

THE ACCOUNTING PROFESSION IN AMERICA

4. The Structure of American Professional Accounting

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4. THE STRUCTURE OF AMERICAN PROFESSIONAL ACCOUNTING

The purpose of this paper is to briefly describe professional accounting in the United States today. Professional accountants work in public accounting, industry, education, and government. There are many professional organizations for accountants in the United States. Three of these groups are described. This article also describes the different types of careers which an accountant can have in public accounting, industry, education, and government.

I. Professional Associations

The major American accounting professional associations are the American Institute of Certified Public Accountants (AICPA), the National Association of Accountants (NAA), and the Institute of Internal Auditors (IIA). The American Accounting Association (AAA) is the association of college and university professors. There are many other accounting and auditing organizations which have smaller member ships.⁽¹⁾ In general, to become a member of each of these organizations, one must pass an examination, meet educational standards, and agree to follow the organization's code of ethics. Each of these organizations publishes a magazine and other publications, as well as supporting research.

a. American Institute of Certified Public Accountants (AICPA)

In the United States, each state sets its own requirements for granting CPA certificates. In general, there are three requirements for a receiving a CPA certificate: education, examination, and experience. There is some uniformity of standards between the states. The usual educational requirement to become a CPA is to have a bachelor's degree in accounting. Most states require a bachelor's degree in accounting (or its equivalent) in order to become a CPA. Seven jurisdictions only require a high school diploma⁽²⁾ (Gleim and Delaney, p. 5). There are seven states which require five years of education. These are Alabama,

Colorado, Florida, Hawaii, Texas, Utah and West Virginia.

There are 40 jurisdictions which require two years of experience in accounting to become a CPA. Five jurisdictions require one year experience. Nine jurisdictions have no experience requirement. The required experience is usually with a CPA firm ; however, internal auditing in a corporation or bank, or work with some government agencies, is often acceptable to satisfy the experience requirement. Because of the differences which states have in education and experience requirements, moving to another state can be difficult for a CPA. Someone moving into the state must qualify for the standards of that state.

In the United States, by passing the certified public accountant examination, and fulfilling other requirements, a CPA "certificate" is awarded. This does not mean that a person can practice public accounting. In order to practice public accounting, one must have a license as well. All licenses are from state and other jurisdictions ; there is no federal licenses. The license is almost automatic if one has a CPA certificate.

There are Boards of Accountancy in each of the 50 states, Puerto Rico, Guam, the Virgin Islands and the District of Columbia. Through these Boards of Accountancy, each of these jurisdictions controls its own laws on licensing CPAs. CPAs are not licensed by the federal government.

There is a national society of certified public accountants. Anyone with a CPA certificate can join the AICPA. The AICPA is the largest society for accountants in the United States. There are about 255,000 members of the AICPA (AICPA, 1987). Almost 50% of these are in public accounting(AICPA, 1987 ; Stiner, 1986). Another 40% are in business and industry. The rest are in government, education, or retired.

The AICPA publishes the *Journal of Accountancy* monthly. The *Journal of Accountancy* reports on current issues in accounting, auditing, tax, and computers. The AICPA also sponsors many conferences and continuing education projects. The AICPA awards scholarships to blacks and women, to encourage them to become CPAs. The AICPA also awards doctoral fellowships and publishes many

books. A doctoral fellowship is a financial support for students getting their Ph. D. in accounting.

There are also CPA societies in each of the 50 states, Puerto Rico, Guam, the Virgin Islands, and the District of Columbia. Most of these CPA societies publish newsletters or journals to inform their readers of issues concerning that state. For example, most of these publications cover state income taxes. The largest CPA society is in New York state. That society publishes *The CPA Journal*, Which is recognized nationally for its articles on a wide range of topics.

The AICPA prepares the Uniform CPA Examination. This examination is used by all of the licensing jurisdictions. While this examination is prepared in the private sector, its use is controlled by the public sector. The individual jurisdictions coordinate their examination dates and continuing education through the National Association of State Boards of Accountancy (NASBA, 1987).

