis offered a descriptive definition of social responsibility "... a broad obligation to the community with regard to economic developments affecting the public welfare ... and ... an obligation to nurture and develop human values which cannot be measured in economic terms." He later refined this definition by asserting that social responsibility arises from concern for the ethical consequences of one's acts as they might affect the interests of others.

Due to the brevity of this article certain parameters are set. First, the term social responsibility will be applied to the accountant's responsibility as a professional accountant, not to his responsibility as an individual member of society. Second, the article deals with the professional accountant (CPA) rather than accountants in general. CPAs have, through the American Institute of Certified Public Accountants (AICPA), recognized certain responsibilities and made conscious attempts to define and accept those responsibilities.

These limiting parameters do not imply that only professional accountants have social responsibilities, that only CPAs are professional accountants, or that CPAs do not have responsibilities as individuals. They are applied solely to keep the topic manageable within reasonable limits.

Evolution of the Profession's Recognition of Its Social Responsibilities

Adam Smith was one of the first individuals to link businessmen with social responsibility. To him socially responsible individuals or business enterprises would have as their prime objectives the maximization of profits and economic efficiency: the pursuit of one's own selfish goals would achieve the best for society. Successful businesses and their managers were social assets because they enhanced the public welfare by making goods and services available at low prices while earning a profit for themselves.

The socially responsible accountant became one who helped management achieve its economic goals. A. C. Littleton described him as one who "... serves society well when management, out of improved knowledge of the details about the production and distribution of wealth, is able to make a better product cheaper ..." The accountant provided the


This article is from a paper presented by Dr. Lelievre at the Joint Annual Meeting of AWSCPA and ASWA held in Los Angeles, California, October 1-4, 1969.)

DR. CLARA C. LEYLIEVRE, CPA, is an Associate Professor of Accounting at the University of Cincinnati. She earned her B.S., M.S. and Ph.D. degrees at the University of Alabama and was the first woman to receive a CPA Certificate in the State of Alabama. Prior to becoming a college teacher thirteen years ago, Dr. Lelievre was in the public accounting field, four years as a staff accountant and nine years as a partner in a CPA firm.

Active in professional organizations, Dr. Lelievre was the Charter President of the Birmingham Chapter of ASWA, a member of the Board of AWSCPA, a member of the Board of the Cincinnati Chapter of NAA, and has served on the Editorial Board of THE WOMAN CPA. She is also an Ohio CPA, a member of AICPA, the Alabama Society of CPA's, and Beta Gamma Sigma, and is listed in the current edition of WHO'S WHO IN AMERICAN WOMEN.
“details” about the production and distribution of wealth. The passage underscores the prevailing view that because accountants were a tool of management they necessarily reflected views held by management. In 1936, the American Accounting Association (AAA) suggested broader responsibilities for accounting:

Accounting...now finds itself faced with the responsibility of compiling and expressing the results of business operations in a way which will meet the needs of investors, governmental units and the public at large, as well as the immediate needs of management...Accounting must be adapted to meet these broad social and economic purposes.3

George O. May devoted much effort to the task of persuading accountants to accept their social responsibilities. He believed that the success of a business enterprise should be judged from the standpoint of society as a whole, and that when social needs demand one choice rather than another, there are times when the accountant must bend symmetry, ignore history and sacrifice custom in the pursuit of larger ends.4

Today accountants and businessmen find themselves developing a concept of social responsibility arising from the social and economic upheaval of the thirties. Quotes from three varied sources—a corporation president, a private citizen, and a vice-president of the AICPA focus on today’s attitudes:

The kind of escape from responsibility prescribed by Adam Smith is now considered unrealistic...As long as business activities were thought to be outside morality, businessmen were kept aloof from social involvement.5 The true responsibility of business leadership is to make some appraisal of the social effects flowing from its strategic decisions and technological advances.6

To hold their proper place (in society) CPAs must identify themselves as active participants in search for solutions to the country’s problems. They must be...willing and eager to do their part in any effort to help the community which requires their skill in measurement and communication of economic data.7

Accountants are cognizant of the growing public awareness that business has helped create many of today’s social problems: technological unemployment, inflation, air pollution, racial unrest, and the plight of the poor. Social responsibility involves more than just the avoidance of anti-social behavior; it requires an active contribution to the welfare of society. This responsibility of the accounting profession can be divided into two areas of action: (1) working within the profession to improve the practice of accounting, and (2) extending the profession’s awareness of the broad areas where its special talents should be used to build a better society.

