1971

An Inquiry Into Specialization for Certified Public Accountants.

Jesse Tobias Barfield

Louisiana State University and Agricultural & Mechanical College

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BARFIELD, Jesse Tobias, 1938-
AN INQUIRY INTO SPECIALIZATION FOR CERTIFIED PUBLIC ACCOUNTANTS.

The Louisiana State University and Agricultural and Mechanical College, Ph.D., 1971
Accounting

University Microfilms, A XEROX Company, Ann Arbor, Michigan

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AN INQUIRY INTO SPECIALIZATION FOR CERTIFIED PUBLIC ACCOUNTANTS

A Dissertation

Submitted to the Graduate Faculty of the Louisiana State University and Agricultural and Mechanical College in partial fulfillment of the requirements for the degree of Doctor of Philosophy

in

The Department of Accounting

by

Jesse T. Barfield
B.S., Florida State University, 1961
M.Acc., Florida State University, 1962
August, 1971
PLEASE NOTE:

Some Pages have indistinct print. Filmed as received.

UNIVERSITY MICROFILMS
ACKNOWLEDGMENT

The writer is indebted to Professor James W. Pattillo, Chairman of his Supervisory Committee, for guidance throughout this research. Appreciation is extended to Professors Fritz A. McCameron, William E. Swyers, and Charles O. Walker for their many helpful suggestions as the work progressed. The advice and encouragement so willingly provided by Professors Edmund R. Gray, Robert A. Rentz, Jr., and Donald L. Woodland are gratefully acknowledged.

It is a pleasure to acknowledge the extensive time, effort, and expertise so generously provided by Dr. Hite Bennett in advice and assistance regarding statistical tools and computer programming. To the University of West Florida computer center staff, thanks for their willing assistance.

The writer appreciates the efforts of the 758 CPAs who took time from the rigors of their professional pursuits to complete and return the questionnaire.

Finally, the writer is grateful to his wife for her typing efforts, proofreading, patience, and encouragement throughout the course of this work.
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ABSTRACT

The investigation attempts to identify the advantages and disadvantages of professional specialization, to answer whether the accounting profession should consider the certification of CPAs as specialists, and to provide some feasible alternatives for the implementation of a program of specialization.

The research involved a questionnaire survey of members of the American Institute of Certified Public Accountants and a survey of the literature in the accounting, medical, legal, and engineering fields.

The results of the random sample survey are based on the answers of 753 respondents who are segmented in the general pattern of the AICPA as reported in AICPA publications. These results are representative of the characteristics and opinions of the membership of that organization.

The study makes the hypotheses that: (1) the number and profoundness of changes within and peripheral to the practice of accountancy necessitate that accountants specialize, (2) changes within and surrounding accountancy prohibit equal expertise in all areas, (3) specialization is currently being practiced to some degree by accountants as a natural process, (4) obsolescence is a function of
accelerating change, and (5) professional obsolescence exists among a large segment of the accounting profession.

An extensive discussion of specific changes within and surrounding accounting and the implications of such changes for specialization are presented.

Findings and conclusions of the investigation include:

1. CPAs are generally not satisfied with the time and energy available to maintain an equal level of extensive proficiency in all areas of accounting practice (i.e., accounting and auditing, management services, and taxation). The majority of CPAs feel that the task of maintaining an equal level of proficiency in all areas of practice ranges in description from "possible but hardly probable" to "impossible."

2. CPAs seldom make or receive referrals, and 59% are not satisfied with the means available to CPAs in general to determine the best fellow practitioner with whom to consult or refer.

3. The most frequently cited advantage of specialization is that since no man can be expert in all areas of accounting, formal specialization would help to insure proficiency in a particular field.

4. The most frequently cited argument against certification of specialists is that the public would be better served by a CPA's reputation since labels are no
assurance of proficiency.

5. The above findings and others are used to support the before-mentioned hypotheses.

6. As the scope and complexity of accounting increase, specialization is expected to increase also. For a profession which involves clients to plan, to leave to chance the hope that the benefits of specialization will be maximized and the disadvantages will be minimized seems indefensible.
CHAPTER I

INTRODUCTION

Nature and Purpose of the Study

The complexities of an industrial society encourage a high degree of specialization in all professions. The accounting profession is no exception. Its scope is so wide and varied that many individual CPAs choose to specialize in particular types of service.

The above statement is important because it was made by Council of the American Institute of Certified Public Accountants (AICPA). As such, the statement reflects the thinking of some of the active leadership in the accounting profession.

Within recent years the accounting profession witnessed a number of sweeping changes in the environment within which it operates, and more importantly, within the profession itself. Some of the changes which will be elaborated upon in this study indicate that the accountant must necessarily become progressively more sophisticated in his knowledge and ability to record, process, present, and interpret information. One challenge the

accounting profession must face squarely is maintaining excellence in serving those interested in the services accountants provide despite the broad and rapid changes which make this task progressively more difficult.

Over the years, a number of forward-thinking accountants have advocated professional specialization as an effective and efficient system to insure that the client obtains excellence in the services provided by them. John L. Carey, discussing specialization, has commented:

The objective is to have every CPA using his own particular knowledge and skills at the highest possible level, with the greatest possible efficiency, so that the public may have the widest possible benefit of accounting services of the highest possible quality.2

The purposes of this study, broadly, are threefold: (1) to explore the advantages and disadvantages of professional specialization, (2) to attempt to answer whether the profession should move in the direction of formal specialization, and, if so, (3) to propose some feasible alternatives for implementation.

Background and Present Status

The accounting profession finds itself in the middle of an "information explosion." With the help of sophisticated new tools such as the computer, the store

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of knowledge is expected to double within the next ten years.\(^3\) Within the accounting profession itself, the accountant finds himself flooded with general purpose and technical literature, tax law changes, SEC and other regulations, AICPA pronouncements, and management services publications. An encyclopedic memory would be required to absorb all this information even if the practitioner were exposed to it and had time to read it all. The time may come, if indeed it has not already arrived, when the CPA will find that his mental circuits are being overloaded in trying to read and absorb all that is changing in the various divisions of accounting practice. Many accountants will probably react by admitting to themselves that they cannot absorb all that is being published. They then will resort to reading only those publications which are of specific interest or usefulness to them. If a question arises in an area in which the accountant is not well-versed or current, he must approach reading material on a crisis basis in order to meet the demands of the moment.