Much of American accounting arises from Great Britain. However, the American CPA is quite different from the chartered accountant of Great Britain. The first society of Chartered Accountants was in Scotland in 1853 (Edwards, 1978, p. 19). Not long after that, in 1888, the AICPA was formed in the United States (with its name originally the American Institute of Accountants). While chartered accountants were influential in the founding of the AICPA, the evolution of the licensing standards to become a CPA are mostly American. The name "certified public accountant" was deliberately chosen to avoid conflict with the name "chartered accountant" (Edwards, 1978, p. 53). Among other differences, American CPAs have shorter experience requirements than their British counterparts. Chartered accountants have two classes of membership, while there is only one class of CPA in the United States.⁽³⁾

The current CPA examination consists of four parts, given over three days, twice a year in May and November. The parts to the examination are:

Accounting practice	two parts ⁽⁴⁾
Accounting theory	one part
Auditing	one part

Business law ,

one part

Each examination has multiple choice questions. The accounting practice and the auditing parts have problems to solve. The auditing, theory and business law parts also require essays.

The accounting practice section tests knowledge of journal entries, worksheets, and financial statements. The candidate must have a knowledge of financial accounting, including the statements from the Financial Accounting Standards Board. Cost accumulation, planning, and control are tested on this examination, including topics in budgeting. Not-for-profit and governmental accounting are tested. Federal taxation is tested.

The accounting theory section tests the candidate's conceptual knowledge of accounting. The student may be asked to describe generally accepted accounting principles for assets, liabilities and owner's equity topics. Cost accumulation, planning, and control are tested. Not-for-profit and governmental accounting may also be tested.

The auditing portion of the CPA examination tests the professional responsibilities of the CPA, including ethical problems. Internal accounting control is tested. The conduct of an audit and reporting procedures are tested.

The business law section tests a knowledge of different business organizational topics, contract law, debtor-creditor relations, government regulation, and the Uniform Commercial Code (UCC). The Uniform Commercial Code was proposed by the private sector and has been adopted into law by 49 states⁽⁵⁾(Purver *et al.* 1983, p. 269). The UCC essentially is a mechanism to govern contracts arising from business transactions. The UCC recognizes that business practice is more diverse than any law can reflect. It relies heavily on historic business practice to resolve disputes.

The booklet *Information for CPA Candidates*, published by the AICPA, describes the content of each examination in detail. A copy is given to each candidate taking the examination. The volume of candidates taking the CPA examination has risen sharply in recent years. The booklet reports (p. 13) "...the November 1987 examina-

tion was written by over 71,000 candidates who completed over 258,000 papers." Clearly, many people are getting the CPA certificate to show that they know accounting, not because they intend to practice public accounting.

Not all parts of the CPA examination need to be passed at the same time. In most states, a student who passes two or more parts does not have to be tested on those parts again. After passing the CPA examination, most boards of accountancy require the students to pass an examination in ethics. The Code of Ethics of the AICPA is found in Appendix 2.

The social status of CPAs, as the status of other occupations, is subjective and difficult to determine. Many Americans do not have rigid ideas of status, and Americans are socially mobile, often moving up and down quickly in economic attainment. Among the professions, perhaps physicians and attorneys have a higher status than CPAs. Many sociologists in the United States have studied status, and it is a concept that can change quickly.

b. National Association of Accountants(NAA)

The National Association of Accountants is the professional association of accountants working in industry. This organization hopes to bring as much recognition to management accountants that the AICPA brings to CPAs. To accomplish this objective, the organization is active in certification programs, publishing, and education. The NAA is not associated with the AICPA.

The certification program is for the Certified Management Accountant (CMA) certificate. The CMA examination is five parts, given twice a year in June and December. The testing conditions are as controlled as the CPA examination is controlled. The parts to the examination are :

- Economics and business finance
- Organization and behavior
- Public reporting standards, auditing, and taxes
- Internal reporting and analysis
- Decision analysis

The organization and behavior section includes ethics. The decision analysis section includes mathematical modeling and information systems.

The NAA publishes the journal *Management Accounting*. The journal describes accounting for different industries. This journal provides interviews with leaders in industry. The NAA also publishes *Campus Report*, a semiannual publication for students. The organization supports doctoral students in management accounting.

Although the CMA is not as widely known as the CPA, even in the United States, it is recognized by major corporations as evidence of knowledge in management accounting. For example, in 1982 and 1983, DuPont Corporation had the University of Delaware faculty teach a CMA course for its employees. The significance of the CMA designation is unknown to most of the public. Larger corporations may prefer to hire CMAs to hiring CPAs, since CMAs have more testing in management accounting areas.

c. The Institute of Internal Auditors (IIA)

The IIA was created to give recognition to internal auditors. Internal auditing is essential for large organizations. The IIA publishes the journal *Internal Auditor*. The IIA administers the certified internal auditor (CIA) program. Those who have met the standards are known as Certified Internal Auditors ⁽⁶⁾ (CIA).

