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Beta Alpha Psi
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American Institute of Certified Public Accountants
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ONE OF THE AIMS of this fraternity is to cultivate in its members commitment to the service of society. And service to society is the theme of my remarks tonight.

As we are all aware, man is not the only creature that organizes societies. The lives of many species of mammals, and even of insects such as ants and bees, are marked by such social characteristics as group effort toward a common end, acceptance of leadership, and division of labor.

But all these societies are rooted in instinct and are therefore unchanging. Man alone effects social change by the exercise of imagination and will. He has this ability because he can record information in enduring forms and thus transmit it cumulatively from generation to generation. It may accurately be said, therefore, that the gathering and recording of information constitute a unique and essential element of human society.

People like to mark off periods of human societal development by naming "ages"—the Stone Age, the Bronze Age, the Scientific Age, and so on. In keeping with this mode, some commentators have termed the present the Age of Information.

If this designation is apt (and I think it is) one can readily see why the certified public accountant, whose work consists of the assembling, validation, and analysis of certain kinds of information, has a place of rising importance in this Age. Moreover, with increased knowledge bringing about rapid changes in society, and with these changes creating in turn a need for new categories of information, the role of the accountant, I am convinced, will inevitably broaden.

In support of this forecast, consider how our

profession has broadened in the past. From the dawn of history up to the Renaissance, the work of men who were the forerunners of modern accountants was essentially bookkeeping—the enumerating and recording of material wealth.

Then, with the Age of Discovery and the organizing of far-flung trading voyages, our professional ancestors had to invent methods for determining the debits and credits of transactions that were a good deal more complex than those of a society which was basically agricultural and in which trade was entirely local.

Next, the devising of the corporate form of enterprise, the aggregating of capital from myriad small sources and the wide separation of ownership from management, posed vastly changed conditions, and accountancy developed new knowledge to meet them. This phase of our evolution has been going on for some time and is not yet over, as is witnessed by such unresolved accounting issues as are entailed in:

- The questioning of the usefulness of historical costs in the balance sheet.
- The usefulness of the single consolidated income statement for extensively diversified companies.
- The usefulness of the shrinking dollar as the unit of measure in USA financial statements.
- The confusion of translating many currencies, with their changing values, into one currency for multinational companies.
- The differing credit limitations afforded conventional financing and off-balance sheet financing.

ALL OF THIS ILLUSTRATES, I think, that accountancy both contributes to, and responds to, social change—that there is a reci-

procal cause-and-effect relationship between accounting and social change.

Of course, the fact that an organization or a profession has had the capacity to change in the past is not an absolute guarantee that it will retain that flexibility in the future. There have been institutions which became so rigid in structure and so tradition-bound in thought that they were unable to respond to new conditions and hence went into decline.

But I am certain this is not the case with accountancy. Let me cite three persuasive evidences of the profession's continued vitality.

The first I would mention is the formation in 1971 of the study-group to consider whether the profession's procedures for setting standards for corporate financial reporting were fully in tune with the needs of the time, and, if not, to suggest improvements. This study-group became popularly known as the Wheat Committee because its chairman was Francis M. Wheat, an attorney and former member of the Securities and Exchange Commission.

The group published its conclusions just one year ago. In general, they were that accounting standards, instead of being set by a board of volunteers designated by the American Institute, should be set by persons devoting full time to the task and holding no other position, and that their deliberations should draw upon a wider range of inputs than had been customary.

Specifically, the study-group proposed creation of three entities:

- A foundation composed of nine unpaid trustees who would find the persons to promulgate the standards, would raise the money necessary for the work, but would not itself participate in that work.
- A seven member standard-setting board.

- A panel of distinguished and highly knowledgeable advisors, broadly representative, of the industrial, financial, governmental, academic, and professional communities.

The foundation was organized and in operation by July of last year. Naming of the seven-member Financial Accounting Standards Board was completed in February of this year. And twenty-eight members of the Advisory Council were announced one month ago—an outstanding lot indeed, they include such individuals as the chairman of the New York Stock Exchange, a past chairman of the Federal Reserve Board, the former chief accountant of the S.E.C., and other notables from business, finance, accounting, law and education.

I submit that the initiation by the AICPA of a searching examination of something so central to it as the setting of financial accounting standards, and the dispatch with which proposals for radical change were acted upon, clearly indicate our profession's responsiveness and capacity for innovation.

THE SECOND EVIDENCE OF VITALITY I would bring to your attention is the appointment by the AICPA of another study-group—this one usually referred to as the Trueblood Committee, after its well known chairman.