Discussing the knowledge explosion, AICPA Past-President, Marvin L. Stone, exhibited his intensive feelings concerning specialization in these remarks:

It has been estimated that the total fund of knowledge has quadrupled since 1950. Specialization is a logical result of this "knowledge explosion." No one of us is equipped to absorb all of the new knowledge which is uncovered in our respective lines of endeavor. Consequently, it becomes necessary for each one of us to stake out for himself a narrow area in which to become expert.4

As computer usage grows and businesses become more fully automated, fixed investments in computers and automated machinery will involve great sums of funds which will be committed for many years. It is of paramount importance that the accountant, in order to continue the role of a leader in providing information, be equipped with sufficient knowledge regarding EDP systems and the recent refinements in problem-solving concepts which have appeared with the arrival of the computer.5

Stone notes the natural gravitation of the accounting profession in the direction of specialization in the following remarks:

The trend toward specialization has been caused, first, by the increased quantity of knowledge which has been accumulated about the traditional areas of an accountant's service. Second, accountants are being asked to serve their clients in a variety of new ways, all of


5Examples of some of these problem-solving techniques are PERT, simulation, queuing theory, statistical probability theory, linear programming, and several tools developed by students of financial management such as the discounted cash flow techniques for making capital budgeting decisions.
which require additional specialized knowledge. As a result of this deepening and broadening of our services to clients, it is sometimes hard to believe that two CPAs practicing in different specialties are actually members of the same profession.6

Strong evidence of the natural tendency to specialize can be seen in the larger firms. Through on-the-job training of accountants and through hiring non-accountant specialists, the national firms have been coming to some degree with the varied needs and demands of their clients. These larger firms, for example, have specialists in the areas of accounting with and auditing of FDP systems, management advisory services, and taxation.

Hypotheses

First hypothesis. Current changes in environment and within the accounting profession necessitate that accountants focus a major portion of time and attention on specialized areas.

Second hypothesis. Current changes in environment and within the accounting profession generally prohibit equal expertise in all branches of accounting.

Third hypothesis. Specialization is already practiced to a moderate extent in the accounting profession as a natural process.

6Stone, loc. cit.
Fourth hypothesis. Professional obsolescence is a function of an accelerating change in concepts, tools, techniques, and increased technical demands upon the professional person.

Fifth hypothesis. Professional obsolescence is a current condition of fact among a large segment of the accounting profession.

Methodology of the Study

First phase. A comprehensive survey was made of the literature in the field of accounting and in the literature of other major professions which have specialized (i.e., medicine, law, and engineering). This included journals, books, and publications of relevant professional societies and of governmental agencies.

The search included investigating the claimed advantages and disadvantages of specialization for accountants. Also, claims of any new demands upon accountants which are thought to dictate specialization were explored.

Examining the literature of other professions was undertaken to determine advantages and disadvantages which have been claimed subsequent to actual implementation in those professions (such as quality of services and productivity of the profession). Some insight was gained regarding the problems of these professions in
implementing specialization and how these problems were addressed. Finally, such reading provided valuable information by which the accounting profession, if it decides to accredit specialists, can make a smooth transition by avoiding some of the mistakes which may have been made in the other professions.

Second phase. A random sample questionnaire survey of 3,000 CPAs, who are members of the AICPA, was utilized to determine attitudes and facts concerning the merits and demerits of formal specialization and preferences regarding implementation.

A pretest of the questionnaire in a preliminary survey was made to determine the effectiveness of the questionnaire, and the results of the pretest were also used in defining an adequate sample size.

Seven hundred fifty-eight responses were received, and the composition of these are set forth in Table 1.1. Also included for comparative purposes in Table 1.1 is the composition of the membership of the AICPA as of November, 1969, just three months prior to the mailing of the questionnaires.7

The percentages presented in Table 1.1 support the contention that the responses to the survey are stratified occupationally in approximately the same pattern as that

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of the AICPA. Therefore, to this extent, the survey is statistically representative of the AICPA.

Table 1.1
Comparison of Percentages of Occupational Classifications of AICPA Members with Those of Respondents to Survey

<table>
<thead>
<tr>
<th>Occupational Classification</th>
<th>AICPA Composition Percentage</th>
<th>Survey Composition Percentage</th>
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<tr>
<td>Public Accounting</td>
<td>63</td>
<td>58</td>
</tr>
<tr>
<td>Business, Industry, Governmental, and Other</td>
<td>34</td>
<td>37</td>
</tr>
<tr>
<td>Education</td>
<td>3/100</td>
<td>5/100</td>
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Third phase. From the information obtained from the first and second phases, alternative approaches to implementation were developed for the consideration of the profession. This phase involved deductive methodology in extending the findings of the first and second phases into workable and hopefully acceptable alternative plans for specialization in the accounting profession.

Scope and Delimitations

The scope of this work covers the question of specialization for CPAs in the United States of America. The survey which is reported as part of this dissertation
is restricted to members of the AICPA. The results include responses of both practicing and non-practicing CPAs. However, emphasis is placed upon the implications of specialization for public accounting practice in the United States.

No attempt was made to discover and report any historical manifestations of specialization in accounting. Further, the work is not concerned with the historical development of the professional ethics which currently prohibit accountants from referring to themselves as specialists. There is no intention to include a discussion of the historical dispute between the accounting and legal professions as to whether an accountant specializing in the area of taxation is thereby practicing law. Emphasis is placed upon the current setting and projected changes in accounting practice which hold implications for specialization.

The work includes a discussion of several alternatives to specialization as well as a recommended program. While a framework for implementation is suggested, the intent is not to present one set of minute details for implementation. Rather, recommended major features of a general plan are discussed from which the profession may wish to select several aspects if all are not acceptable. If the profession chooses to specialize, the plan will hopefully provide a foundation from which the details can
subsequently be determined, considered, and incorporated.

Other than a brief discussion regarding specializing by industry, the discourse is limited to specialization in three major areas: auditing and accounting, management services, and taxation. Other patterns of specialization are conceivable, but the three major areas above are the most frequently mentioned branches in accounting firm employment brochures and in accounting literature. While there is a certain degree of overlap, each of these areas contains subject matter significantly different from the others.

**Definition of Terms and Symbols**

**Council.** The governing body of the American Institute of Certified Public Accountants. The Council is composed of members elected directly by Institute membership in each state, representatives of recognized state societies, members selected by the Council, specified officers and members of the Board of Directors of the AICPA, and all past presidents of the AICPA and the American Society of Certified Public Accountants who are members of the Institute.°

**Expert.** "One who has acquired special skill in or

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Formal specialization. The accrediting as specialists those CPAs who so desire and who meet the special requirements. Generalists would continue to practice in all areas presently practiced by CPAs, and specialists could practice beyond their specialty. Thus, formal specialization should be taken to mean voluntary individual accreditation beyond the CPA examination.

Informal specialization. De facto specializing in which no formal machinery exists for implementation and control of specialization or for accrediting of specialists. The professional who informally specializes concentrates but does not necessarily limit his study and practice to a particular area or areas which are fewer than all of the fields practiced within a profession.

Institute. American Institute of Certified Public Accountants.

