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## **Change, Challenge and Opportunity. Given before Association of CPA Examiners, September 19, 1965, Dallas**

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## CHANGE, CHALLENGE AND OPPORTUNITY

By Robert M. Trueblood, President

American Institute of Certified Public Accountants

The opportunity to appear before the Association of CPA Examiners is one that I especially appreciate because of the important role *you* people can play in shaping the profession's future. Much of the credit for the continuing progress of the profession is due to the work of the State Boards. Licensing, administration, regulations — all have made significant contributions to the development of high professional standards. The preservation and continued development of such standards will determine the extent to which the profession can grow in stature and capability in order to meet the opportunities of the future.

Our profession can presently be counted as highly successful — whether one measures success in terms of numbers, growth, or affluence. I think it far more important, however, that we are honestly able to measure the profession in terms of its contributions to the orderly growth of our abundant society. These achievements are gratifying to all of us. But *success* can be a cause of *complacency*. And complacency is deadly. For no one — no person, no corporation, nor any profession —

can rest on past accomplishments. Each must exert itself, merely to hold the place that has been won. And to move ahead, effort must be doubled or more.

A dynamic profession will not wait for tomorrow to arrive and then, hopefully, try to adapt itself to new conditions. Rather, a progressive profession will do some long-range planning, probably a good bit of it. Long-range planning involves two steps: The first step is trying to discern the shape of the future. The second step is to lay out courses of action designed to cope with predicted problems of the future. Only from such a two-step program of planning can means be developed to profit from anticipated opportunities. It is essentially these two steps — prediction and preparation, as applied to accounting — that I'm going to talk about today.

An organized attempt to estimate the future problems and opportunities of our profession began with the appointment of the Long-Range Objectives Committee of the American Institute of CPAs in 1956. (This was the vision of the late Mark Eaton of Texas.)

purposes of that study, the Committee defined the future as "about 1975" — which is now "just around the corner".

The work of the Committee is largely done. Its findings, together with the abundant ideas gathered from his own extensive study, formed the basis of Jack Carey's splendid book: "The CPA Plans for the Future."

In my opinion, admittedly a somewhat biased opinion, the profession has done an excellent job with respect to the first step of rational long-range planning — that is, the process of prediction or forecasting. Whether the profession, either as a body or as individual members, is doing a good job in meeting the professional circumstances which have been predicted is, however, a moot question. Let me explain a little bit.

An important — possibly the major — conclusion of the Long-Range Study was that there is tremendous potential for expansion of the profession's services in the years ahead. Underlying this prediction are such expected developments as these:

- The population of the United States is estimated to be 245 million people by 1980 — an increase of 26 percent, or 50 million people in the next 15 years.
- This population growth will be accompanied by great economic expansion. Ten years from now gross national product will approximate one trillion dollars.
- Over the years, production of goods of all kinds will be more and more automated — and the management of many sorts of human activities will be done by the analysis of masses of data, performed by computers.

All of these developments have tremendous implications for CPAs. The increasing sophistication of computers, for example, is leading to integrated management-information-systems. It is certain that in the future each business organization will devise a single system for processing all of its management information needs. This integrated data system will encompass all functional fields — marketing, production, research, finance, personnel, to name a few. It follows that, in our time, audits may very well encompass the entire management information system. Consequently, audits of the future probably will not be concerned only with financial data.

It has even been suggested that CPAs should make audits of management performance — the kinds of performance which are not measured only by the dollars and cents of profit and loss. How far an effort to measure the more qualitative aspects of management performance can be meaningfully carried is an open question — but it is an interesting question which should be considered.

In short, there is an enormous and mounting demand by virtually all segments of society for the gathering of quantitative data, for reliable verification and interpre-

tation of such data, and for meaningful judgments based upon it.

CPAs have the basic qualifications for meeting these new demands. CPAs are trained in the classification and analysis of quantitative and economic data. Even more importantly, CPAs are recognized as independent and objective professionals of integrity. Unfortunately, I do not regard it as at all certain that accountants will be chosen to perform all of these newer functions. Other vocational groups can claim competence for the tasks — economists, the computer experts, statisticians, and management consultants. And the competition will be fierce, believe me.