The Trueblood group has been asked to explore the actual and the ideal objectives of financial accounting and reporting in contemporary society.

The committee has been delving into its subject with great diligence, spending uncounted hours in discussion and philosophical debate, interviewing scores of individuals and groups, and holding public hearings to give qualified persons the opportunity to voice their views.

The committee expects to present its findings and suggestions before the end of this year. These are likely to stir deep deliberations both within and outside the profession and may well lead to important changes. So here again we see confirmation of our profession's lively and questing spirit.

The third instance I offer is the revision of the Code of Professional Ethics which is not only binding upon members of the American Institute of CPAs but is also a factor bearing on the codes of other accounting groups.

The AICPA Code had grown by accretion over the years. Some parts had become out-moded; conversely some latter-day conditions were not adequately covered; inconsistencies had inevitably crept in. In 1968 a special committee was named to review the existing Code and bring it into accord with the times. The committee was headed by the Institute's present executive vice president, who was then managing partner of a national accounting firm headquartered in Chicago.

The committee studied the codes of other professions and of accounting societies abroad. It went over the then-existing Code paragraph by paragraph, almost word by word, weighing the logic of each injunction and prohibition, pondering their practical applicability, and judging the clarity of their language. The result was a basic restructuring of format, the addition of new matter, and substantial rewriting of much that was carried over.

In good democratic fashion, successive drafts were exposed to the governing Council of the Institute, then to the entire membership. Every comment and criticism was considered by every member of the committee; many of the suggestions were accepted and resulted in improve-

ments of thought or phrasing.

Last winter, the final product was submitted to balloting by mail. Nearly 35,000 members took the trouble to record their judgment, and the revisions were adopted by a 93 percent "yea" vote. A very significant feature of the new Code is that, except under narrowly defined circumstances, it makes observance of auditing standards promulgated by the Institute, and of accounting standards set by the new Financial Accounting Standards Board, mandatory for the membership.

Here, then, is another example of the profession's subjecting itself to appraisal in the light of evolving needs of society.

SEVERAL OTHER UNUSUAL ACTIVITIES currently going on in the AICPA do not yet show the definitive accomplishment of the projects I've just described. Nevertheless they are noteworthy as further evidence of the profession's responsiveness to the society it serves.

Perhaps the most fundamental movement now taking place in American society is the effort to reduce, and eventually to eliminate, the barriers erected by custom or prejudice against the opportunities of minority groups for educational and economic advancement. The American Institute began taking steps along this line, with respect to our own profession, some four and a half years ago.

It was realized that merely exhorting firms to make special efforts to hire from minority groups was not enough since those groups included so few persons with education fitting them for accounting employment. Therefore, more young people in these groups had to be persuaded to seek an accounting education—and aided to pursue it. At the same time, effort

was needed to assure that the education they would receive was of good quality.

Our accomplishments to date may not be very impressive in sheer numbers, but they are, I believe, highly creditable in trend and in percentage gains. In 1969, an Institute survey of major public accounting firms showed that employment at professional levels of Blacks, Orientals, American Indians, and Spanish-surnamed persons totalled 704. By last fall that number had increased to 1,862.

The American Institute has set up an Accounting Education Fund for Disadvantaged Students and has solicited contributions from accounting firms, individual AICPA members, and corporations. More than \$500,000 has been received to date, and the Fund is making possible some 100 undergraduate scholarships each semester for high-potential minority accounting majors. Summer seminars have been held for members of accounting faculties in traditionally black colleges, and resident professorships and visiting professorships have been supported.

Some three years ago the Institute appointed a Committee on Economic Opportunity which has had remarkable success in developing a program under which state societies of CPAs have helped minority entrepreneurs set up and run their own businesses. Over 35 state societies are now participating, and a Businessman's Information Guide has been published which is expected to prove quite helpful.

FOUR YEARS AGO THE INSTITUTE appointed a committee to consider how the resources of the profession were being used or could be used to contribute to the solution of ecological problems. A survey by the committee showed

that several firms were carrying out environmental engagements of one sort or another and the dimensions of some of these studies are quite interesting. One engagement for example, was to evaluate the benefits derived by the public from anti-pollution legislation. Another dealt with ways of improving the environment of a community adjoining an international airport. A third was to determine comparative costs of waste-water treatment facilities in communities within a state. CPAs working on these and similar assignments report that they anticipate significant opportunities for the future.

Concern with ecological questions is part of today's growing preoccupation with a complex of elements, physical and emotional, tangible and intangible, partly social but also highly individual, that we label rather vaguely, "the quality of life." While the reality of such a quality is apparent from personal experience, its definition for purposes of social and political planning is elusive.