Large firm practitioner. A CPA practicing in a firm of greater than ten CPAs.

Management advisory services (sometimes referred

to as management services). "Providing professional advisory (consulting) services, the primary purpose of which is to improve the client's use of its capabilities and resources to achieve the objectives of the organization."

Small firm practitioner. A CPA practicing in a firm of ten or fewer CPAs.

Specialization. The concentrating of a professional's preparation and efforts in one or several areas which comprise fewer than all of the fields practiced in his profession.

ABA. American Bar Association.

AICPA. American Institute of Certified Public Accountants.

AMA. American Medical Association.

APB. Accounting Principles Board.

CPA. Certified Public Accountant.

EDP. Electronic data processing.

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GP. General practitioner.

M.D. Doctor of Medicine.

SEC. Securities and Exchange Commission.
CHAPTER II

MAJOR SURVEY RESULTS

Introduction

The question of whether the accounting profession should initiate a system to encourage and control specialization involves many practical aspects. While the library research reported in Chapters III and IV contribute considerably to the development of a compendium of experiences and opinions of individuals regarding the theoretical merits and demerits of specialization, such library research is clearly not enough. The value of this compendium is subject to be challenged because it represents the individual experiences and opinions of those persons cited.

A question so pragmatic as how CPAs are to conduct their practices in the future is not likely to be settled solely on the basis of theoretical arguments or on the basis of individual opinions and experiences of the several authors cited, each relating his unique thoughts in his own manner.

To overcome the anticipated challenge that opinions and experiences reported from library research are relatively isolated and may not be representative of the
profession, another research dimension was needed. The added dimension should satisfy the need for determining the collective experiences and feelings of the membership of the AICPA.

The questionnaire survey was chosen as the vehicle to ascertain the common characteristics and opinions of CPAs so that representative statements relative to specialization of CPAs can be made. By being able to ask many CPAs exactly the same questions and by applying statistical techniques to the responses, inferences about the membership of the AICPA are made in which significant confidence exists.

Educators, a group which is small in number, responded to the survey in greater proportion than their membership in the AICPA. With the exception of educators, the responses to the survey are representative of the membership of the AICPA.¹ Educators, who are presumably research-minded, would on that basis be expected to respond to such a project with greater frequency than their proportionate number.

Regardless of the theoretical appeal of specialization or lack thereof, the implementation of a system to encourage and control specialization or the rejection of

¹Statistical evaluation by application of the chi-square distribution supports this contention and is presented in the Appendix.
such a system rests in the needs and desires of the constituents of the accounting profession.

One of the major purposes of the questionnaire survey was to determine the needs and desires of CPAs which relate to specialization. Also, by isolating current characteristics of CPAs such as work and study habits and methods of practice (e.g., specializing versus functioning as a general practitioner), trends of practice which indicate greater specialization suggested in subsequent chapters are supported.

This chapter presents the particular results of the survey which are most forcefully relevant to the question of specialization. The Appendix contains the questionnaire and the remaining results of the survey not presented in this chapter.

Dissatisfaction with Ability to Remain Current

Question 11 asked:

In light of your work schedule and aside from the reading necessary to solve the day-to-day problems with which you are confronted, please subjectively consider the following question. Are you personally satisfied with the amount of time and energy you have available for personal study in terms of maintaining or improving proficiency and keeping abreast of changes in all of the following areas: Taxation, Management Services, Accounting and Auditing?

Eighty-six percent of the respondents indicated that they are not satisfied. The proportion of all CPAs who are not satisfied ranges from no: lower than 82.16%
to not greater than 89.84% with a 99% statistical confidence level.

The proportions of CPAs, grouped by occupation, who claim in answering question 11 that they are not satisfied are displayed in the following table.

Table 2.1
Percentages of CPA Groups Which Are Not Satisfied with Study Time

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Percentage Not Satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practitioners:</td>
<td></td>
</tr>
<tr>
<td>Small Firm</td>
<td>92.3</td>
</tr>
<tr>
<td>Large Firm</td>
<td>86.5</td>
</tr>
<tr>
<td>Aggregate of Practitioners</td>
<td>88.1</td>
</tr>
<tr>
<td>Educators</td>
<td>81.1</td>
</tr>
<tr>
<td>Industrial and Governmental Employees</td>
<td>82.5</td>
</tr>
<tr>
<td>Non-working</td>
<td>50.0</td>
</tr>
<tr>
<td>Other</td>
<td>88.6</td>
</tr>
</tbody>
</table>

Apparently, CPAs generally feel unable to maintain or improve proficiency and keep abreast of changes in all the areas mentioned in question 11. Small firm practitioners reflect the greatest proportion who are dissatisfied.
A large proportion of every group being dissatisfied is quite significant. The consistently high percentage of dissatisfaction (with the exception of non-working CPAs) implies that no group of working CPAs feels that they have the time to maintain proficiency in all areas. The task is considered to be too great in any of the occupations listed.

If CPAs generally are not keeping abreast of changes in all areas, their knowledge and skills must be becoming obsolete in some or all areas. CPAs who maintain proficiency and keep abreast of changes in one or a few areas are to some degree informally specializing in such area(s).

Questions 12 and 13 asked:

12. Estimate, on a weekly basis, the average amount of personal study time you feel would be necessary for you to be satisfied in the above pursuits.

13. Also, please estimate the average amount of time you actually engage in such personal study pursuits.

The average amount of time needed indicated by the response to question 12 is 9.42 hours while the average amount of time actually spent indicated by the response to question 13 is 3.63 hours. The proportion of the average hours spent studying to the average time needed is 38.53%.

Table 2.2 which follows shows that the proportion of average time spent (question 13) to average time
needed (question 12) is consistent for the groups presented:

Table 2.2
Hours Spent and Hours Needed in Study by Various CPA Groups

<table>
<thead>
<tr>
<th></th>
<th>Practitioners</th>
<th>Other</th>
<th>Aggregate of All Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Small</td>
<td>Large</td>
<td></td>
</tr>
<tr>
<td>Hours Actually Spent</td>
<td>3.05</td>
<td>3.87</td>
<td>3.93</td>
</tr>
<tr>
<td>(see question 13 of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>questionnaire)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hours Needed</td>
<td>8.76</td>
<td>10.69</td>
<td>9.28</td>
</tr>
<tr>
<td>(see question 12 of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>questionnaire)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of Time</td>
<td>35%</td>
<td>36%</td>
<td>42%</td>
</tr>
<tr>
<td>Needed Which is Actually</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spent</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Relationships displayed in Table 2.2 confirm the responses to question 11. That is, no occupational group of CPAs is actually spending enough time to maintain proficiency in all areas of practice cited. Responses by all groups are relatively consistent.

