

Education for the Accounting Profession

By JAMES W. DAVULT, Ph. D.

I AM delighted to join your congenial group this evening, and I am especially glad that you have made it possible for me to talk with you on this subject which is so badly in need of mutual and co-operative attention and understanding of those who train others for the profession—the teachers on the one hand and the practitioners on the other.

We should take into consideration the fact that accounting as we think of it is a relatively new profession. Only during the lifetime of those present has it been introduced extensively into the curricula of our universities; and, because of its newness and a common misunderstanding of its subject-matter, the faculties and administrative officials of many of them are still in doubt as to its fitness for serious study by the college student.

Prior to the present century, the man who took up accounting as a career did so largely by chance rather than by deliberate choice after consideration of the advantages offered by other professions. Even today, the layman is not always sure where to draw the line between the office worker who styles himself an accountant and those properly educated and experienced to formulate accounting policies and render judgment

based upon scientific analyses of business and economic data in the light of correct accounting principles. Yet, the distinction between the work and education of the two classes is comparable to that between the ordinary mechanic and the engineer, or the law clerk and the lawyer.

Although the newest among them, accounting has without question reached its majority as one of the major professions, fully comparable in dignity, in social value, in philosophical depth, in professional standards, and in financial remuneration with that of law or engineering.

It is encouraging, and highly commendable, that those of the accounting profession are aware of the basic weaknesses in our system of preparation and that they are striving to remedy them. No other subject has received more space in our association meetings and journals during recent years than has that of professional training. There is a growing tendency for universities to seek the counsel of those in the profession in setting up their curricula, and for practicing accountants to turn to the universities for junior staff members.

A review of the preparatory background of men in the profession today shows that they have acquired their accounting training in a variety of ways, ranging through office apprenticeship, correspondence courses, high school bookkeeping courses, private business institutes, university schools of business, and graduate study. And, we have among the top men of the profession examples of each type of training, indicating that the first requirement is the right individual, and that the work of the school is to make the road a little easier and much shorter with fuller

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view and appreciation of the panorama.

It is generally agreed that there should be two phases to the most effective accounting education. These should consist of formal education administered by an educational institution, and practical education in the form of internship in the practitioner's office by which the so-called text-book theory of the school is supplemented by practical application. It is of the former that I am better qualified to speak.

Before examining the various factors entering into the education of the accountant, we should establish some sort of a standard of proficiency for our finished product. In setting this standard we should keep in mind that our student must be prepared to carry on his work in a very unpredictable future—the last half of the twentieth century. We have good reason to believe that the changes in technology, business philosophy and method, economic intercourse, and possibly economic institutions, which will unfold during his lifetime will surpass those of the first half of this century or the last half of the nineteenth. It is a long way from the work of the expert accountant or auditor of a half-century ago, chiefly concerned about errors in bookkeeping and the possibility of fraud in the cash account, to the professional service of the Certified Public Accountant of today or of the Business Consultant of the future.

What educational equipment do you consider most desirable in the young accountant whom you employ with the intention of developing into a valuable member of your staff, or firm, and of the profession?

I am well aware of the fact that if he is to remain in your office long enough to qualify as an accountant, he should be prepared by the school to earn a substantial portion of his first year's salary, a very practical requirement too often overlooked by

the university in its program of training. However, if his university education is to help him to develop to a place where he is ever worth much more than his beginning salary, it should give him some qualities which he cannot readily acquire in practice.

The accountant who is to make his greatest contribution to business leadership in the future must be taught to think in terms of broad business policy in a world of economic change and readjustment. He should know how our economic system operates. He should have a well-balanced conception of business enterprise, business policy and business methods. He should be familiar with the history of business institutions, and he should be intelligent concerning the place and function of different kinds of industry. He should be able to apply statistical method in the analysis of economic and business data. Finally, he should know accounting and be able and anxious to keep abreast of developments in his field.

Accountants are coming into the profession today from four types of schools—the private business institutes, the state universities, the endowed university schools of business, and a few graduate schools. The first question for consideration in any program of education is the amount of time the student will spend in the process. Obviously, the longer the period of time available, the broader and more thorough can be the preparation.

The four year college course in commerce or business administration is usually divided about half and half between the arts and science courses and courses in economics and business administration. The equivalent of approximately two years of study is spent in the so-called cultural departments of English, foreign language, mathematics, the social studies, and the physical sciences. The other two years are given to the

study of economic theory and the applied economics courses including accounting.

