

The CPA Program in New York State — Present and Future

By ROBERT G. ALLYN, CPA

Many veteran CPAs may now find it difficult to answer the question: What are the requirements for taking the New York CPA examination? Here is the answer, by one most qualified to give it authoritatively. In addition, he discusses the college curriculum needed to meet today's and tomorrow's needs and other relevant matters. This article was presented as a paper to the Middle Atlantic Association of College Schools of Business, October 11, 1963.

LEGAL DEFINITION OF ACCOUNTANCY

Public accountancy as a profession in the State of New York is defined by the Education Law as follows:

"An individual engages in the public practice of accounting who, holding himself out the public, in consideration of compensation received or to be received by him, offers to perform or does perform for other persons, services which involve signing, delivering or issuing or causing to be signed, delivered or issued, any financial, accounting or related statement or any opinion on, report on, or certificate to such statement if, by reason of the signature, or the stationery or wording employed, or otherwise, it is indicated or implied that such individual has acted or is acting, in relationship to said financial, accounting or related statement, or report as an independent accountant or auditor or individual having or purporting to have expert knowledge in accounting or auditing." (Section 7401, Subdivision 4).

The key phrases in this definition are, in my opinion:

- (a) The holding out to the public as an expert in accounting and auditing.
- (b) Services involving a financial accounting or auditing or an expression of an opinion thereon, and
- (c) Independence in the performances of these services.

SIZE OF THE PROFESSION

Since the enactment in 1896 of the first statute establishing the profession of public accountancy, 21,737 certificates have been issued by the State of New York to October 1963. At present, of the 318,406 members of 21 professions defined as such and recognized by the State Education Department, there are 16,656 C.P.A.s and 8,926 public accountants registered to practice in this State. Public accounting is the fourth largest profession practicing in this State exceeded only by:

Nursing	170,164*
Medicine	38,662
Engineering and Land Surveying	26,305

*Including practical nursing.

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PREREQUISITES

To become a Certified Public Accountant in this State, one must have:

(a) Completed a four-year high school course approved by the Department or the equivalent as determined by the Commissioner;

(b-1) Either been graduated from college and completed a curriculum in Accounting registered by the Department, or

(b-2) Been graduated from college and had equivalent college training in Accountancy as determined by the Commissioner;

(c) Completed three years of diversified public accounting experience satisfactory to the Board of Examiners, and finally,

(d) Passed, with a grade of at least 75%, the uniform C.P.A. examination in Theory of Accounts, Commercial Law, Accounting Problems and Auditing.

ADMINISTRATION OF THE LAW

The Law and the Regulations governing the profession are administered by the Division of Professional Education of The State Education Department. The Division of Professional Education is one of the two divisions that are directed by the Associate Commissioner for Higher and Professional Education. Dr. Neville L. Bennington is the Assistant Commissioner for Professional Education and Dr. Frank R. Kille is the Associate Commissioner for Higher and Professional Education. Breaking down the Division of Professional Education into its functional parts, there are three subdivisions:

(1) *The Bureau of Professional Licensing Services* which administers the registration of all the professions, proctors all professional examinations; screens and processes all applications to sit for the Group subjects of the CPA examination on the basis of education; prepares foreign credentials for

submission to the Board of Regents for approval of foreign education and endorsement of foreign licensure; keeps a record of all examination results. . . .

(2) *The Division of Professional Conduct* investigates violations of the rules of professional conduct, and assists the Counsel for the Department, the Grievance Committee and the Board of Regents in the determination of guilt.

(3) *The Executive Secretary of the Board of CPA Examiners* serves as an employee of The State Education Department and is the Department's liaison with the profession and with the schools. His office performs the following duties:

- Answers all correspondence pertaining to the profession (excepting cases of violations of professional conduct which are referred to the Division of Professional Conduct) related to experience, education (domestic and foreign), registration, and so on.

- Processes all applications to sit for the Group 2 examination in Auditing, based on experience.

- Investigates experience, particularly when self-employment is involved.

- Processes all applications for registration of partnerships of public accountants.

- Prepares the final documentation for certification.

- Assists in the evaluation and registration of professional accounting curricula.

Cooperating Agencies. Assisting and counselling the Department and the Board of Regents are three professional bodies:

(a) The Board of Examiners — a seven-man Board, appointed by the Regents for terms of five years each. The Board's principal function is to review and recommend to the Department all requests for certification of CPAs, enrollment of public account-

ants, and registration of firms of public accountants.

