

teresting experience, even between us and the English.

The most interesting thing happens when you develop an international affiliation. All of a sudden you become aware of articles written about those countries where you have associates, and you soon develop a keen interest in what goes on there politically, as well as professionally.

The form of associating should be considered first, and you should be flexible in your thinking. The initial approach may not be what you ultimately hope it will be but it may be the only expedient way to get started, and/or to get the firms of your choice to associate with you. Something like testing the water before you jump in.

You have a choice of types of association: (1) A full partnership; (2) An umbrella partnership, together with exclusive representatives and correspondents (an exclusive representative only represents members within this group); (3) An association with generally nonexclusive representatives and correspondents; or (4) A relationship with correspondent firms.

The associate and correspondent firms are obviously easier to get started, require less time and expense, and instead of necessarily being the first step toward some form of legal partnership, may prove satisfactory enough to remain in that particular form. Aside from the selection of firms, a network of correspondents is the simplest in concept and has no common name. An association of either representative or correspondents and/or both will require the selection of an acceptable group name for identification. With respect to both of these forms of associating, there may or may not be referral fees, assuming no code of ethics is violated. There is no imposition on autonomy, there is no requirement to reciprocate, nor to be exclusive, nor to impose the services of your office on any client and vice versa. However, in the larger associations, various committees are generally organized to exchange professional material and maintain communications. The degree of

responsibility that each expects from one another is normally established in advance of each engagement.

In my opinion, the next natural step . . . is that of the umbrella partnership arrangement, which presents such fascinating concepts that I find it hard to understand how one would not strive for this form. The benefits to be derived are enormous.

To me, the ultimate should be an international partnership. If you can imagine the creativity that would have to be generated simply to attempt to have funds transferred from or to countries that have blocked currencies, you can also imagine the benefits! It boggles the mind. I need not spend time discussing this, as I presume we are all aware of what a full partnership means.

The way to start an umbrella partnership is with what we call "principal firms" operating in a "principal territory." We began with firms in the English speaking countries, because this was relatively easier. Nevertheless, the many meetings that took place, and the vast correspondence required really strained the patience of those trying to start up the organization. Even the selection of an international name was a problem. Very often we thought we understood each other only to find out that there was a genuine misunderstanding—and we spoke English! Ideally, all principal firms should plan to change their name to that of the international name. The umbrella agreement is basically a very simple partnership agreement. It provides for an organization of separate partnerships in each principal territory under the international name; for the election of a managing and deputy managing partner, for sharing of profits or expenses as the case may be; for admission of additional principal firms; for expansion through representatives; and spells out the generally common interests and goals of the partnership.

In these times, I must admit that the greatest cause of concern was the acceptability of principal firms to professional indemnity

insurance carriers. This was solved by having an international insurance firm insure all of us individually, but with identical policy language.

The Accounting Paraprofessional in the Public Accounting Firm

Excerpt from *The Ohio CPA*, by Dale L. Keifer, CPA, and Ted R. Compton, MBA, Winter 1975.

The purpose of this [article] is to investigate the utilization of the paraprofessional in public accounting. In the course of investigation, we will attempt to answer the following questions.

1. What does the concept of "paraprofessional" mean to professional accountants?
2. What is the current use of paraprofessionals in public accounting?
3. What type of public accounting firm, in terms of size, regional or national status, is more apt to employ the paraprofessional?
4. What type of work would the accounting paraprofessional most likely perform in a public accounting environment?
5. What is the attitude of public accounting toward the paraprofessional?
6. What, if any, special testing and hiring procedures are used in the employment of paraprofessionals?
7. Do accounting firms employing paraprofessionals offer a special training program?
8. What type of educational background should the paraprofessional be exposed to in preparation for employment in public accounting?

What Does an Accounting Paraprofessional Mean to Public Accountants?

In order to get some insight into the term *accounting paraprofessional*, let us take a look at how other areas of accounting (government and manufacturing) have defined and are using personnel of comparable qualifications as

the paraprofessional in public accounting.