Few of us would question the value of the two years spent in what we might call general or basic education and most of us would agree that the more of it the student is able to acquire the better for him. But, I am of the opinion that two years is entirely too short a period in which to give the average student a thorough basic training in economics and business enterprise and, in addition, give him sufficient preparation in accounting to enable him to pursue that profession successfully. I believe that two years is not too much time to devote to the study of accounting and law courses alone, exclusive of other courses in applied economics. For example, I doubt if the average student can be prepared to pass the C. P. A. examination with much less than two years' study of accounting and law in addition to the other requirements for the degree in business administration. It seems to me that we are attempting to prepare students for a profession fully as difficult as law or engineering in about one-half the time.

Please understand that I do not disparage the shorter intensive courses for the student who has no more time to spend; but I am speaking of adequate preparation for professional leadership which may extend into the next century.

Prerequisites to the Study of Accounting

Concerning the prerequisites to the study of accounting, I have already expressed the desirability of as much basic or cultural education as it is possible for the student to acquire. Included, and as the minimum, should be sufficient mastery of the English language to enable the accountant to

read and understand heavy and complicated subject-matter, and to express himself clearly and accurately. Also, his knowledge of mathematics should be extensive enough to enable him to handle the arithmetic and algebraic formulae encountered in accounting and statistical procedures.

It is the consensus, and I fully concur, that prior to or in conjunction with the accounting courses the student should receive effective training in economic theory; statistical method; business law; money, credit and banking; marketing; public finance and taxation; business organization; corporation finance; business policy; and the history of business institutions.

With good reason, many public accountants are reluctant to employ graduates of our university schools of business administration. Some of them prefer graduates of the intensive accounting courses of private business schools. Many prefer to employ graduates of the arts and science colleges and train them in accounting in their own offices.

Elementary Accounting the Root of the Trouble

I should like to explain to you why I believe our graduates frequently come to you poorly prepared in accounting. In order to do that and suggest a more effective program of training, I shall need to deal at some length with course content with which you are familiar.

In a recent study* of the curricula of thirty-eight schools, which comprise about three-fourths of the membership of the American Association of Collegiate Schools of Business, it was found that more than half of the schools reporting require in the subject of accounting only the elementary course, and that

* Loren F. Brush, *The Accounting Review*, July, 1942.

only eight percent require courses beyond intermediate accounting. It is probable that the requirements are even less in most of the schools not responding to the questionnaire. Furthermore, the content of the elementary course is usually arranged for the greatest benefit of the greatest number. It is generally assumed, and I suppose correctly so, since only a small percentage of the graduates will ever use accounting in practice, that a general survey of the field is more useful to the class as a whole than more thorough coverage of a less extensive scope of subject-matter. It is also probably true that the majority of the students in the class are not fitted by interest, aptitude, and industrious nature to pursue the subject intensively. The only objection that I raise to such a course—but it is a most serious objection—is that the accounting majors take the same course. I do not know of a school which offers a separate or special course in elementary accounting for accounting majors. The result is that their elementary preparation is often inadequate to enable most of the students to accomplish much in the more advanced courses.

Most elementary courses extend over thirty-two weeks with three to four hours of instruction per week. This is too short a period of time for the average undergraduate class to cover elementary principles thoroughly, not to mention specialized phases of accounting. In these so-called survey courses, intended to give the business administration graduate a general understanding of the whole field of accounting, it is not uncommon to skim over such subjects as estate and trust accounting, installment sales, branch and foreign exchange accounting, income tax procedure, cost accounting, and even consolidated statements in addition to the standard subject-matter of the course.

If such a course is effectively taught, I have no objection to it if that is all the instruction in accounting the student is to receive; but I am convinced that it is not the proper introduction to the subject for the student who intends to make accounting his profession or even major in it. The average student comes through such a course with a very vague understanding of what he has been over and very sure he will have no more of it. Of those pursuing the study into the advanced courses, only the superior and most determined students can do the required work, and even they have missed much.

But, that is not all. Only a very few of these business administration graduates are fortunate enough to begin their business careers in junior executive positions and, although they never cared for accounting and never intended to be accountants, many of them eventually get into your offices looking for jobs. You know what happens from there on.

A Separate Course for Accounting Majors

As I have indicated before, it seems to me that the first step toward a remedy for this situation should be a separate elementary course for students majoring in accounting. I believe that the course should be thirty-two weeks in length and require five hours of class instruction per week.

It seems to be generally believed that the statement approach is the best introduction to the study of accounting. The first few weeks of the semester are devoted to a general exploration of the subject and an examination of illustrative balance sheets and profit and loss statements for the purpose of giving the students some idea of the use to be made of accounting data, how it is marshalled to serve its purpose most

effectively, and of its importance in the control of business enterprises and economic activity. At the same time the student gains some familiarity with accounting terms and classification, and with the relationship of the subject to economics, law, and engineering. It is especially important that during this time the student should be taught to adopt an inquiring attitude and look always for the broader application of a given situation, and of his subject as a whole, in the management and control of the enterprise. Principles should be emphasized and their application demonstrated by means of problem work in the preparation of statements from disorganized ledger balances.