The requirements to become a CIA are a bachelor's degree, two years of internal auditing experience, and passing an examination. The examination tests students on :

1. Theory and practice of internal auditing
2. Management, quantitative methods, and information systems
3. Accounting, finance and economics.

To receive a CIA, one must have two years of auditing experience.

There are about 5,000 CIAs in the United States. Only the largest organizations employ them, since their skills are so specialized.

II. Public Accounting Organization

a. Proprietorship

CPA firms may be organized as proprietorships, partnerships, or professional corporations. The AICPA reports (1987) that there were over 121,000 CPAs in public practice. Arranged by the number of AICPA members which each firm has, the AICPA members were distributed as follows:

firms with one member	25.6%
firms with 2 to 9 members	34.0
firms with 10 or more members,	
except the 25 largest firms	15.5
the 25 largest firms	24.9

As can be seen in the above numbers, one-quarter of the AICPA membership is in practice alone. Such an arrangement is called a *proprietorship*. The advantages to having a proprietorship are personal control of one's own business. Firms that are two or more members are either partnerships or professional corporations.

b. Partnerships

A partnership is two or more persons carrying on a business as co-owners. Partnerships are the most common form of organization for CPAs in public practice, and all of the largest CPAs firms are organized as partnerships. Partnerships are a traditional form of organization for professionals. The advantage to partnership form of organization is that it is easy to form. A disadvantage is that each partner has unlimited liability for the actions of the other partner. At death, the partnership legally terminates, and a new legal entity is formed. The payment of a deceased partner's interest to a survivor can be difficult, since no cash assets may exist in the partnership.

Accounting Today recently described the structure of the largest public accounting firms (Crane, 1988). Table 1 shows the twenty largest American CPA firms, based upon the number of professionals working at the firm. The table shows that

the largest firms have over 1,000 partners. Table 2 shows the largest American CPA firms, based upon revenues. The largest firm, Arthur Andersen, has over \$ 1.5 billion in revenues. In the past, New York City was the headquarters for many CPA firms, because so many companies were headquartered in New York. Many corporations have moved their headquarters out of New York City, and the CPAs have done likewise. *Accounting Today* reports, "Only 15 of the nation's 50 largest accounting firms now call New York their headquarters."

In American public accounting, the eight largest accounting firms were called "the Big 8." Crane (1988) reports :

Among them, the Big 8 firms employ 84,133 professionals. The remaining 42 accounting firms on our list employ a total of 17,724 [persons].

Also, among them, the Big 8 firms have more than 36,000 CPAs (using 3,000 as an assumption for Arthur Young...). The remaining 42 firms on our list report a total of just over 9,000 CPAs.

The 45,000 CPAs in the 50 largest firms represent the equivalent of about 15 percent of the membership of the American Institute of CPAs.

An August, 1989, Arthur Young and Ernst and Whinney merged to form Ernst and Young, as of this writing, other mergers are being discussed.

The seven largest firms after the Big 8 are often called "the second tier" of public accounting firms.

Table 1. The 20 largest American CPA firms, based upon the number of professionals.

<u>Firm</u>	<u>Professionals</u>	<u>CPAs</u>	<u>Partners</u>
1. Arthur Andersen	15,206	4,693	1,207
2. Coopers & Lybrand	14,493	3,996	1,176
3. Peat Marwick Main	13,107	8,189	1,922
4. Ernst & Whinney	10,650	6,144	1,240
5. Price Waterhouse	9,360	3,120	805

6. Arthur Young	7,500	n. a.	850
7. Touche Ross	7,100	3,100	780
8. Deloitte, Haskins & Sells	6,717	4,600	817
9. Laventhol & Horwath	3,315	1,090	460
10. Grant Thornton	2,100	1,200	350
11. Seidman & Seidman	1,629	943	316
12. McGladrey & Pullen	1,531	1,031	391
13. Pannell Kerr Foster	1,014	453	150
14. Spicer & Oppenheim	670	275	106
15. Kenneth Leventhol	658	335	63
16. Clifton Gunderson & Co.	448	270	80
17. Crowe Chizek & Co.	435	165	67
18. Baird Kurtz & Dobson	401	308	104
19. Plante & Moran	330	270	72
20. Moss Adams & Co.	312	196	61

n. a. = not available

Source : "The 50 Largest U. S. Accounting Firms," *Accounting Today*, September 12, 1988, p. 6.