This is, therefore, perhaps the time — a favorable time — for self-examination. There have been quite a few changes of late in our principles and practices, accompanied by vigorous and healthy debate. But change in the whole world around us is occurring so fast — and the climate of our times is so truly revolutionary — that we must consider whether our responses to change are appropriate in character, sufficient in number, and timely. If CPAs are going to grasp the opportunities that lie before them — for service to society, for professional fulfillment, and for personal development — they must prepare for the enlarged role envisioned by the Long-Range Study.

Let me mention what the Institute itself is planning along these lines. The Long-Range Objectives Committee has been dissolved, and no similar committee will be formed for at least several years. However, in order to implement the long-rangers' ideas, the Institute has set up a new committee composed of seven younger practitioners, each of whom has agreed to serve for three years. (Significantly, each of the members of this committee has at least another twenty years of professional life ahead of him.) The new Planning Committee intends to study and digest available materials for two years. The final year will then be devoted to formulating specific recommendations for action.

Thus we CPAs, working through our state societies and the Institute, are attempting to plan for the challenge of a changing world.

This massive planning effort, however, should not be limited to our own membership. The regulatory bodies — that is, the state boards — should also be actively engaged in this predictive process. What better vehicle for such a project is there than your association? Your association not only provides coordination among present members of state boards, but permits you to draw upon the experience of those "who have been through the mill."

Your organization took an important first step this year in establishing administrative continuity by employing a permanent executive secretary. If your association could create a planning group, perhaps somewhat similar to that of the Institute, substantial contributions could certainly be made toward relating the role of the state boards to the profession of the future.

One of the areas to which such a committee might

direct its attention is what I call "legislative lag." We are all aware — you even better than I — that the enactment of accountancy statutes involves a significant amount of doing. Once a decision is made to introduce new statutes, it takes some time to get it done. Once a statute is on the books, there is a tendency not to disturb it — until the need for adjustment is urgent, and often overdue. Accordingly, it is most important that the Institute and the Examiners agree upon model bills and model administrative codes which are directed toward the future. Only by this procedure will we be able to keep our statutes on a reasonably current and useful basis.

A planning group of your own could examine a number of other important questions. For example, to what extent do existing requirements impede the profession's growth in terms of qualifying standards, restrictions on interstate practice, and the CPA examination itself?

For the past 15 years colleges and universities have been reevaluating and revising their concepts of curriculum, course content, and educational objectives. This effort reflects a realistic appraisal of new and broader demands being made upon today's emerging graduate in a swiftly moving society.

The Zug report of March 1965 is particularly significant to us when considered in light of this general development. Noting the constant evolution in the educational process, the Zug report urges regulatory groups to be equally cognizant of these changes and to liberalize their interpretations of the educational requirements of the profession. Too rigid administrative demands, the report emphasizes, can stifle creative approaches to accounting education. Unnatural regulatory constraints can seriously impede the development of the profession to meet the challenges of the future.

More and more states are responding to the present educational policy of the Institute by requiring a bachelor's degree for the CPA certificate. But even more than that, Institute policy foresees that, in time, post-

graduate study in accounting and business administration will be required for the certificate.

This longer range, and admittedly ambitious, educational objective is evidenced in practice today by the increasing tendency to offset higher degrees against experience requirements. It seems perfectly clear, then, that we must maintain flexibility in our statutes and regulations if we are to meet our twin targets of higher educational standards and constructive development of educational objectives. These purposes can best — perhaps can only — be achieved in an environment which recognizes the value of thoughtful experimentation and creative innovation.

Because accountancy is today truly national in scope, I have already suggested that we should consider what can be done in order to eliminate barriers to interstate practice. But, since accounting is rapidly becoming international in attitude, what present steps should be taken to insure ultimate uniformity in standards of performance and qualifications in international practice?

These are just a few of the questions and issues, broadly stated, which could be examined by a planning group appointed by the Association of CPA Examiners. Such a committee could review and examine Jack Carey's book in terms of its implications for state boards and other regulatory authorities. The entire record of the Institute's long-range study could be made available to such a group in order to simplify and expedite its work. As the perspective of the profession broadens, we need the best thinking of the most people in order to prepare ourselves adequately to take advantage of our professional opportunities.

I have wanted to emphasize today that the future is full of change and challenge. To adapt to that change we must conserve all that is good from our past. At the same time, we must be curious, experimental, receptive to new ideas. But if, in your work and in ours, we are innovative, truly innovative, I am confident that the years ahead will be exciting and rewarding — rewarding both for us, and for those who follow upon us.