Responsibility Within the Profession

The AICPA recognizes that “...society is strengthened by a good man performing a socially important function with high skill”,8 and that it has a responsibility to assure that professional services will continue to be performed by good men of high skill. Much energy is being expended to improve the performance standards.

Code of Professional Ethics. A study of the evolution of the Codes of Professional Ethics, both state and national, reveals tremendous accomplishments, but seven states have not adopted such a Code and there is no uniformity among the Codes in existence. One of the immediate goals in improving performance standards is nationwide adoption of a uniform code. Ideally the accounting regulatory law of each jurisdiction would provide that the local code would conform to that of the AICPA; in the states where this provision now exists a change in the AICPA Code takes effect immediately at the local level. Professional ethics are not static and only by constant review and appropriate changes can they be kept relevant to the needs of the society which they are designed to serve.

The moral character of individuals cannot be regulated, but a meaningful Code provides a useful guide for members faced with difficult ethical decisions. The present Codes are negative in nature. However, it would not only be difficult to catalog all acceptable actions but such a listing might have the undesirable effect of stifling initiative.

Technical Standards of Performance. A primary goal of any profession is to assure that its members maintain high professional standards. These standards and the expected performance levels must be identified. Probably Auditing Standards and Procedures, Statements 33–40 represent the foremost accomplishment of the AICPA in its efforts to establish standards. The Accounting Principles Board and the research staff are actively working to clarify

---

4 George O. May, Twenty-five Years of Accounting Responsibility, (New York: Institute Publishing Co., 1936), (2 Vols.)
8 Profile of a Profession; 1975 (New York; AICPA).
and identify appropriate postulates, principles, rules, and procedures.

Professional Recruiting. A prime responsibility of any profession is to assure that future personnel needs will be met. Attracting high-potential students to the study of accountancy is the primary goal of the Accounting Careers Council. It is supported by all major accounting organizations and it hopes to develop an efficient and effective recruiting program. Without a sufficient number of high quality entrants the profession will soon stagnate and it will be difficult to meet the unfolding social challenges.

Continuing Education. Aiding practitioners to maintain and increase their technical competence presents a further professional responsibility. Establishing criterion of competence and performance is not sufficient; members need aid in their efforts to attain and maintain these standards. Educational programs of the national accounting organizations supplement those of educational institutions and national firms. The establishment of these continuing educational programs is an outstanding example of the profession rising to meet a challenge.

Accounting Research. Accounting research has never been accorded the attention and stature it deserves. Only recently has the AICPA approached research from an organized scientific viewpoint. Previously the department was underfinanced and understaffed. The objective of the research division is to investigate what should be done in specific areas of professional concern—not what is being done—and report its findings to the profession. Ten Accounting Research Studies have been published and several more are nearing completion. The most difficult problem is to attain the proper balance between theoretical and practical considerations. Practitioners are reluctant to give financial and intellectual support to theoretical research. Research that is too practical may do little but tend to justify present methods and thereby have little long range value.

Education of the Public. No attempt is made to discuss the proper education of the accountant; the profession has always been involved in the education of its members and prospective members. The general public has little understanding of the accountant as a professional, thus efforts must be directed toward educating the layman. A recent study found that businessmen have a high regard for accountants, but persons not in business have no definite opinions about who accountants are or what services they perform.

The public also needs to be educated about the contents, terminology, and limitations of financial statements. Too often individuals having some acquaintance with the work of accountants make false assumptions about the exactness of statements. Few realize that the accountant merely states that in his opinion the statements fairly present and that the implication of exactness is not given. George O. May was emphasizing the importance of educating the public concerning the contents of the accounting statements as early as the 1920s.

Much of the present litigation in which the profession is involved centers around the lack of an understanding of (1) the responsibilities the accountant assumes when he attests to financial statements, and (2) the limitations of the statements.