Table 2. Revenues and number of offices of the 20 Largest CPA Firms in the United States.

<u>Firm</u>	<u>Revenues (in millions)</u>	<u>Number of offices</u>
1. Arthur Andersen	\$ 1,513	81
2. Coopers & Lybrand	1,100	98
3. Peat Marwick Main	1,640	135
4. Ernst & Whinney	1,030	117
5. Price Waterhouse	845	112
6. Arthur Young	738	95

7. Touche Ross	820	80
8. Deloitte, Haskins & Sells	701	111
9. Laventhol & Horwath	306	50
10. Grant Thornton	206	53
11. Seidman & Seidman	160	48
12. McGladrey & Pullen	141	70
13. Pannell Kerr Foster	93	35
14. Spicer & Oppenheim	67	9
15. Kenneth Leventhol	109	13
16. Clifton Gunderson & Co.	35	30
17. Crowe Chizek & Co.	34	7
18. Baird Kurtz & Dobson	39	20
19. Plante & Moran	43	11
20. Moss Adams & Co.	30	16

Source : "The 50 Largest U. S. Accounting Firms," *Accounting Today*, September 12, 1988, p. 6.

c. Professional Corporations

There are advantages in organizing as a corporation. In general, organization as a corporation has two principal advantages :

1. limited liability to stockholders
2. easily transferred ownership

Prior to revisions in the tax law, there were also advantages to corporate form of organization. The old tax law provided for deductibility of pension payments and health insurance for employees. For partnerships, there was no deductibility of pension payments and health insurance for partners, since they were owners of the firm, not employees of the firm.

For this reason, CPAs, lawyers, physicians, and other professionals lobbied state legislatures to enact statutes permitting incorporation for professionals. These

statutes permit professionals of all kinds to form corporations. These corporations are called "professional associations" (P.A.) or "professional corporations" (P.C.), depending on the state law. When organized this way, P.A. or P.C. is shown after the firm name, just as "Inc." or "Corp." is required to be shown after a corporation name. All stockholders of P.A.s and P.C.s are required to be licensed to conduct that business and all shareholders have unlimited liability, just as is required for conducting business as a partnership. The tax law has been changed, and there is no longer any incentive to incorporate a professional practice. However, many P.A.s and P.C.s remain in existence today.

III. Career Paths

a. Career Paths in Public Accounting

There are many possible career paths in public accounting. The type of work will be depend upon such factors as firm size, location, and type of clients served. In large firms, new graduates in public accounting usually enter as staff accountants on the audit staff. For the first several years, the accountant is called "a staff accountant." After that time, the accountant will have passed the CPA examination, and acquired the necessary experience to be licensed. Many leave public accounting after the first two or three years.

After several years experience, a public accountant will be called a "senior accountant." Senior accountants are in charge at a company's audit and will often be supervising staff accountants on the audit engagement. A manager supervises senior accountants. Managers plan audits and review the results of audit engagements. A partner is an owner of the firm. Only 2% of those entering public accounting become partners (Source Finance, 1988). All the others have left for other occupations.

Larger firms permit their accountants to specialize in taxes or management advisory services. Tax staff accountants prepare simpler tax returns. As one progresses as a tax senior accountant and tax manager, one does more planning and review. Management advisory services (MAS) are engagements to install

accounting systems, computer systems, budgeting and financial analysis. In smaller CPA firms, most accountants will do general accounting, auditing, and taxes.

There are two major personnel agencies in the United States which help accountants change jobs. These two are Robert Half and Source Finance. Both of these publish annual salary information. Source Finance reports that public accounting has the following median salaries in 1988 :

staff	\$ 25,000
senior	30,500
manager	46,000
partner	75,000

Partners in the largest firms usually make over \$100,000. Salaries vary by geographic regions. For example, salaries in New York and San Francisco are very high, but these areas are expensive places to live.

b. Career Paths in Industry

Career paths in industry are more variable than public accounting. The accountants' work will vary because of differences among industries, and differences in the type of accounting system used. For example, one would expect a manufacturing firm to have a number of accountants as cost analysts, while retailing operations will have a number of accountants involved in accounting for receivables and inventory.