In reviewing the civil service qualifications for various accounting-type positions, it is found that the term *paraprofessional* is not used. Instead, one finds descriptions of positions to be filled by persons having two years of post-high school education with emphasis in accounting who utilize accounting methods and techniques of the type normally associated with an established double-entry accounting system. The federal government has been calling these individuals "accounting technicians."

[We] found that individuals possessing qualifications similar to those of the government's accounting technicians are performing accounting duties in manufacturing. The positions ranged from clerks (receivables and payables) to cost accounting and budgeting positions.

Our experience at the University of Cincinnati's O.C.A.S. Accounting Technology Associate Degree Program and graduates placement results seems to reinforce . . . conclusions on types of work performed by these individuals. Out of the 1973 graduating class the following types of accounting positions were obtained: cost accounting trainee; cost analyst; budgeting; bank accounting.

It seems that the individual who possesses two years of post-high school education with little or no work experience seems to fit the bill for a wide range of accounting duties in industrial and governmental positions. Should the public accounting paraprofessional have similar qualifications?

When the public accounting firms were polled as to their concept of an accounting paraprofessional, the majority of the responses indicated that an individual with two years of college with a concentration of courses in accounting was their choice of a concept of paraprofessional.

There were a variety of responses ranging from high school graduate with no work experience to an individual holding a Bachelor's Degree with a major in accounting. The conclusions drawn

from the results indicate that like in government and industrial accounting, the paraprofessional in public accounting is the one whose qualifications at entrance employment would consist of two years of college with a large concentration of hours in accounting, with or without experience.

The results of the survey seem to indicate that somewhat extensive use of accounting paraprofessionals is occurring at the present time. Results . . . indicate that 34 percent of the accounting firms responding use accounting paraprofessionals. In another study it was indicated that approximately 54 percent of accounting firms employ paraprofessionals. Although the results are somewhat higher than those found in this study, both reveal extensive use of paraprofessionals in public accounting.

Accounting firms expressed considerable interest in the employment of paraprofessionals in the future. Forty-four percent of the accounting firms indicated they planned to employ paraprofessionals at some time in the future.

The future role and use of the accounting paraprofessional in public accounting must be approached with some foresight. Should the paraprofessional's position be one where his future offers limited opportunities for professional development, or should he be encouraged to continue his training such as additional college courses in pursuit of a possible bachelors degree? An overwhelming number of public accountants are in favor of the paraprofessional continuing his education and training. Ninety-two percent of the polled accountants felt that continuing education was a must for the paraprofessional.

Possibly, the best approach for the public accounting firm and the paraprofessional is to consider this position as a starting point in the individual's career. With additional training and experience, the employee can take on more challenging activities as his growth and maturity progress. We must not overlook the fact, however, that some people may not be too receptive to the idea of "try to get ahead." Some individuals may be very content with

the status quo and make very good employees. In any organization, large or small, individuals of this type can be valuable employees.

The employment of paraprofessionals in the future might contribute to the elimination of some of the social and economic inequality, in that many students today cannot afford the educational expenses of obtaining a four- or five-year accounting degree. This fact coupled with the large number of two-year colleges offering accounting-oriented programs offers many individuals an opportunity to enter the accounting profession that otherwise would be closed to individuals who may be socially and economically deprived. Thus, with continued training, by taking evening courses, or possibly through a university/firm cooperative arrangement, the individual can grow into a competent professional accountant, making a contribution to the firm and the rest of society for about half the cost. The philosophy of continued education for the paraprofessional expressed by the accounting profession should be compatible with objectives of the individual about to pursue an accounting career. Our experience with graduates from two-year accounting programs indicates a majority of the students have aspirations of continuing their college education in some manner after initial employment is made.

What Type of Accounting Firm Is More Likely to Employ a Paraprofessional?

Results from the survey . . . indicate that current and future utilization of paraprofessionals was taking place with the big eight and local certified firms, as well as with the licensed public accountant. A somewhat higher percentage of utilization of paraprofessionals was found in the smaller certified and licensed firm. . . . only 35 percent of the responding national firms compared to 66 percent of the regional and local firms were employing paraprofessionals.