Broad Social Responsibilities

In addition to establishing internal ethical, educational, and performance standards, the accounting profession must consider the second division of its social obligations—to extend the social dimensions and import of the accounting function. An essential attribute of professional behavior is that of a primary orientation to the community interest rather than to self-interest. Some of the directions the profession should move in extending its participation in community and social problems are explored.

The potential service areas discussed are not intended to limit the dimensions of possible involvement but to suggest special areas where the particular education, training, and experience of accountants should be utilized. The AICPA and other accounting groups have initiated pilot programs in some of the areas, recognizing that the accountant can no longer afford to remain a “behind the scenes” individual whose primary purpose is to express an opinion on financial statements.

Measurement of Social Programs. One of the most exigit needs of society is the development of some means for measuring the relative worth of social programs. Who is better equipped to initiate studies designed to do this than the accountants? Both government and private social programs lack adequate systems for measuring and appraising their effectiveness. “To evaluate social programs, it is necessary to determine the resources put into a project and then measure the resulting benefit.”

Appalling problems arise when an attempt is made to determine the resources committed to a project and the measurement of benefits is even more difficult. Accountants are accustomed to dealing with quantitative assessments but the social program inputs are seldom easily measured in monetary terms and the

outputs are often impossible to measure, either quantitatively or qualitatively.

Even the most conservative accountants have gradually accepted the fact that certain items on financial statements must be estimated and guidelines have been developed for determining these estimates (for example, depreciation charges). However, for even a reasonable estimate to be determined in the field of social programs, opinions should be gathered from sociologists, psychiatrists, ecologists, economists, educators, and members of many of the other social sciences.

Accountants are not usually trained in the social sciences and are slow to admit the necessity of considering the opinions and accepting the aids that these scientists can offer. Steps must be taken to bring these groups together and the AICPA would add stature to the profession by being the initiator of such a cooperative venture.

The skills of the accountant in the establishment of controls, preparation of budgets, and determination of monetary costs are desperately needed. The accountant must realize that in socioeconomic accounting hardly any assessments would be truly accurate, but he already deals with many relative values and estimates.

Members of one of the national accounting firms pioneered such a project in 1965 for Detroit's 'War on Poverty'. In an effort to determine how effectively social programs were operating they built a unique system that quantified and measured human needs. By applying a business analogy to society, they were able to measure how well the welfare money was being utilized.¹⁰

Not all of the social programs now in existence should be continued; unsuccessful programs that require funds desperately needed elsewhere is a luxury America can no longer afford. The accounting profession has an obligation to initiate and follow through on work that must be done to measure the success and efficiency of these programs.

National Income Accounting (Social Accounting). Economists and accountants have developed their closest cooperation in the field of national income accounting. Significantly, the economists have been in the forefront in this development but almost everything that has been done has been based on accounting methodology. Accounting principles assume an economic environment where the firm is of paramount importance; statements are based on transactions of one entity.

Accountants have been reluctant to venture into an area where the statements are prepared from data based on the transactions of an entire economy. National income may be defined as the aggregate of earnings from an economy's total current production including compensation of employees, interest earned, rental income, and profits (after taxes) of the business enterprises. Since the statements for the total economy are based on the aggregate of the parts—with some modification—and the accountant has familiarity with all of the parts, why has the profession not accepted the challenge of social accounting?

The profession has spent much time and effort in an attempt to develop generally accepted principles necessary to meet the problems inherent in accounting for specific entities: gathering information, summarizing and assigning it to specific accounts, and preparing relevant financial statements. Could the profession not apply some of these talents, knowledge, and experience to attacking the principles and procedures by which aggregate economic data are gathered, assigned to specific accounts, and reported to various users?

Accountants have too often dismissed the area of social accounting because it uses a different set of assumptions and the statement inputs may not be as exact as they desire. Many of the transactions entering a social accounting system are by their very nature estimates and the specific transactions are not subject to the control and verification on which accountants have traditionally relied. Since so many of the national accounting statistics are based on statements prepared by accountants, it appears that the accounting profession would welcome the challenge to put its intellectual resources to the task of devising methods of ascertaining the "missing parts". The challenge of this factor alone should attract into the profession "bright young persons" who are interested in improving society.