Organizational structure is quite different among American businesses. This discussion will be for large, publicly-traded corporations. In general, the stockholders elect a board of directors. The board of directors is composed of "inside directors " and "outside directors." The inside directors are the president, and perhaps one or more vice presidents. The outside directors are business representatives from other companies or from universities. American securities laws place large legal liabilities on the board of directors of a corporation. The board of directors selects a president or chief executive officer (CEO). There will be a

financial vice president who reports to the president. This position is often referred to as chief financial officer (CFO).

It is a fundamental principle of internal accounting control that there be a separation of asset-handling and record-keeping. The accountant in charge of asset-handling is the treasurer of the company. The accountant in charge of record-keeping is the controller. These two report to the CFO. There will be an internal audit department as well. The internal auditor reviews the organization, and can report directly to the president. At least once a year, the internal auditors meet with the audit committee of the board of directors. The audit committee is composed of outside directors. In this way, the internal auditors report without the management being present, and can be candid with directors who have large liability for any irregularity.

Source Finance provides salary information on the following occupations in business and industry. These occupations are examples of some occupations for accountants: cash manager, cost accounting, credit manager, EDP auditing, financial systems analysis, financial planning/analysis, general accounting, internal audit, lending officer, taxation, controller, and chief financial officer. This list suggests the range of activities for accountants.

The 1988 compensation data for jobs in industry are shown in Table 3. Salaries can vary greatly in business and industry. A controller or treasurer has a median salary of \$56,300. The chief financial officer of a corporation has a median salary of \$65,000. However, these salaries can be higher in the larger corporations. Some accountants become presidents of their corporations, and their compensation would be highest.

Salaries in industry are not always comparable to public accounting, because public accounting does not have stock options, automobiles, and other fringe benefits found in many corporations.

Table 3. Median salaries for various occupations in industry.

	<u>Staff</u>	<u>Senior</u>	<u>Manager</u>
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Cost Accounting	\$ 25,000	\$ 34,500	\$ 40,000
EDP Auditing	32,500	38,000	45,000
General Accounting	24,000	31,000	40,000
Internal Audit	25,500	33,700	41,700
Taxation	26,000	35,400	41,500

Source : Source Finance, *1988 Accounting and Finance Salary Guide*.

c. Career Paths in Education

Many professors in the United States have experience in public accounting. A typical career pattern for a professor is to work in accounting to work in a CPA firm for two or three years. The accountant then returns to school for a Ph. D. The American author of this article worked in public accounting full-time both before and after getting a Ph. D.

Academic hierarchies in the United States are somewhat different in each college and university. An example of a typical structure of a university is the University of Delaware :

Board of Trustees (responsible for selecting university personnel, investment decisions, etc. They choose the president.)

President (responsible for internal and external activities of the university)

Provost (oversees internal operations)

Dean (for each college within the university)

Chairperson (for each department)

Faculty

The faculty is "tenure track" and "non-tenure track" faculty. Tenure track faculty are : professors, associate professors, and assistant professors. Each of these professors either has tenure or can be granted tenure in the future. Non-tenure track faculty are those who work only on contract, usually for one year at a time. These are called "instructors" or "lecturers." They usually have a CPA certificate, and an M.B.A. or an M.S. in accounting.

The academic ranks for professors are assistant professor, associate professor, and professor. There are no minimum ages for these ranks. It is possible to receive a bachelor's degree (B. S.) at 22 years of age, enter a doctoral program, and have a doctoral degree (Ph. D.) by age 26. By federal law, there will be no mandatory retirement of professors after 1992.

Usually, assistant professors work at a college or university for six years before being considered for promotion. In the seventh year, one "goes up for tenure." Tenure means a life time appointment at the university. If one does not get tenure, one must leave the university and go elsewhere the following year. Granting of tenure and promotion to associate professor usually go together. Promotion to full professor usually is a few years later. Often, people do not get promoted to full professor, and spend the rest of their careers as associate professors.

We estimate that accounting professors' salaries in the United States will be \$56,000 for a new Ph. D. who begins work in the fall semester, 1989. This salary is for someone with degree "in hand"; that is, they have just received their doctorate. The salaries for existing assistant professors are often lower than salaries for new assistant professors, because the schools must pay market prices to hire new faculty.