Probably the greatest reason for the increased use of the

paraprofessional by the smaller firms is due to the fact that smaller firms perform accounting work for smaller and medium-sized companies, perform more write-up and bookkeeping type work, as well as preparing a large number of individual tax returns. This type of work at the present time lends itself to the use of paraprofessionals.

On the other hand, many accountants in smaller firms feel that because their staffs are small specialization cannot occur, making demands on accounting personnel to be one of a greater degree of flexibility. Proponents sharing this view feel that the accounting paraprofessionals would be at a great disadvantage due to their limited training.

What Type of Work Is Best Suited for Paraprofessionals in Public Accounting?

Activities performed would probably be in the areas of write-up work, auditing, and tax work. The results from our survey substantiate these findings.

Of the accountants polled, 80 percent felt the paraprofessional could perform activities such as footings, preparing schedules, and other write-up activities. Fifty-five percent of the accountants felt that the paraprofessional could assist in various auditing activities such as performing tests, counts, and tracings. One of the larger national firms . . . has established some very specific do's and don'ts for its audit technicians. Controls are built into its program to assure that technicians have no responsibility for decision-making or the judgment processes in an audit engagement.

Thirty-seven percent of the accountants indicated that the paraprofessional would be valuable in the preparation of tax returns. Many firms indicated that the work would probably be limited to individual returns.

Only a small percentage of accountants felt that paraprofessionals would be of much assistance in the management services area. [The survey] also found that the paraprofessional's role in public

accounting firms was usually limited to activities requiring a limited amount of professional judgment.

How Should Public Accountants View the Paraprofessionals' Role?

When accountants were asked how they viewed the performance of paraprofessionals on job-related activities, most, (57 percent), felt that their performance was very successful. Forty-three percent felt that their performance was moderately successful while no one reported unsuccessful performance.

The attitude problem is perhaps the greatest hurdle that the paraprofessional will face in public accounting. . . . findings seem to indicate that many accountants have an adverse opinion toward the employment of paraprofessionals. The adverse feelings could best be illustrated by the fact that many public accountants felt that they would be violating auditing standards if they employed accounting paraprofessionals. However, a proper organization of work, especially the audit, would eliminate this problem.

In accounting work, the accounting firm must constantly be cognizant of the generally accepted accounting principles. In auditing work, one must add the necessary compliance with generally accepted auditing standards. Now the question must be asked: Does the use of the paraprofessional in accounting or auditing work jeopardize the firm in any way in possibly not adhering to principles or procedures? It is the opinion of most, the authors included, that it does not. But there is a responsibility of the administrative staff of the accounting firm that cannot be ignored.

The Statement of Auditing Standards, i.e., The First General Standard, states that, "The examination is to be performed by a person or persons having adequate technical training and proficiency as an auditor." This means proper education and experience. Just as for a beginning junior accountant, the training of the paraprofessional must be adequate and with proper supervision and review of his work by a more experienced superior. As

the statement goes on, "the auditor charged with final responsibility for the engagement must exercise a seasoned judgment in the varying degrees of his supervision and review of the work done and judgment exercised by his subordinates, who in turn must meet the responsibility attaching to the varying graduations and functions of their work." The senior accountant must be extremely careful to exercise due care by critically reviewing the work done and judgment exercised by the paraprofessional. But this is nothing new or different than the review of any beginning junior accountant's work. The exception may be that the junior accountant may have more formal schooling than the paraprofessional has at this point in time. Still the work must be adequately planned and assistants properly supervised. As long as the accounting firm carries out these responsibilities, there should be no problem.

The stigmatism of the non-university graduate being employed in public accounting has been evident in many of our discussions with accounting firms in arranging cooperative education and graduate placement programs. The accounting profession must overcome this negative view if they are to maximize the efforts of the paraprofessional when a shortage of qualified professionals exists.

What Type of Hiring and Orientation Do Public Accounting Firms Use in Employing Paraprofessionals?

Most firms and accountants that were surveyed had limited orientation and hiring practices for paraprofessionals.

Personal conversations were conducted with some of the firms. They indicated the use of special procedures for recruiting of paraprofessionals. Most of the firms indicated that very little orientation, with the exception of introduction to employees, review of old audits, etc. was used. Most training seemed to come from actual field experiences, working with an experienced accountant. Most testing consisted of similar exams as ad-

ministered to others, but with different interpretations.