It seems to be a necessary anticlimax that we next spend a few weeks of our course in the drab work of record procedure, or ledger and journal technique if you prefer. But, this part of the work can and should be made more interesting and useful to our purpose by placing emphasis upon accounting principles through careful analysis of business transactions, the changes that are constantly taking place in the values of certain assets, and their ultimate effect upon the financial position of the business. The first half of the course is closed with a study of end-of-the-period adjustments, closing routine, and worksheet procedure as a basis for the preparation of statements. There should be no question of the student's ability to perform this part of the work when he takes up the next.

The second half of the course is centered about the study of proprietorship. Usually the first half is simplified and developed around the sole proprietorship form of organization in order to avoid the complicated problems of income distribution until the student is better able to grasp their significance. In the second half, partnership and

corporation procedures, including bonds and their problems, are introduced and the study of the statements and accounting relationships expanded accordingly. Most of the problems peculiar to the partnership arrangement can be disposed of in the elementary course, but we can do little more than touch upon those of the valuation of assets, the determination of income, the distribution of income, and of capital stock and surplus. These constitute, in large part, the subject-matter of the advanced principles course.

I have dealt at length with the content of the elementary course because I believe that therein lies the source of most of the weaknesses in our university training. What I have outlined, if covered thoroughly, is as much as I believe should be attempted if the student is to receive more advanced instruction in the subject. He is then prepared to take up the study of costs, special procedures, and more advanced principles. I do not think he is yet prepared to profit the most from such subjects as auditing, systems, income tax, and statement analysis. Although he is admitted to them in most schools, I believe these should follow more study in principles.

Intermediate Accounting

Now, I should like to say a few words about a course commonly called intermediate accounting. It seems to me that this course is usually not as satisfactory as it might be. Most schools offering such a course intend it to serve as a bridge between the elementary and advanced principles. If the student has mastered the elementary principles, there is a great amount of duplication of instruction in the content of the course, and often it is misnamed advanced accounting. If he has not mastered the elementary principles, he should not attempt to do so in any other course.

However, there is a definite place following elementary principles for a course to be held responsible for a number of special topics such as Sources and Application of Funds, Consignments, Installment Sales, Branch and Foreign Exchange Accounting, Receiverships, Estate and Trust accounting, Actuarial Science, Consolidated Statements, and bank and brokerage accounting. These subjects are usually scattered about over the entire accounting curriculum, thrown into a course if time permits, and side-tracked in various ways, with the result that many of them do not become part of the student's formal training. Yet, they are important enough to constitute part of almost every C. P. A. examination.

Cost Accounting

I believe that there is no field of accounting where the school's opportunity is so great and its contribution so small as in that of cost accounting. College catalogs indicate, and I believe a survey would prove, that most schools offer one semester's work in cost. That, in my opinion, is no more than one-third of the time needed to teach it well. There is a vast amount of difficult subject-matter to be covered and in no course is it more necessary that the student's study assignments include and be supplemented by problem work and time-consuming class discussion in order to develop the principles of cost analysis and their application by management. For the student thoroughly to understand how cost data is used, budgeting procedure necessary to the establishment of correct burden rates, the production order and process methods of accumulating costs, the principles and use of standard costs, the principles of distribution cost analysis, and become familiar with current literature in the field is worthy of a minimum

of three semesters. Yet, few schools offer more than two.

Auditing

The difficulties in our auditing courses arise from three sources. First, in no subject is it so necessary that the teacher have had practical public accounting experience. Most teachers who enter teaching as a profession find it difficult to obtain the practical work; and, most of those qualified teachers who manage to do so find the financial future in teaching discouraging when compared with that offered in business and public practice.

The second difficulty is the matter of time and content arrangement of the course. An examination of college catalogs indicates that most schools offer no more than one semester of auditing. It may be assumed that where the instruction is confined to one semester an attempt is made to survey the whole field from the engagement to the final report. The head of the department of accounting in one of our better state universities, once told me that he included the study of income tax procedure in his (one-semester) auditing course "because auditors had to know income tax". I cannot, to my satisfaction, cover so much work in so short a period of time. In this course, as in most other accounting courses, I believe the application of principles can be most effectively illustrated by means of case and problem study. Furthermore, it is important that the student learn how to set up and assemble working papers and how to prepare his report on the basis of them. The report, one of the most important sections of the course, is usually the most lightly treated. This is because it logically comes at the end of the semester's work and there is not enough time left for it.