Accounting faculty salaries may vary because of geographic considerations. They also vary by size and quality of school. Private schools usually pay less than public schools.

Associate professors' and professors' salaries vary greatly as well. After arriving at a school, salary increases are often only a flat percentage, and not often adjusted because of changes in the marketplace. It is possible that an associate professor be making less than an assistant professor, and then move for a 20-30% raise in salary. Younger faculty move a great deal between schools. Most move at least twice before receiving tenure.

Once one is a tenured professor, there are many reasons not to change schools. Selling a house can be costly, and a working spouse may have to find new

employment. Some colleges and universities have attractive fringe benefits. For example, at the University of Delaware, professors' children pay only half the regular in-state tuition rate.

d. Career Paths in Not-for-profit Organizations

The federal government is a major employer of accountants, and many accountants are employed by state and local governments as well. With such variety of careers, only a few career choices can be described. Every agency of the United States government needs accountants. Entry level positions into the federal government are frequently for tax positions and for cost analysis. Many are involved in treasury activities collecting taxes. Large numbers of accountants are needed for budgeting.

The General Accounting Office (GAO) is an example of accounting in the federal government. The GAO is the audit group which reports to the U. S. Congress (Williams, 1985). The purpose of the GAO is to assist Congress in carrying out legislative functions. Their purpose is also to audit and evaluate government programs and activities, and make recommendations for more efficient operations. The GAO employs 5,100 persons. The role of the GAO is to audit the executive branch of government ; that is, the audit all of the U. S. government's departments, including the military. These audits are not only financial audits, but also audits of the efficiency and effectiveness of programs. For example, the GAO may review the tax system, nuclear energy policy, financial statements of government agencies, and aviation. The GAO advises Congress of policy choices, and often give important testimony during appropriation hearings. All U. S. government accounting systems must be approved by the GAO before the system becomes operational.

Federal government salaries, according to the U. S. Code (1988), start at over \$18,000 for entry-level accountants. The highest salaries can be over \$60,000. In addition, vacation time begins at 13 days a year for new accountants, and rises to 26 days per year after 15 years of service. There is generous sick leave. Other

leave is granted for military service and maternity. Part of health and life insurance is paid for by the government. The pension program is generous.

An example of what a GAO accountant might do is found in GAO recruiting literature (Solis and Delvecchio, 1988). The accountant performs a review of accounting systems. Accountants chart and study the flow of accounting documents. A staff accountant would initially learn the policies and procedures of programs being audited. Accountants collect information, analyze it, and make recommendations. GAO auditors may interview government officials. After three to four years experience, a member of the GAO will specialize in a particular area.

There are many other not-for-profit organizations in the United States which employ accountants. These organizations include colleges and universities, hospitals, and not-for-profit institutions who need many accountants to process payroll, tuition receipts, government grants, and other funds.

IV. Future Developments in the Profession

a. Changes to the CPA Examination and Licensing Requirements

Many changes to the CPA examination have been proposed. The content of the CPA examination has changed over the years, to include topics such as not-for-profit accounting, statistics, and computers. Critics have said that the test on accounting practice and the test on accounting theory are now overlapping examinations. The theory examination has become essay questions and multiple choice questions on practice topics. Since practice and theory are so closely related, a new examination, "Accounting and Reporting" would replace the current practice examination and theory examination. Beginning in 1992, the CPA examination would last two days. The proposed examination would be in three parts:

Accounting and Reporting	two parts
Auditing	one part
Business Law	one part

The business law test would become all multiple choice questions. Auditing, and

accounting and reporting, would be multiple choice, essays, and problems. Currently, students are not permitted electronic calculators during the examination. The students would be permitted calculators to take the examination.

Beginning in the year 2000, the AICPA will require five years of education in order to become a member of the AICPA. This was voted upon by the membership. This may have an effect on state boards of accountancy, by encouraging the boards to raise the education standards for getting a CPA certificate.

b. Employment Issues

A recent report from the U. S. Department of Labor estimates that there are 945,000 accountants and auditors employed in the United States. The forecast is that by the year 2000, this employment will increase by 376,000, for a total of 1,321,000 persons. This growth is faster than the population growth.