One of the most formalized hiring and training programs . . . has for several years used paraprofessionals both in a cooperative educational effort and as permanent employees. . . . much of their success in the employment of paraprofessionals is due to a very comprehensive screening and training program.

The training program . . . achieves the following objectives:

1. Introduces the employee to the firm and the public accounting profession.
2. Develops the basic skills involved in using audit programs, good workpaper preparation, and indexing, using the firm's uniform system.
3. Provides the employee with a proficiency in the use of adding machines and calculators.
4. Develops competence in the performance of selected audit procedures.
5. Instills good general work habits, including the need for speed and accuracy, maintenance of time records, and disposition of audit review notes.
6. Provides the trainee with guidelines for conduct in the field of communication with the in-charge accountant.

Experience shows that they select individuals with some college accounting courses, through a well thought-out selection process, and expose them to approximately three to four weeks of "in-house" training before any great amount of work assignments commence.

What Type of Educational Background Would Best Prepare the Paraprofessional for Public Accounting?

We established earlier in this investigation that the most popular concept of an accounting paraprofessional is one possessing two years of college with a large concentration of accounting courses. With this concept in mind, we will try to establish what accounting courses should make up the core of accounting courses for a two-year program.

In 1972 a special committee of

the American Accounting Association conducted a special study as to the ingredients of a junior and community college accounting program. This study indicated that the courses most commonly offered at the two-year level were: principles of accounting; cost accounting; intermediate accounting; auditing; and taxes.

The study also revealed that many two-year colleges offered a course in advanced accounting. It must be noted that many of the two-year programs mentioned in this study were programs designed to transfer into a four-year program and not necessarily to suit the needs for an accounting paraprofessional. The results from this survey indicate the following courses were felt essential by the polled accountants:

Principles of accounting	95	%
Intermediate accounting	85	
Taxes	75	
Payroll accounting	72.5	
Auditing	60	
Cost accounting	55	
Accounting ethics	55	
Accounting systems	47.5	
Advanced accounting	37.5	

When asked to indicate the number of credit hours, most accountants felt that nine hours of principles of accounting were essential. The breakdown of the other courses were somewhat mixed. . . .

To say that the accounting paraprofessional should be required to take courses in all of the above areas might be somewhat ambitious. If one takes the responses of 50 percent and over on course offerings and the largest response from the number of credit hours that accountants felt essential, we have the following suggested courses:

Principles of accounting	9	qtr. hours
Intermediate accounting	9	
Income taxes	9	
Auditing	6	
Payroll accounting	3	
Cost accounting	3	
Accounting ethics	3	

Again, we must indicate that the above represents only the most popular view. Many variations of credit hours and courses are available. The array of courses offered at the two-year level is also influenced by the fact that many of schools' products will be employed in positions in accounting for manufacturing and government.

It must be noted that many two-year accounting programs encounter problems when their students try to transfer into baccalaureate programs as evidenced by the American Accounting Association study. The problem is usually twofold. On one hand, the four-year colleges feel that transfer students from two-year colleges have inadequate instruction in prior accounting courses. The two-year colleges feel that the four-year colleges are being too rigid in some of their requirements. As a result, the students suffer.

The transferability problem can be minimized to a large extent by examination of objectives and restructuring by both the two- and four-year institutions. This fact was proven at the University of Cincinnati where students from a two-year college were having problems transferring into their baccalaureate accounting program. After some concessions from both parties, the two-year students are now receiving credit for about 85 percent of their course work.

One of the most surprising results from the responses received was the high number of accountants who felt that a course in accounting ethics should be offered in the two-year program for a paraprofessional. This was especially confusing when considering that special courses in ethics are currently being phased out of four-year accounting programs.