If practicing CPAs are not keeping abreast of changes in all the areas of practice cited, then such practitioners are to some degree uncertain as to their awareness of the best tools and concepts the profession possesses. A question which seems relevant is whether continued crisis-basis preparation tends to produce some
suboptimal solutions of client problems in areas in which the CPA is not currently proficient.

An inference which might be made with respect to how CPAs solve the dilemma of not being current is that the CPAs are making many referrals.

**Infrequency of Referrals**

However, when asked the estimated frequencies with which the practitioner receives referrals, the distribution as indicated in Table 2.3 was obtained.

Compilation of frequencies with which CPAs make referrals to other practitioners rendered the distribution which can be seen in Table 2.4.

About 90% of practicing CPAs receive referrals fewer than six times per year, and approximately 97% of CPAs make referrals fewer than six times per year. Nearly 70% of small firm CPAs "almost never" make or receive referrals. The conclusion is inescapable. The majority of CPAs are making very few referrals even though the majority also claim to be unable to keep abreast of changes in all areas of practice cited in question 11.

**Implication of Individual CPA's Excellence in Every Area of Practice**

The profession implies to the public through the general label "CPA" that all who possess such a label are proficient in all areas of practice. "CPA" is purported to be a badge of excellence. Because the potential
Table 2.3

Frequencies with Which Referrals Are Received*

<table>
<thead>
<tr>
<th>Practitioners</th>
<th>Small Firm</th>
<th>Large Firm</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
</tr>
<tr>
<td>Almost Never</td>
<td>162</td>
<td>67.2</td>
<td>100</td>
</tr>
<tr>
<td>1 to 5 Times per Year</td>
<td>65</td>
<td>27.0</td>
<td>40</td>
</tr>
<tr>
<td>6 to 10 Times per Year</td>
<td>9</td>
<td>3.7</td>
<td>9</td>
</tr>
<tr>
<td>11 to 20 Times per Year</td>
<td>1</td>
<td>.4</td>
<td>2</td>
</tr>
<tr>
<td>Over 20 Times per Year</td>
<td>4</td>
<td>1.7</td>
<td>11</td>
</tr>
<tr>
<td>Totals</td>
<td>241</td>
<td>100.0</td>
<td>162</td>
</tr>
</tbody>
</table>

*The responses in this table were given for question 14 which asked:
With what estimated frequency do you have other practitioners make referrals to you (other than for minor engagements regarding inventory observation)?

Table 2.4

Frequencies with Which Referrals Are Made*

<table>
<thead>
<tr>
<th>Practitioners</th>
<th>Small Firm</th>
<th>Large Firm</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
</tr>
<tr>
<td>Almost Never</td>
<td>166</td>
<td>68.6</td>
<td>108</td>
</tr>
<tr>
<td>1 to 5 Times per Year</td>
<td>70</td>
<td>28.9</td>
<td>41</td>
</tr>
<tr>
<td>6 to 10 Times per Year</td>
<td>5</td>
<td>2.1</td>
<td>6</td>
</tr>
<tr>
<td>11 to 20 Times per Year</td>
<td>0</td>
<td>.0</td>
<td>0</td>
</tr>
<tr>
<td>Over 20 Times per Year</td>
<td>1</td>
<td>.4</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>242</td>
<td>100.0</td>
<td>155</td>
</tr>
</tbody>
</table>

*The responses in this table were given for question 16 which asked:
With what estimated frequency do you refer clients to other CPAs (other than for minor engagements regarding inventory observation)?
client has no formal system by which he can locate special expertise on the local level, the client is led by the silence of the profession to assume that general practitioners can handle most or all of such clients' problems.  

Therefore, local CPAs are confronted with all types of client problems. Yet, the distributions presented in Tables 2.3 and 2.4 show that CPAs seldom refer their clients to other CPAs.

**Dissatisfaction with Referral Machinery**

Question 18 asked:

Are you professionally satisfied with the means available to CPAs in general to determine the best fellow practitioner with whom to consult or refer?

Fifty-nine percent (out of a total of 463) answered that they are not. The mean percentage of all CPAs who are not satisfied ranges from not lower than 52.16% to not greater than 65.84% with a statistical confidence level of 99%.

A majority of the profession reflect dissatisfaction with the means for finding the best fellow practitioner with whom to consult or refer. There is no formal system which presents objective evidence about a CPA's

---

special proficiency. The CPA who wishes to consult or refer must rely on informal, subjective evaluations of his own or his acquaintances as to the special capabilities of another CPA.

Notwithstanding this dissatisfaction, only 24% of respondents to question 23 answered positively. Question 23 asked:

Do you think a plan whereby CPAs would be certified as specialists is necessary to enable accountants in your community to identify a CPA who specializes in a particular field?

The standard error of the percentage of the answers to question 23 is 1.58%.

Question 24 asked:

Do you think a plan whereby CPAs would be certified as specialists is necessary to enable the public in your community to identify a CPA who specializes in a particular field?

Thirty-one percent of the respondents to this question indicated that certification of specialists is necessary for the public to identify a specialist in a given community. The standard error of the percentage is 1.71%.

Difficulty of Maintaining Equal Level of Extensive Proficiency

Question 22 requested the following:

In your professional judgment, please estimate on the scale provided the degree of difficulty in maintaining an equal level of extensive proficiency in all of the following: accounting,
auditing, management services, and taxation.

<table>
<thead>
<tr>
<th>Impossible</th>
<th>Possible</th>
<th>Difficult</th>
<th>Moderately</th>
<th>Easy</th>
</tr>
</thead>
<tbody>
<tr>
<td>but Hardly</td>
<td>Probable</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In order to facilitate interpretation of answers, frequencies of responses straddling the labeled points on the continuum were accumulated according to the areas bracketed as indicated below:

<table>
<thead>
<tr>
<th>Impossible</th>
<th>Possible</th>
<th>Difficult</th>
<th>Moderately</th>
<th>Easy</th>
</tr>
</thead>
<tbody>
<tr>
<td>but Hardly</td>
<td>Probable</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Area (1) includes those responses which were marked in the interval to the left of a point one-half of the way between the position designated as "Impossible" and that entitled "Possible but Hardly Probable." Area (2) includes all responses straddling the position called "Possible but Hardly Probable" on the continuum and ranging from the right of area (1) to the midpoint between "Possible but Hardly Probable" and "Difficult." In a similar manner, areas (3) and (4) straddle the points marked "Difficult" and "Moderately Difficult," respectively. Area (5) includes all responses to the right of area (4).

The bar charts (Figures 2.1 and 2.2) on the following pages describe the percentages of responses to
question 22 made in the locations on the continuum indicated. As is evident when observing these results, the majority of both small firm CPAs and large firm CPAs find the pursuit described in question 22 to be at least improbable if not impossible.