The third difficulty is encountered in the dirth of good problem material

available for classroom use. Teachers and practitioners have combined to write a few good text-books on auditing, and they have prepared some fairly good practice cases, but it is not easy to prepare short problems suitable for class demonstration and assignment which fully develop the principles involved. Most auditing problems require a great amount of time, and to use them to illustrate the application of the principles and procedures in the course requires more time than is available in less than two semesters of work.

Other Accounting Subjects

While I shall not deal with the content of other subjects, there is need for improvement in our work in accounting systems, statement analysis, and income tax accounting. Apparently, only a few schools pay much attention to the study of accounting systems. Most text-books, and presumably courses deal with the subject of statement analysis largely from the viewpoint of the investor rather than from that of the manager. Income Tax requires a combination of accountant and lawyer to teach it, and to keep up with the regulations and court decisions is a full-time job without any other duties.

The Teacher

Being one of the newer branches in our universities, accounting has always suffered from an inadequately trained and experienced faculty. At the close of the First World War, the great number of students interested in the study of accounting found the universities with relatively few staff members qualified to teach the subject. To meet the demand, teachers from the departments of economics and mathematics were prevailed upon to teach classes in accounting, teachers were drawn from public practice and private industry, and students were pressed into service as teachers

as soon as they had completed the course. (Incidentally, a similar condition is likely to arise at the close of the present war. The indications are that, of those soldiers who plan to return to college, more expect to enter the field of business administration than any other field, with a substantial proportion of that group planning to major in accounting.)

Some of those early recruits developed into excellent teachers who have contributed much to the refinement and dissemination of accounting theory. But, there has always been a lack of balance between theory and technique, the latter term often mis-called practice. Method has ranged all the way from a few simple rules of bookkeeping procedure applied by means of the practice set, to discussion of finely spun theory without the aid of even short problems to illustrate the principles involved. I believe you will all agree that there is little to be said for either.

Just where the line should be drawn between theory, problem work, and technique is an unsettled question. I believe that theory, or principles, should constitute the mainspring of every course, but that the man who is to develop properly in advanced courses and become a practitioner should master the basic technique of the elementary or primary courses. Certainly, in practice he is supposed to present his conclusions in the most acceptable technical form. I believe that a fine balance should be established between the amount of lecture, reading, class-discussion, and problem-work comprising a course; and this will depend much upon the ability of the teacher. Every problem used should be chosen because it supplements and demonstrates the application of some principle, and principles can be given meaning by the use of well-chosen problem assignments and classroom problem

demonstration. Everyone knows that problem demonstration in the classroom is a prosaic sort of business, but I know of no way to avoid a certain amount of it, especially in the elementary courses, if the students are to know how to go about the study and solution of their problem assignments, and not become discouraged in the rather difficult process.

What should be the preparation of the teacher of accounting? For the practitioner, I have spoken of the desirability of broad basic education, extensive and thorough study of economic theory and the applied fields, and a mastery of all branches of accounting. Certainly, no less can be expected of the teacher; and, in addition, he should know how to teach.

You are probably asking, "What about practical experience?" There are many excellent and effective teachers of accounting who have had no practical experience; and, I believe we agree that the quality of any man's work can be determined only after an intelligent appraisal of final results, after a fair period of trial. However, the question is often raised by students, "Is this done in practice?" and the teacher should be able to give an intelligent answer. Also, there are certain short-cuts in practical procedure which it is well for the teacher to know. For example, when the student goes out into the office looking for a columnar book of original entry like the one illustrated in his text-book, he is likely not to see it, but instead several volumes, or boxes, or even bags, of sales invoices, materials requisitions, and other original office forms. It helps to bridge the gap between the classroom and the office

if the teacher can point out these practical short-cuts as the classwork progresses and show how the same principles are carried out and how the same results are accomplished. My conclusion is the usual one that some practical experience should make an otherwise good teacher a better one.

Our Opportunity.

It would seem that our golden opportunity in accounting education is near at hand. With the return of thousands of veterans to the classrooms anxious to learn accounting, our schools of business should be prepared with a sound accounting curriculum and a thoroughly trained and experienced faculty to offer them a high quality of education worthy of our profession and of their most successful professional careers.

Let us finally have an end to departmental jealousies and recognize a field of specialization for its proper worth. Those who are qualified by familiarity with the subject are in general agreement that accounting comes under the heading of professional education rather than technical training. However, the time has come to discard as a topic for debate the relative merits of technical training versus general education and focus our attention upon the ability and needs of the particular individual in making his greatest contribution to society in the way he is best fitted.

I have dealt with this subject entirely from the point of view of the school, as I see it, and I shall welcome your frank criticism in order that I may profit by it and send you better junior accountants in the future.