Conclusion

The facts are evident. The paraprofessional can help solve the problems that exist in the public accounting firm created by the misuse of accounting talent and the shortage of qualified professional accountants. The employment of the paraprofessional must be approached with foresight and caution



with the following considerations:

1. The employment of paraprofessionals must not become a situation where their future offers no options. They should be encouraged to continue their training and not be made to feel like "second-class" citizens. Perhaps preprofessional or accounting technician would be a more appropriate title than accounting paraprofessional.
2. Care must be taken in the screening, hiring, and training of paraprofessionals. Their employment record has been successful provided they are equipped for the task. Since the use of paraprofessionals in public accounting will be on the increase in the future, special consideration should be given to the orientation and organization of work so both the firms and the individual will benefit.
3. The use of paraprofessionals in public accounting should offer the accounting firm a possible way of reducing the client's fee without affecting the quality of work.

A Management Service Department in a Local Accounting Firm

By Max Block, CPA

The local accounting firm can and should generate a management services department. The notion of a "department" may sound odd to many local practitioners. Yet, it is practical in many cases where now deemed impractical, and it can have a major impact in the firm if carefully nurtured and administered.

The term *department* denotes an effort that is both linked to and independent of the accounting function. It does not necessarily require a segregated operation, particularly in a small firm with small business clients. But it does require an organized effort to provide aid to management wherever a need for it is perceived to become qualified as a general management practitioner by internal and external education, experience, and by contacts with specialists. In time perhaps the generalist may develop an expertise in one or more phases of business management.

The skeptical practitioner who has a successful practice and is heavily burdened may well question why he should assume a new responsibility. He may feel unequipped for such work and have doubts about being compensated satisfactorily, if at all, for the services. Valid as these concerns may appear at first thought, they are not necessarily valid upon close examination.

Initially it should be recognized that almost every CPA firm (which includes individual practitioners) has been providing such services. Is there a firm that does not occasionally improve systems, offer suggestions to tighten internal control, aid in securing financing, look into profit margin adequacy, recommend some cash-flow forecasting, consult with a client on various matters where he desires advice or independent confirmation, check insurance adequacy, recommend a pension plan, etc?

If such activities are rendered in a casual manner, just thrown in "for good measure," their value is lessened, compensation is minimal (if any), and valuable opportunities for the client and the auditor to grow may be lost.

If on the other hand, management services of a nature and extent relevant to clients' needs are made the firm's third basic service (in addition to accounting and taxes) and are formalized, they assume a different aspect. They offer tangible benefits to the client which, experience demonstrates, will be received more eagerly and generously than services that the client regards as imposed "overhead."

As a consequence of such services the auditor will find that his audit work becomes more practical, his reports more informative, and users of the financial statements will be well impressed, a favorable promotional consideration. A well pleased client becomes a promotional agent for his CPA as he sings his praises to fellow business people, his banker, and other people of influence.

Management Services Are Practical for Local Accounting Firms

The skeptical CPA then will ask,

what must I do to set up this department, how do I promote and get paid for the services?—worthy questions.

Setting Up the MAS Department

Here, in step form, is what the CPA should do:

1. List the MAS services that have been provided in recent years, indicating how they developed. This is the reservoir of services the company can readily provide (within its limits).
2. List additional services the firm believes its clients need. This is a guide to expansion of the reservoir at a later date.
3. List every client who may still benefit from the services the firm can provide, indicating the type of service.
4. Assess the firm's manpower status with respect to the MAS services to be provided. Strengthen the manpower capability by educational efforts as previously indicated.
5. Divide the MAS load, if necessary, between partners or partners and staff, making the delegation of functions according to capability, experience, and available time.
6. Until MAS services have grown to a point where they occupy all a person's time, those in the field may continue their accounting and tax activities. Thus there should be no idle time.
7. The firm should build up a small reference library and subscribe to one or two management magazines. Those in MAS work should attend Society seminars and EDP courses on subjects within the scope of their practice.
8. Very small firms may start out with a minimum number of services, those that could be helpful to many of their clients. As conditions permit, the range can be expanded.
9. Get acquainted with some independent specialists with whom you could consult on problems beyond your capability. They could be recommended to cooperate in or take full control of a job. There should be no reluctance in recommending a specialist because no one is a master of all trades.
10. Be alert in the course of your auditing or write-up work, and in conversations with principals and