The number of accounting standards continues to expand. The Financial Accounting Standards Board (FASB) writes the standards for accounting standards. The number of governmental accounting standards is also increasing. The Governmental Accounting Standards Board (GASB) was formed in 1986, and has begun the organization process for accounting standards in government, just as the FASB did for financial accounting. The GASB will also add to the body of accounting knowledge.

Self-regulation has been controversial for several years. Self-regulation means that CPAs regulate each other's quality of work, through a "peer review" program. A peer review program means that a peer (another CPA) visits a CPA firm. During the visit, the CPA reviewer examines files to see that professional standards are being maintained. At the end of the visit, the reviewer will write a report making suggestions for improvements of the CPA firm's practice. The AICPA has a mandatory peer review program for CPA firms with publicly traded clients. This program has been extended to part-time CPAs and those without audit clients.

One issue for the future might be a uniform standard for education and experi-

ence requirements. CPAs moving from one state to another may have trouble obtaining a license to practice in the new state. Since each state does its own licensing, there are differences in requirements which can delay a CPA from getting a license in a new state. For example, the state of Maryland has no experience requirement in order to be licensed as a CPA. The state of Delaware has a two-year experience requirement. A Maryland CPA moving to Delaware must have two years experience in public accounting before a license can be issued. Usually, states will accept the results of a CPA examination taken in another state. Granting a license to someone who has a CPA certificate from another state is called "reciprocity."

c. General Trends in Public Accounting

The Colorado Society of CPAs commissioned a study on the shape of public accounting in the 1990s (Task Force '90, 1984). They foresee changes in technology, education, human resources, growth prospects, and government regulations. While much of the report concerns Colorado, many of the trends found in Colorado are found in the entire United States.

In technology, microcomputers will be found in even the smallest business. Rather than developing financial statements for clients, CPAs will be using the new technology to show clients how to generate their own financial statements. Entry-level staff accountants will be expected to know use of microcomputers. Furthermore, communication with clients will not be in person, but rather over computer links. Large data bases for educational literature reviews will be used. Comprehensive databases (such as LEXIS/NEXIS) will be used to research tax and accounting problems.

In human resources, career paths will become much more variable. Career paths will adapt to the changing technology. Rather than beginning careers in public accounting, and then moving to industry, many students may begin their careers with several years experience in industry, and then move to public accounting. More diverse people will be attracted to public accounting, as technological

change gives the opportunity to specialize in different aspects of technology.

One great change will be the large number of women becoming partners in CPA firms. The usual time to partner is 8-15 years in most firms. Women did not begin majoring in large numbers until the late 1970s. Many of these early entrants are becoming partners. Now that over 50% of all accounting graduates are women, this trend will accelerate into the next century.

The market for CPA firms is segmented. Larger firms are full-service companies, able to handle any assignment in accounting, auditing, tax, and management advisory services. On the other hand, these firms have high overhead, and smaller CPA firms are able to compete successfully by identifying specific market niches to serve. Marketing of CPA services is a fast-growing area, and is likely to grow further.

In government regulation, the national trend is deregulation of industries which were previously tightly controlled. In the CPA profession, the regulations in the past have prevented some activities, such as advertising and belonging to an incompatible occupation.⁽⁸⁾ CPA firms are now allowed to advertise and act as brokers to clients. However, regulation of professional competency and knowledge of accounting is receiving more attention. Continuing professional education (CPE) is required by all states. To keep a CPA certification, 40 hours of CPE is required every year, even for those members who are not in public accounting.

In the future, American CPA firms will probably continue to expand into non-traditional areas, such as management consulting, investment sales, computer programming, and other areas. Management consulting has been the fastest growing part of CPA firms. Financial planning may also grow quickly, now that CPAs are permitted to sell investments, such as stocks and insurance policies. Finally, there continues to be heavy growth in international accounting and auditing.