Why is the accumulation of statistical information for the total economic activities of the economy becoming increasingly more important? The term Gross National Product (GNP) has almost become a household word. GNP trends are used by both the private and government sector of the economy; they often determine legislative programs, industrial plans, investment decisions, and consumer purchase or save decisions.

Economists are basing their studies more and more on statistical data and the government is basing many of its regulations of private industry and its taxation programs on the basis of economic studies. By aiding in the gathering and analyzing of this pertinent data the accountant is helping to make sure that those respon-

sible for making these regulatory and taxation decisions have the best information available.

**Federal Accounting System.** The sheer magnitude of the federal government produces unique problems that challenge the accountant to become involved in the development of a better and more relevant federal accounting system. The budgetary and accounting practices are archaic and ineffective. The larger the budget, the more important it becomes for effective safeguards against waste and inefficiency to be built into the system; basic internal control and modern budgetary theory should be adapted to government spending.

The CPA would be the most logical person to help initiate such reform. A few CPAs in Congress might do much to increase the fiscal responsibility of that body! Accountants have traditionally shunned public service; indifference and lack of time are probably the reasons for non-involvement. To a socially responsible accountant these reasons are not legitimate; the profession must get involved.

In federal government accounting many of the proven techniques of financial accounting are ignored. Many costs are hidden in the budget and never revealed to the public; all costs must be revealed so that proper social evaluations can be made. The need for professional accountants is clear, and the AICPA can and should do much toward making the system of our largest accounting entity modern and efficient.

**Inflation.** One of the most pressing problems facing society is inflation: the wage-price spiral. Accountants can play an important part in lessening inflation by becoming involved with the wage portion of the spiral. Carey discussed the role of the CPA as an arbiter in labor negotiations. "The development of a rational basis for settlement of labor disputes may open up opportunities for the accounting profession to make a major social contribution."

The control of inflation would also be aided by more accurate figures resulting from an improvement in national income accounting.

**Minority Groups.** The professional responsibility toward minority groups is twofold: (1) encouraging them to enter and remain in accounting; and (2) using the special talents of accountants to advise them on financial and business problems. Few members of minority groups study accounting. Those who do are eagerly sought at graduation by all sectors of the profession. However, few are choosing public accounting. Business colleges are not getting their share of the high-potential minority students. These students are being recruited by all major professions and by all universities and colleges. The AICPA has started a program of encouraging members of minority groups to study accounting; research needs to be done on how this can best be accomplished.

The ethnic makeup of any profession changes slowly but attitudes of present members will accelerate or retard any change. The principal problems are the attitudes of present members and encouraging more persons from different ethnic groups to study accounting. More qualified persons are needed, and these will come from graduates of the colleges and universities. No one seriously suggests lowering professional standards to achieve racial and ethnic balance.

Accountants might give the most immediate aid to minority groups by offering advice on financial and accounting matters. Although the program to aid small businesses, suggested by President Nixon, was to apply to all minority groups, it has come to be known as the "Black Capitalist" program. Many persons in small business have little knowledge of the necessary elements for running a successful business and few have any experience. Various groups are organizing to help these persons. One of these is "The Determined Young Men" who work with small businesses in the ghettos. The organization has volunteers from all areas of business. The teams, composed of experts from different fields, advise persons having problems and attempt to teach the businessman how to solve their problems. The accountant is a valuable member of these teams. The advice is free, but the businessman must request it; often his banker will inform him of the services of the organization. There are other groups performing the same type of service as "The Determined Young Men"; their service being limited only by lack of volunteers. The accounting profession should take an active part in the organization, leadership, and supplying volunteers for such groups.

The AICPA should assume a leadership role in aiding minority groups by encouraging: capable persons to enroll in accounting curriculums, capable graduates to remain in accounting, eligible persons to become active in professional organizations and present members of the profession to volunteer for community programs that aid the small businessman.

**Conclusion**

Many of the areas of responsibility of the accounting profession cannot be covered in an article of this length. Meaningful steps have been taken toward fulfilling these obligations, but much needs to be done. The opportunities for helping build a better society are limitless. Do we as a profession accept these challenges and responsibilities?

---