(b) The Council of Accountancy consists of seven members, appointed by the Regents for terms of three years each. Not less than four members shall be CPAs. The Council serves as an advisory group to the Department and to the Regents on matters pertaining to education for the profession and on any other matters that may pertain to the profession within the purview of the statute. The Council also serves as the initial hearing body in cases involving violations of rules of professional conduct.

(c) The Committee on Grievances consists of fifteen members, appointed by the Regents for terms of five years each. Not less than ten members shall be CPAs. The purpose of this Committee is to hold hearings involving members of the profession charged with violations of the rules of professional conduct and to make recommendations to the Regents of the penalty to be meted out.

By way of passing comment on the foregoing description of the organizational and legislative structure of the profession, may I point out that New York State is different from most states. As far as I know, it is unique in the division of responsibility among three professional bodies. Most states confine the regulation of the profession to a single board of examiners. This statement should not be interpreted to minimize the position or the contribution to professional accountancy by the Board, the Council, and the Committee on Grievances. A reference to the men who compose these bodies reads like a "Who's Who in the Accounting Profession." Their contributions have made New York State the leading state in enlightened and liberal legislation (i.e., 20th century liberalism as opposed to 19th century liberalism).

REGISTRATION OF PROFESSIONAL CURRICULA IN ACCOUNTANCY

Over the years, two problems have brought about an occasional controversy between the colleges and universities and the State Education Department's exercise of its right to register Accounting curricula. I refer to the initial problem of registration and the subsequent problem of qualifying and certifying graduates to sit for the examination.

Fundamentally, the problem is one of state control over educational institutions. Is the state's right justifiable? To what extent should it be exercised? These are broad issues and would extend the scope of this paper far beyond the consideration of the CPA curriculum. To keep the paper within reasonable limits, I would start with the assumption of the state's right to register an Accounting curriculum. Some may wish to describe this as a presumption, but, so as not to gainsay my principal theme, I will start with the initial problem of registration.

The Regulations of the Commissioner of Education, as approved by the Board of Regents (Article I, Subdivision 3), require that an institution of higher education file a suitable application. It further provides that "no course of study shall be registered without personal inspection by a representative of the Department, except that at its discretion the Department may accept the inspection made by any duly authorized and recognized accrediting agency." A visitation and evaluation of an application from a New York State institution is virtually mandatory.

Deficiencies In Registration Regulations. It is my opinion that there are two deficiencies in the Department's registration regulations of professional programs in Accountancy. One deficiency is that the guidelines are not

definite enough; another is that there is not an adequate follow-up to insure continued performance or adherence to the registered programs. One requirement that I would like to see spelled out and which I believe would improve the quality of the registered curriculum is that a major portion of the courses taught, at least in accounting, be taught by professionally-qualified faculty, i.e., those possessing the CPA certificates plus, at least, the master's degree. Considering the second problem, the lack of periodic review, the Department has been lacking in manpower. This may be rectified in the near future when plans materialize for expansion in the Division of Professional Education.

The writer has had the opportunity to visit six colleges within the past year for the purpose of evaluating their Accounting curriculums. The purpose of making a visit is to study the admission policy of the school with particular reference to admission into the Accounting curriculum. Among the schools I visited, I was pleased to learn, none had a double standard admission policy—that is one standard for the Arts and Science students and a lesser standard for entrance into Business Administration. As a result of a uniform, high-standard admission policy, I would expect improved performance on the CPA examination from the students who have graduated from one of the 135 colleges and universities, registered by The State Education Department and representing 40 states and the District of Columbia.

THE STRUCTURE OF A REGISTERED PROFESSIONAL ACCOUNTING CURRICULUM

A substantial part of the problem of curriculum registration is the difficulty of equating a school's present or proposed curriculum to the structure of a registered curriculum. Section 15 of

Article I of the Regulation of the Commissioner sets forth the course area requirements of a registered Accounting curriculum consisting of the following semester hours:

Liberal Arts, Science,		
Mathematics	48	
Free electives	<u>15</u>	63
Professional courses:		
Accounting	24	
Economics	6	
Commercial Law	6	
Finance	6	
Other Business subjects	<u>15</u>	<u>57</u>
		<u>120</u>

A change made in the Regulations, approved by the Regents, effective July 1, 1962, provided for recognition by the Department of "a curriculum at the graduate level of comparable course content but with fewer semester hours as being equivalent to the aforementioned specific semester-hour requirement." At this time, two graduate programs have been registered under the new Regulations.