Assessments by large firm practitioners. In responding to question 22, the large firm practitioner is generally more intense in his assessment (see Figure 2.1) than the small firm practitioner (see Figure 2.2). While 47% of large firm practitioners find the task as approaching impossible, 80% describe the endeavor as at least improbable if not approaching impossible.

Assessments by small firm practitioners. Fifty-six percent of small firm practitioners assess the task described in question 22 as at least improbable if not approaching impossible (see Figure 2.2).

Most large firm practitioners specialize while small firm practitioners operate, for the most part, as generalists (see Table 2.7). The small firm practitioner has had to adapt to the rigors of being a generalist. He is less likely than the large firm practitioner to want to admit to himself or others that the scope of general practice is too broad to prevent an equal level of extensive proficiency in all areas for which he makes his services available.
Assessment by Large Firm Practitioners of Maintaining Proficiency in All Areas of Accounting

Figure 2.1

Cumulative Percentages
Assessment by Small Firm Practitioners of Maintaining Proficiency in All Areas of Accounting
If the majority of CPAs do in fact find the task to be improbable if not impossible, then serious questions must be asked. Are CPAs doing justice to the public and themselves by not recognizing the need for providing an effective means for locating special expertise? Assuming that CPAs wish to be highly proficient in the services they attempt to provide for clients, do they have any choice but to collectively provide for special expertise? The responses show that the majority of CPAs think that the task of maintaining an equal level of extensive proficiency in all areas is improbable if not impossible. The responses to question 22 are consistent with those to question 11. That is, if CPAs generally are not satisfied with time available for study, they could be expected to find the task described by question 22 to be at least improbable if not impossible.

Assessment that CPAs Have More
Expertise in Some Areas than Others

Question 25 asked:
Do you think that the average CPA has:

Equal expertise in the areas of taxation, accounting, auditing, and management services, or more expertise in one or more areas than in others?

Ninety-seven percent of all respondents feel that the average CPA has more expertise in one or more areas than in others. The universe mean ranges from no less than 95.1% to no greater than 98.9% with a statistical
confident level of 99%.

Reduction of Scope of Practice Discussed

Eighty-two percent of those replying to question 26 answered affirmatively. Question 26 asked:

Do you feel that the CPA should be permitted to narrow the scope of his practice to one or several areas, provided that ethical and legal barriers can be removed, if he feels that he could better serve his clients by so doing?

The standard error of the percentage is 1.43%.

Composition of Profession with Regard to Informal Specialization

Respondents were instructed to consider a specialist to be an accountant who concentrates his practice in one or a relatively few areas of accountancy or its practice. Question 27 asked:

Do you have a specialty?

Fifty-five percent (or 402 out of 731 respondents to the question) indicated that they have a specialty. The standard error of the percentage is computed to be 1.84%.

Small firm practitioners indicated that 33.7% of their ranks specialize while 70.4% of large firm practitioners responded that they practice specialties. Sixty-two percent of the remainder of the respondents (those CPAs who do not engage in public practice) claim to specialize.
The above should dispel any doubt that a significant proportion of the profession is now specializing.

Question 31 was phrased:

If you do not now specialize, but would like to, in what field or fields would you like to specialize?

One hundred fifty-five responded to this question by stating their preferences. Classifying the responses required a certain degree of subjective evaluation. Of the 155 respondents, 22% indicated a preference for auditing and accounting, 48% selected management services, and 56% chose taxation. Because some of the 155 respondents reflected a desire for more than one specialty, the percentages add to greater than 100%.

The combined number of CPAs who now specialize (402 so responded to question 27) and who do not now specialize but would like to do so (155 so indicated in answering question 31) equals 557 CPAs. The ratio of the 557 CPAs to the total number completing the questionnaire (758 CPAs) yields approximately 73%. That is, approximately three-fourths of all CPAs responding to the questionnaire stated that they do specialize or would like to.

The sentiment for some form of specialization in the accounting profession obviously is significant.

Opinions Concerning

Formal Certification

Discussion of system contemplated. In completing
the remaining portion of the questionnaire, respondents were instructed in the following manner:

In answering questions 32 through 37, assume that what is being contemplated involves voluntary specialization and formal accreditation for those CPAs who wish to pursue such accreditation. This means that the generalist would continue to practice in all areas presently practiced by CPAs and that specialists would be permitted also to practice beyond their specialty in all areas of accountancy. Thus, formal specialization should be taken to mean voluntary individual accreditation beyond the CPA exam.

Effects of certification on practice. Question 32 and responses follow:

Do you feel that certification of specialists will: (Answer all three.)

<table>
<thead>
<tr>
<th>Improve standards of accounting practice</th>
<th>Number Responding</th>
<th>Percentage of Affirmative Responses</th>
<th>Standard Error of the Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>732</td>
<td>52</td>
<td>1.85</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Improve the level of proficiency of CPAs generally</th>
<th>Number Responding</th>
<th>Percentage of Affirmative Responses</th>
<th>Standard Error of the Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>730</td>
<td>51</td>
<td>1.85</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Improve the public image of the accounting profession</th>
<th>Number Responding</th>
<th>Percentage of Affirmative Responses</th>
<th>Standard Error of the Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>721</td>
<td>50</td>
<td>1.86</td>
</tr>
</tbody>
</table>

About one-half of the CPAs responding think that formal certification of specialists will enhance the quality of service provided to clients.

Table 2.5 reflects the responses by CPAs as to whether certification of specialists will improve profi-
Table 2.5
Percentages of Positive Responses to Whether Certification Will Raise the Level of Proficiency of CPAs Generally (Partitioned According to Whether Respondents Are Satisfied with Available Study Time)

<table>
<thead>
<tr>
<th></th>
<th>Not Satisfied with Time for Study</th>
<th>Satisfied with Time for Study</th>
<th>T-Test Confidence as to Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Small Firm CPA:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Respondents</td>
<td>224</td>
<td>18</td>
<td>99.5%+</td>
</tr>
<tr>
<td>Percentage of &quot;Yes&quot;</td>
<td>55.4%</td>
<td>22.2%</td>
<td></td>
</tr>
<tr>
<td><strong>Large Firm CPA:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Respondents</td>
<td>144</td>
<td>23</td>
<td>54.0%</td>
</tr>
<tr>
<td>Percentage of &quot;Yes&quot;</td>
<td>42.4%</td>
<td>43.5%</td>
<td></td>
</tr>
<tr>
<td><strong>Other CPA:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Respondents</td>
<td>252</td>
<td>52</td>
<td>66.0%</td>
</tr>
<tr>
<td>Percentage of &quot;Yes&quot;</td>
<td>55.2%</td>
<td>51.9%</td>
<td></td>
</tr>
</tbody>
</table>
ciency of CPAs generally. The answers are partitioned depending upon whether the CPA is satisfied with the time he has available for study in maintaining equal proficiency and keeping abreast of changes and whether he is not so satisfied.