When public expenditures for programs intended to better the quality of life began mounting steeply some years ago, and when, a little later, there were rising complaints of waste and poor performance, many thoughtful people perceived that it was relatively easy to measure the cost of the programs but exceedingly difficult to measure the benefits. It followed from this that it was hard to determine priorities for competing programs.

Among those whose thinking had turned in this direction, some, who happened to be CPAs, began to wonder if the techniques of accountancy might help fill the need for better evaluation.

As these CPAs (admittedly only a few at first) discussed the matter, it became apparent

that any productive move in this area would have to be multidisciplinary. But a monitoring of the literature of the several disciplines which are naturally involved, showed that few attempts had been made to combine their experience and thinking. So the AICPA decided to take the initiative in bringing representatives of these disciplines together.

Thus some thirty persons from the social sciences, industry, government, and accountancy met in Charleston, South Carolina, last spring for a three-day exchange of views on how to develop means for measuring the effectiveness of social programs.

An outcome of the meeting has been the appointment by the Institute of a Committee on Social Measurement with Arthur B. Toan, Jr., as chairman. This committee has decided to direct most of its early effort to social measurement as it relates to business. The reasoning for this was that the accounting profession is rather more familiar with business than with government programs, and also that the government, particularly the General Accounting Office, is itself giving a great deal of attention to the subject.

The committee is agreed that one of the real needs of our time is for improved concepts and methods of measuring social performance, and that accountants can help develop them.

The fact is, of course, that already many businesses are exploring corporate social audits. In annual reports to stockholders, or in special brochures, managements are disclosing a great deal more than they ever have before about the social aspects of their companies' activities. And in some instances the outside auditors are being asked to advise on the selection of data.

ANOTHER AREA which may significantly involve the profession in the future is that of technology assessment. This term, which is relatively new and therefore not widely familiar, refers to structured effort to predict and measure unintended side-effects of new or expanding technologies, and their impacts—good or bad—upon society.

Late in 1970 the National Science Foundation engaged one major accounting firm to make a survey of technology assessment activities in the United States. It was found that most such studies in recent years were done by government agencies, but that some industry activity in this field dates as far back as 1955. The chief results of the studies have been to influence decisions on program directions and to indicate possibilities for new programs. Among subjects presently under technology assessment, the survey listed high-speed ground transport, noise of subsonic aircraft, violence and the mass media, oil spills, siting of atomic power plants, and man's impact on climate.

Such technology assessment as is carried on today is largely the work of scientists and engineers. But since it is mainly a data-gathering-and-evaluation process, it may be one of the facets of our Age of Information that will come at least partially within the scope of the CPA.

Congress has just established its own Office of Technology Assessment to assist its members in evaluating complex legislation in such areas as urban transit, ocean resources, pesticide alternatives, food additives, and so on.

IN CONSIDERING WHAT MAY SEEM to be new vistas for the CPA, a prime question is whether the kind of information involved is such that its gathering and ordering are within

our profession's competence, and whether the added activity rationally relates to our central function.

THIS WAS ONE OF THE CONCERNS which prompted me, when I became president of the Institute last fall, to appoint a special committee to try to extrapolate, from the profession's present position and environment, the possible, and the most appropriate, scope of accounting practice in the years ahead.

The committee is addressing itself to questions such as what services are likely to be sought from the profession in the next five to ten years; what roles and services should be performed by the public accounting profession in the future. Some topics to be explored deal with extension of the profession's traditional auditing role—should auditors, for example, be involved in profit forecasting; should they attempt appraisals of the economic viability of an enterprise; should they attempt to appraise corporate managements' performance? We have asked this committee, which is made up of some of the best minds in the profession, to report its conclusions to the AICPA Board of Directors by the end of this year.

I have been talking about prospects for the profession which I consider immensely stimulating, as I hope you do too. But I would not end my remarks without some balancing observations. Specifically, I do not want to be guilty of projecting a picture of accountancy like the pictures of law and medicine that we see on the television screen, where Perry Mason is engaged in one gripping courtroom contest after another and Dr. Welby confronts a series of invariably dramatic cases.

While it is of course impossible to foresee

all the changes in accounting practice that may take place by the time you young men and women in the audience have reached the fullness of your careers, of one thing we can be certain, and that is that some of the work will be routine, some even tedious. But I hope I have indicated that it is equally certain there will be variety, exhilaration, and wide opportunity for intellectual exercise.

The Age of Information has just begun. As it goes on, it will more and more need the skill of the well-trained accountant. A CPA with the competence and desire will have an even greater opportunity than present practitioners to shape large plans and aid in momentous decisions.