I would like to spend a considerable time in a discussion of the subjects that should comprise a professional Accounting curriculum. I don't have that much time. I surmise, too, whether there is any "best" curriculum. Dr. Saxe, Dean of the Baruch School of Business and Public Administration developed one, I recall, in January 1947, and it was published in the *Accounting Review*.¹ I'm sure he has made some changes over the years in the many curriculums he has designed and put into operation.

What is an adequate educational background for the CPA candidate? Should the subjects, assuming one can agree upon them, be taught at an undergraduate or graduate level? Should the syllabi of these courses be

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oriented toward imparting a knowledge of concepts and precepts and less toward application? Should accounting be taught primarily to emphasize management's uses of accounting information and, secondarily and perhaps less importantly, accounting procedures? How should accounting be taught? It seems to me that more changes in educational programming have taken place in schools of business in the past ten years than in the preceding fifty years, in the main, motivated by attempts to answer these questions. Still further changes may be brought about in Accounting curriculums following the publication of the American Institute's study to define the common body of knowledge that all CPAs should have at the outset of their careers. The following quotation may enlighten us in searching for answers to these questions.

Academic Training. In an article in the NAA Bulletin, (December 1962), Professor Crum, Professor of Accounting, University of Southern California, asks "Can we successfully offer professional academic accounting training to undergraduate students?" "I know we can", he says. "In fact", he explains, "we have been doing it for some twenty or thirty years. There is nothing in Accounting training which, *per se*, should cause it to be withheld and taught only at the graduate school level."

A related thought dealing with the tendency to avoid specialization in accounting training was expressed by Professor Arnold Johnson, Chairman of the Department of Accounting, New York University, in the March 1963 issue of *The New York Certified Public Accountant*; "The real danger that is present, however, is that academic recognition of the teaching of accounting may be so downgraded, extended, or devitalized, that the principles, standards, and procedures which, col-

lectively, constitute the core content of the profession of accounting will be largely emasculated." He quotes Professor Bastable, Professor of Accounting at Columbia University, as saying "Properly taught, Accounting is as rigorous an intellectual discipline as subjects classified as liberal arts and sciences."

Professor Norton Bedford of the University of Illinois wrote a very provocative article, in the *Accounting Review* (April 1963), on the effect that recent studies in educational psychology will have upon teaching methods in Accounting. "Educational psychologists have made some discoveries in the area of creativity and transfer of learning which may have significance to teaching methods in Accounting."

The main theme of the Eighth International Congress of Accountants, in New York City in September, 1962, was Financial Accounting and the World Economy. Professor D. S. Anderson of the University of Edinburgh spoke on "communications." He said, "I'm not a believer in standardization of accounting techniques. We practice an art which calls for individual expression of opinion and thought and I think that it would be a sad day for the profession and, in fact, for the community, if the accountant were forced to conform to a rigid code in performing his function of reporting." He did, however, recommend the adoption of a universal lexicon.

One final thought of interest was expressed by Professor Groeneveld, Professor of Accounting and Economics at the Roman Catholic School of Economics, in the Netherlands, when he talked to the International Conference on Accounting Education at the University of Illinois, in October 1962: "Nowadays the accounting system is primarily seen as a means of information and communication of financial reporting, and economic analysis. Con-

sequently, the line drawn between managerial economics and accounting is fading. . . . Summarizing, education must provide a profound knowledge of business economics based on long-term courses; business economics must be integrated with a modernized pattern of accounting, thus leading to general expertness in these fields and crowned by a specific expertness in the field of auditing." (pp. 26-7, Proceedings of the International Conference on Accounting Education—University of Illinois, September 30, Oct. 1-3, 1962).

These thoughts, chosen at random, are provocative and exciting. They present basic issues, and to my mind suggest basic solutions — strengthening the requirements for registered accounting curriculums and more frequent re-evaluation of registered programs.