Whether the CPA in the large firm or the "other CPAs" in the profession are satisfied or not satisfied made little or no difference in their answers to this question. However, there is a very strong difference in the answers by the small firm CPA depending upon whether he said that he is not satisfied or is satisfied with the time he has available. Application of the T-test reflects that it can be said with at least 99.5% confidence that the difference between the answers of the small firm CPA who is or is not satisfied is due to more than just random variation.

Based on the above discussion, the reason that many small firm CPAs answered affirmatively that certification of specialists will improve the proficiency of CPAs generally is that they individually are not pleased with general practice because they do not have the time to keep abreast of all changes which are taking place. For example, some accountants are rigorously engaged in return preparation during tax season and have little, if any, time for other pursuits.

An important question is whether the general
practitioner can afford to defer his study of other areas of accountancy almost entirely during the months of tax season. In the ensuing months he must complete all of the non-tax work he was forced to defer during tax season.

Persons who benefit or who are adversely affected.

Question 33 and the responses to it follow:

Do you think there will be a benefit from certification of specialists: (Answer all three.)

<table>
<thead>
<tr>
<th></th>
<th>Number Responding</th>
<th>Percentage of Affirmative Responses</th>
<th>Standard Error of the Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>To you personally</td>
<td>728</td>
<td>30</td>
<td>1.70</td>
</tr>
<tr>
<td>To other accountants</td>
<td>722</td>
<td>52</td>
<td>1.87</td>
</tr>
<tr>
<td>To the public</td>
<td>724</td>
<td>57</td>
<td>1.84</td>
</tr>
</tbody>
</table>

The group thought to be benefited by the greatest percentage of respondents is the public. The implication is that the public will receive a higher level of quality of service.

Questions 34 through 36 and their respective responses follow. The implications are obvious.

34. Do you think a certification plan would adversely affect the general practitioner?

<table>
<thead>
<tr>
<th></th>
<th>Number Responding</th>
<th>Percentage of Affirmative Responses</th>
<th>Standard Error of the Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>729</td>
<td>49</td>
<td>1.86</td>
</tr>
</tbody>
</table>
Preferences as to future practice.

35. In the future, would you individually like to:
(Select only one.)

| Engage in general practice | 298 | 43 |
| Specialize in one field    | 208 | 30 |
| Specialize in more than one field | 187 | 27 |
| Totals                     | 693 | 100 |

The responses appear to conflict with the earlier findings that approximately 75% of the profession either specialize or wish to. The conflict is resolved when there is recognition that in the former instance informal specialization was contemplated while in question 35, formal specialization was intended.

Total impact of certification.

36. Do you think that formal specialization would be good for the profession? (To this question, the respondent was referred to the discussion of what is contemplated by "formal specialization" supplied in the questionnaire.)

<table>
<thead>
<tr>
<th>Number of Respondents</th>
<th>Percentage of Affirmative Responses</th>
<th>Standard Error of the Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>711</td>
<td>53.6</td>
<td>1.87</td>
</tr>
</tbody>
</table>

Polar Viewpoints with Respect to Certification

A more detailed presentation of responses (Table 2.6) according to several groupings provides a second
Table 2.6
Percentages of "Yes" Responses Regarding Certification of Specialists*

<table>
<thead>
<tr>
<th>Question</th>
<th>Small Firm CPAs</th>
<th>Large Firm CPAs</th>
<th>Other CPAs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Wishing to Specialize</td>
<td>Wishing to Generalize</td>
<td>Wishing to Specialize</td>
</tr>
<tr>
<td>Will certification of specialists:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve standards of practice?</td>
<td>67.9% (109)</td>
<td>41.1% (129)</td>
<td>55.3% (94)</td>
</tr>
<tr>
<td>Improve level of proficiency of CPAs generally?</td>
<td>68.2% (110)</td>
<td>40.3% (129)</td>
<td>57.4% (94)</td>
</tr>
<tr>
<td>Improve public image of the profession?</td>
<td>64.2% (109)</td>
<td>38.6% (127)</td>
<td>60.2% (93)</td>
</tr>
<tr>
<td>Benefit the CPA personally?</td>
<td>55.0% (109)</td>
<td>25.0% (128)</td>
<td>39.8% (93)</td>
</tr>
<tr>
<td>Benefit other accountants?</td>
<td>63.5% (108)</td>
<td>43.3% (127)</td>
<td>58.7% (92)</td>
</tr>
<tr>
<td>Adversely affect the general CPA?</td>
<td>45.9% (111)</td>
<td>49.2% (130)</td>
<td>42.6% (94)</td>
</tr>
<tr>
<td>Be good for the profession?</td>
<td>74.5% (106)</td>
<td>37.0% (127)</td>
<td>64.1% (92)</td>
</tr>
<tr>
<td>Benefit the public?</td>
<td>76.1% (109)</td>
<td>48.8% (127)</td>
<td>58.5% (94)</td>
</tr>
</tbody>
</table>

*Total numbers answering both yes and no in each category are shown in parentheses.
look as to which groups of CPAs feel most strongly with respect to several of the above questions.

From this table polar viewpoints become obvious. The small firm practitioners who wish to specialize in the future gave answers which are more strongly in favor of formal specialization than small firm practitioners wishing to generalize or than either corresponding group of large firm practitioners. Even the small firm practitioners who wish to generalize are consistently more favorable toward formal specialization than are large firm CPAs who wish to generalize.

This first group of small firm CPAs discussed, who have to function as general practitioners under the present conditions, are most in favor of adopting formal specialization. Initiating a system of formal specialization would permit small firm practitioners to more effectively specialize and even compete on a more favorable basis with the larger firms for specialty work than is now possible.

Conversely, the majority of large firm practitioners are currently informally specializing. To initiate a system of formal specialization would, for the sake of professional prestige, cause many large firm practitioners to have to make the effort to acquire the same special credentials as their small firm colleagues would be acquiring.
Assessed Effects of Certification on Practice Standards

Table 2.7 indicates the proportion of the several groups of CPAs wishing to formally specialize as well as the percentages informally specializing now.

Table 2.7

Percentages of Several CPA Groups Now Informally Specializing, and Wishing to Formally Specialize

<table>
<thead>
<tr>
<th>General Classification</th>
<th>Percentage Informally Specializing Now</th>
<th>Percentage Wishing To Formally Specialize</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Firm CPAs</td>
<td>33.7</td>
<td>45.7</td>
</tr>
<tr>
<td>Large Firm CPAs</td>
<td>70.4</td>
<td>58.6</td>
</tr>
<tr>
<td>Other CPAs</td>
<td>62.4</td>
<td>65.3</td>
</tr>
<tr>
<td>Aggregate</td>
<td>54.7</td>
<td>56.9</td>
</tr>
</tbody>
</table>

Table 2.8 compares the proportions wanting to specialize within several groups, presented according to opinions within each group as to the effects of certification on the standards of practice.