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APPENDIX 1

Abbreviations Used in this Article

A. A. A.	-American Accounting Association
A. A. C. S. B.	-American Assembly of Collegiate Schools of Business
A. I. C. P. A.	-American Institute of Certified Public Accountants
B. S.	-Bachelor of Science
C. A.	-Chartered Accountant
C. E. O.	-Chief Executive Officer
C. F. O.	-Chief Financial Officer
C. P. A.	-Certified Public Accountant
C. P. E.	-Continuing Professional Education
Corp.	-Corporation
D. C.	-District of Columbia
E. D. P.	-Electronic Data Processing
F. A. S. B.	-Financial Accounting Standards Board
F. C. A.	-Fellow Chartered Accountant
G. A. O.	-General Accounting Office
G. A. S. B.	-Governmental Accounting Standards Board
I. I. A.	-Institute of Internal Auditors
Inc.	-Incorporated
M. A. S.	-Management Advisory Services
M. B. A.	-Master of Business Administration

M. S.	-Master of Science
N. A. A.	-National Association of Accountants
N. A. S. B. A.	-National Association of State Boards of Accountancy
P. A.	-Professional Association
P. C.	-Professional Corporation
Ph. D.	-Doctor of Philosophy
S. E. C.	-Securities and Exchange Commission
U. C. C.	-Uniform Commercial Code

APPENDIX 2

The Six Principles of the AICPA Code of Professional Conduct

Article I. Responsibilities.

In carrying out their responsibilities as professionals, members should exercise sensitive professional and moral judgments in all their activities.

Article II. The Public Interest.

Members should accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate commitment to professionalism.

Article III. Integrity.

To maintain and broaden public confidence, members should perform all professional responsibilities with the highest sense of integrity.

Article IV. Objectivity and Independence.

A member should maintain objectivity and be free from conflicts of interest in discharging professional responsibilities. A member in public practice should be independent in fact and appearance when providing auditing and other attestation services.

Article V. Due Care.

A member should observe the profession's technical and ethical standards, strive continually to improve competence and the quality of services, and discharge

professional responsibility to the best of the member's ability.

Article VI. Scope and Nature of Services.

A member in public practice should observe the Principles of the Code of Professional Conduct in determining the scope and nature of services to be provided.

Source : AICPA, 1988, pp. 4-7.

FOOTNOTES

- (1) For example, there are professional organizations for those specializing in computer auditing, bank accounting, etc. They will not be discussed here because of lack of space.
- (2) A "jurisdiction" is a legal district. Each of the 50 United States is a jurisdiction which issues CPA certificates. Guam, the Virgin Islands, Puerto Rico, and the District of Columbia are not states, but are jurisdictions which issue CPA certificates. The District of Columbia (D. C.) is the jurisdiction in which Washington, D. C. exists. Washington, D. C. is the capital of the United States; it should not be confused with the state of Washington, which is one of the 50 states.
- (3) For British accountants, once one meets all the requirements, one becomes a chartered accountant, C. A. After 10 years as a C. A., one becomes a fellow chartered accountant, F. C. A.
- (4) The accounting practice part has two parts, because there is so much material to cover.
- (5) The law in each American state rests upon the law of the land before the state was formed. The eastern states are based upon English common law. The 13 western states are based upon Spanish law. The states try to have uniform commercial laws, with small adjustments for local differences. Usually 49 states will have the same law. Whenever only one state has a different law, that state usually is Louisiana. Louisiana, bought from France in 1803, follows a legal system based on the Napoleonic Code.
- (6) The initials are the same as the U. S. Central Intelligence Agency. The two groups are not related in any way.
- (7) An "incompatible occupation" is one which conflicts with being a CPA. For example, preparing a client's tax return and then acting as a broker to sell the client an investment to reduce taxes was considered unethical. However, this is now permitted.

SUGGESTED READING

This section suggests places to write for more information.

The booklet *Information for CPA Candidates* is distributed free from the AICPA. The

AICPA publishes a free catalog, which lists books for sale. For a fee, the AICPA also distributes the *Digest of State Accountancy Laws and State Board Regulations*, and publishes *The Journal of Accountancy*. Copies of these can be obtained from :

American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036 USA

The IIA publishes the journal *The Internal Auditor* and many other publications. A catalog of publications can be obtained from :

Institute of Internal Auditors
249 Maitland Avenue
P. O. Box 1119
Altamonte Springs, FL 32701 USA

The NAA publishes the journal *Management Accounting*, and many other publications. Their address is :

National Association of Accountants
10 Paragon Drive
Montvale NJ 07645-1760 USA

For all occupations, the U. S. Department of Labor makes employment forecasts. These forecasts are published annually in the book, *Occupational Outlook Handbook*. There is also a magazine, *Occupational Outlook Quarterly*, which publishes articles on education and specific jobs. Both of these are available at a reasonable price from :

Superintendent of Documents
U. S. Government Printing Office
Washington DC 20402 USA

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