EVOLVING CURRICULUMS

These writers certainly suggest that the accounting curriculum for the CPA of the future will be different in some respects from curriculums that today's CPAs have studied. Many schools are anticipating these changes. Ten years ago, I don't believe any school had a course in Electronic Data Processing (EDP). Today there are several schools that offer courses in EDP and have even catalogued them as Accounting courses. Courses in Finance are less descriptive and more analytical, and include problems in cash flow, for instance. When such important subjects as cash flow and discounting future values are taught by professors of finance, the procedural aspects of Accounting take on a much deeper and richer meaning, where, in fact, there may have been no meaning, merely blind adherence to rigid procedures. Commercial Law, as an area of study, gives me some concern. In fact, it is the only area where changes have been made that do cause concern. This is the

reduction in the number of semester hours devoted to Commercial Law courses. I am afraid that I do not agree with the Commissioner's reduction in required law courses from 8 to 6 semester hours. This change, I should add, was made at the instigation of the Council on Accountancy. Another change is the trend to courses in legal institutions. I don't believe this type of course provides suitable training, particularly, in the uniform codes with which the CPA candidate must be familiar. I am also concerned when I hear suggestions from members of the profession that the CPA candidate not be examined in Commercial Law and that more of the examination should be devoted to Auditing. I will not say that I may not be convinced of such a change some time in the future, but at present, I believe Commercial Law is an integral part of the practicing accountant's body of knowledge, and all candidates should be examined in this area on the CPA examination. Furthermore, I do not believe six hours in principles of economics is adequate. At least three more hours in economic analysis are needed.

FUTURE DEVELOPMENTS

These thoughts lead me to a consideration of future developments in the training of CPAs in this State.

The tendency toward a common core in the first two years of college is making it difficult to teach Advanced accounting courses and Auditing in an undergraduate program. Consequently, many schools are moving in the direction of graduate programs which provide for a concentration in Accounting. And, I might add, this trend was not promoted by the State Education Department to increase the passing percentage on the CPA examination. Any student endowed with average intelligence and a strong trait of persever-

ance, who graduates from a registered accounting program, can become a CPA; and in one or two attempts if he has taken a good coaching course. The public accounting firms are rapidly reflecting this change in their recruitment. The personnel director of a national firm informed me last year, that, of all the junior accountants they hired, 30% had postgraduate degrees.

The Council on Accountancy has been considering graduate education for accountancy for the past four years. It may well be that New York State will provide graduate education as an alternative to the registered undergraduate program and reduce the experience requirement from three years to one or two years. A few states (Arkansas) already have made this provision in their CPA requirement. One significant result of substituting more education for experience will be the necessity on the part of the schools to implement and, in fact, rewrite their syllabi on Auditing. In the process of teaching accounting a distinction should be made between the applied science of accounts and the practical art of accounting, but the two should not be divorced. It would be the same distinction that one should make between the applied science of dental materials and the practical art of filling teeth. I would not like a dentist to have studied only one facet of dentistry.

Generally, Auditing courses are the least-effectively taught of the Accounting courses. What are the objectives in teaching an Auditing course? How shall the Auditing course be taught? Can Auditing procedures and techniques be taught in the college; should they be taught? Can the profession supply case materials so badly needed in Auditing courses? If the profession is going to place the training of the accountant almost entirely in the hands of the schools, it will have to cooperate

more closely with the schools. In turn, the schools will have to revise their views on professional education outside of a purely professional school.

While the Division of Professional Education presumes that an Accounting program is "professional" in its objectives when it registers the program, the fact is often far removed from this purpose. If only a percentage of Accounting majors plan to and do go into public accounting, the schools ask why they should orient their entire Accounting program in the direction of fulfilling the requirements to sit for the CPA examination. A thought that probably comes to mind here — and around which we would no doubt choose definitely opposing sides—is to ask whether there is any difference all down this line in the training of accountants — industrial, governmental, public, and so on. I will hasten to my next and final point before the sides are chosen and before I find myself in the middle of this controversy.

It may well follow that demands will grow for entirely separate professional schools of accountancy. I have noted this demand from a few members of the profession, but it is being expressed by influential voices. These proponents believe that the objectives and methods of public accounting are different and require different professional training — it is not yet clear whether it is graduate or undergraduate, although I think it is the former. Such schools would have their own faculties and would admit only students who plan on going into public accounting, as into law or medical schools.

I am concerned that these fascinating changes be best for the profession and will enhance its position in society. It is also my concern and hope that the schools will sincerely accept the challenge of these changes and plan for the best interest of the profession.