There is a high degree of statistical confidence in the significance of the differences within each group in the proportions wishing to formally specialize. Each group is separated according to opinions with regard to whether certification will improve the standards of practice. The differences within each group support the inference that a major cause for CPAs' wishing to formally specialize is that CPAs feel that certification will improve standards of practice.
Table 2.8
Percentages of Several CPA Groups Wishing to Specialize
(According to Opinions as to Whether Certification Will Improve Standards of Practice)

<table>
<thead>
<tr>
<th>Certification</th>
<th>Will Improve Standards of Accounting Practice</th>
<th>Will Not Improve Standards of Accounting Practice</th>
<th>T-Test Confidence as to Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Firm CPA:</td>
<td>127</td>
<td>111</td>
<td>99.99%</td>
</tr>
<tr>
<td>Number of Respondents</td>
<td>58.3%</td>
<td>31.5%</td>
<td></td>
</tr>
<tr>
<td>Percentage Wishing to Formally Specialize</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large Firm CPA:</td>
<td>67</td>
<td>93</td>
<td>99.99%</td>
</tr>
<tr>
<td>Number of Respondents</td>
<td>77.6%</td>
<td>45.2%</td>
<td></td>
</tr>
<tr>
<td>Percentage Wishing to Formally Specialize</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other CPA:</td>
<td>167</td>
<td>117</td>
<td>99.99%</td>
</tr>
<tr>
<td>Number of Respondents</td>
<td>78.4%</td>
<td>47.0%</td>
<td></td>
</tr>
<tr>
<td>Percentage Wishing to Formally Specialize</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Viewpoints with Respect to Informal Specialization

Table 2.9 tends to show that every group of CPAs, including the large firm practitioner who wishes to generalize in the future, is, to some degree, in favor of some form of informal specialization.

Preferences as to Informal or Formal Specialization

There is a greater proportion of small firm CPAs who would like to formally specialize than who claim to informally specialize currently. A smaller percentage of large firm CPAs wish to formally specialize in the future than are informally specializing now. However, this comparison does not necessarily imply that many large firm CPAs who do not wish to formally specialize have any desire to discontinue informal specialization. Evidence to the contrary was presented in the bar charts accompanying the earlier discussion of question 22. Those charts show that 80% of large firm practitioners consider the task of maintaining an equal level of extensive expertise in all areas of practice to be at least improbable if not impossible. However, since the large firm practitioner can already effectively specialize without formal certification, he and his firm have little to gain from such a change. The small firm CPA, in contrast, would be given a chance to specialize effectively and compete on a more favorable basis with the large firm
<table>
<thead>
<tr>
<th>Aspects of Practice</th>
<th>Small Firm CPAs</th>
<th>Large Firm CPAs</th>
<th>Other CPAs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Wishing to</td>
<td>Wishing to</td>
<td>Wishing to</td>
</tr>
<tr>
<td></td>
<td>Specialize</td>
<td>Generalize</td>
<td>Specialize</td>
</tr>
<tr>
<td>Percentage who are</td>
<td>34.6%</td>
<td>42.5%</td>
<td>33.8%</td>
</tr>
<tr>
<td>content with the</td>
<td>(107)</td>
<td>(127)</td>
<td>(71)</td>
</tr>
<tr>
<td>referral system</td>
<td></td>
<td></td>
<td>(57)</td>
</tr>
<tr>
<td>Percentage who feel</td>
<td>100.0%</td>
<td>94.7%</td>
<td>98.9%</td>
</tr>
<tr>
<td>that the average</td>
<td>(110)</td>
<td>(131)</td>
<td>(94)</td>
</tr>
<tr>
<td>CPA has more</td>
<td></td>
<td></td>
<td>(67)</td>
</tr>
<tr>
<td>expertise in some</td>
<td></td>
<td></td>
<td>(188)</td>
</tr>
<tr>
<td>areas than others</td>
<td></td>
<td></td>
<td>(100)</td>
</tr>
<tr>
<td>Percentage who feel</td>
<td>89.0%</td>
<td>71.4%</td>
<td>86.0%</td>
</tr>
<tr>
<td>that the CPA</td>
<td>(109)</td>
<td>(126)</td>
<td>(93)</td>
</tr>
<tr>
<td>should be permitted</td>
<td></td>
<td></td>
<td>(66)</td>
</tr>
<tr>
<td>to narrow the</td>
<td></td>
<td></td>
<td>(186)</td>
</tr>
<tr>
<td>scope of practice</td>
<td></td>
<td></td>
<td>(97)</td>
</tr>
<tr>
<td>Percentage who are</td>
<td>92.8%</td>
<td>91.7%</td>
<td>91.6%</td>
</tr>
<tr>
<td>not satisfied with</td>
<td>(111)</td>
<td>(132)</td>
<td>(95)</td>
</tr>
<tr>
<td>time available for</td>
<td></td>
<td></td>
<td>(67)</td>
</tr>
<tr>
<td>maintaining proficiency in all areas</td>
<td></td>
<td></td>
<td>(181)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(99)</td>
</tr>
</tbody>
</table>

*Total numbers answering both yes and no in each category are shown in parentheses.*
specialist. In order to accomplish this, the small firm CPA would need a system which would permit him to concentrate his efforts by virtue of potential clients and other CPAs being made aware of his special credentials and thus bringing him special engagements. Such credentials are contemplated to be based upon objective evaluations by the CPA's peers.

Presentation of Reasons for Opinions as to Effects of Certification

A second part to question 36 asked the respondent to give the most important reason for his answer to whether formal specialization would be good for the profession. Because these answers were unstructured, some interpretation was required in classifying them. These classifications summarize the positive and negative arguments not only in the accounting profession but also reflect many of the arguments presented in the discussion of specialization in other professions set forth subsequently.

These arguments are divided into those supporting specialization and those opposing it. They are presented in Tables 2.10 and 2.11.

The positive arguments as set forth in Table 2.10 are summarized by only nine items while the negative arguments as listed in Table 2.11 require twenty-two. The first five items of the positive arguments comprise
<table>
<thead>
<tr>
<th>Item No.</th>
<th>No. of Respondents Giving This Response</th>
<th>Percentage of Total Positive Responses</th>
<th>Argument</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>169</td>
<td>59.0</td>
<td>Because no one can be an expert in everything in today's complex world, specialization would help to insure proficiency in a particular field.</td>
</tr>
<tr>
<td>2</td>
<td>40</td>
<td>13.9</td>
<td>Formal specialization would lead to the establishment of standards, and continuing education would be required for those who purport to be experts.</td>
</tr>
<tr>
<td>3</td>
<td>37</td>
<td>12.9</td>
<td>The public would be better served.</td>
</tr>
<tr>
<td>4</td>
<td>15</td>
<td>5.3</td>
<td>CPAs and the public could more easily locate specialists.</td>
</tr>
<tr>
<td>5</td>
<td>13</td>
<td>4.6</td>
<td>The profession's public image would be improved.</td>
</tr>
<tr>
<td></td>
<td>274</td>
<td>95.7</td>
<td>Subtotals carried forward</td>
</tr>
</tbody>
</table>

Table 2.10
Arguments for Certification of Specialists
<table>
<thead>
<tr>
<th>Item No.</th>
<th>No. of Respondents Giving This Response</th>
<th>Percentage of Total Positive Responses</th>
<th>Argument</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>274</td>
<td>95.7</td>
<td>Subtotals brought forward</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Specialization would help small firm practitioners in that they could then compete with large firms because they could more effectively consult with and refer to specialists.</td>
</tr>
<tr>
<td>7</td>
<td>4</td>
<td>1.4</td>
<td>Specialization has helped the medical and legal professions and can help the accounting profession also.</td>
</tr>
<tr>
<td>8</td>
<td>3</td>
<td>1.1</td>
<td>Small firm general practitioners could refer without losing prestige (and client).</td>
</tr>
<tr>
<td>9</td>
<td>1</td>
<td>.4</td>
<td>Specialization would promote higher income.</td>
</tr>
</tbody>
</table>

286 100.0 Total Responding Positively
<table>
<thead>
<tr>
<th>Item No.</th>
<th>No. or Respondents Giving This Response</th>
<th>Percentage of Total Negative Responses</th>
<th>Argument</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>33</td>
<td>15.1</td>
<td>The public interest is better served by a professional's reputation, rather than his own statement of expertise. Labels are no assurance of proficiency.</td>
</tr>
<tr>
<td>2</td>
<td>26</td>
<td>11.9</td>
<td>Too many small firm general practitioners would be hurt.</td>
</tr>
<tr>
<td>3</td>
<td>25</td>
<td>11.4</td>
<td>Specialization is now possible without a formal commitment to one segment.</td>
</tr>
<tr>
<td>4</td>
<td>23</td>
<td>10.5</td>
<td>The public is not ready and would be confused.</td>
</tr>
<tr>
<td>5</td>
<td>21</td>
<td>9.7</td>
<td>Specialists take too narrow a view of problems.</td>
</tr>
<tr>
<td>6</td>
<td>13</td>
<td>6.0</td>
<td>Concepts in accounting practice involve a seamless web in which all areas are inextricably interwoven, and therefore one could not effectively specialize.</td>
</tr>
<tr>
<td>7</td>
<td>11</td>
<td>5.1</td>
<td>Generalists can better solve problems because they are more well-rounded in all areas.</td>
</tr>
</tbody>
</table>

Subtotals carried forward
<table>
<thead>
<tr>
<th>Item No.</th>
<th>No. of Respondents Giving This Response</th>
<th>Percentage of Total Negative Responses</th>
<th>Argument</th>
</tr>
</thead>
<tbody>
<tr>
<td>152</td>
<td>69.7</td>
<td>Subtotals brought forward</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>10</td>
<td>4.6</td>
<td>Specialization would reduce proficiency in other areas.</td>
</tr>
<tr>
<td>9</td>
<td>9</td>
<td>4.1</td>
<td>The profession's public image would be reduced.</td>
</tr>
<tr>
<td>10</td>
<td>9</td>
<td>4.1</td>
<td>Specialization would fragment the profession.</td>
</tr>
<tr>
<td>11</td>
<td>7</td>
<td>3.2</td>
<td>In small communities, small firms having specialists could not keep them busy.</td>
</tr>
<tr>
<td>12</td>
<td>5</td>
<td>2.3</td>
<td>Practical considerations of such a program are too large.</td>
</tr>
<tr>
<td>13</td>
<td>4</td>
<td>1.8</td>
<td>Services would be too expensive.</td>
</tr>
<tr>
<td>14</td>
<td>4</td>
<td>1.8</td>
<td>The difficulty of maintaining balance between supply and demand for specialists is too great.</td>
</tr>
<tr>
<td>15</td>
<td>3</td>
<td>1.4</td>
<td>The public interest is better served by general practitioners.</td>
</tr>
<tr>
<td></td>
<td>203</td>
<td>93.0</td>
<td>Subtotals carried forward</td>
</tr>
<tr>
<td>Item No.</td>
<td>No. of Respondents Giving This Response</td>
<td>Percentage of Total Negative Responses</td>
<td>Argument</td>
</tr>
<tr>
<td>---------</td>
<td>----------------------------------------</td>
<td>---------------------------------------</td>
<td>----------</td>
</tr>
<tr>
<td>16</td>
<td>3</td>
<td>1.4</td>
<td>The shortage of accountants would be aggravated by specialization.</td>
</tr>
<tr>
<td>17</td>
<td>3</td>
<td>1.4</td>
<td>The expectation is that CPA firms would not refer or consult extensively enough to make specialization work.</td>
</tr>
<tr>
<td>18</td>
<td>3</td>
<td>1.4</td>
<td>Specialization would work only if the specialist has a general background.</td>
</tr>
<tr>
<td>19</td>
<td>2</td>
<td>.9</td>
<td>Governmental intervention would occur.</td>
</tr>
<tr>
<td>20</td>
<td>2</td>
<td>.9</td>
<td>Specialization would overburden clients with accountants.</td>
</tr>
<tr>
<td>21</td>
<td>1</td>
<td>.5</td>
<td>Certification is too self-limiting.</td>
</tr>
<tr>
<td>22</td>
<td>1</td>
<td>.5</td>
<td>Specialization would not provide expertise as well as would concentration on continuing education.</td>
</tr>
<tr>
<td></td>
<td>218</td>
<td>100.0</td>
<td>Total Responding Negatively</td>
</tr>
</tbody>
</table>
greater than 95% of the total positive responses to the second part of question 36 while the first five items listed (in descending magnitudes) of the negative arguments comprise only slightly more than 58%. Those supporting formal specialization are more unified as to their reasons.

Chapter Summary

While the majority of respondents expressed dissatisfaction with their ability to keep abreast of changes and indicated that the task of maintaining an equal level of extensive proficiency in all areas is hardly probable if not impossible, referrals are seldom made. In addition, a significant proportion of the respondents displayed dissatisfaction with the means available to locate the best fellow practitioner with whom to consult or refer.

Responses provide evidence that polar viewpoints exist with respect to certification. The small firm practitioner who wishes to specialize gave responses most strongly in favor of certification while the large firm practitioner who wishes to be a generalist gave responses least favorable to certification.

The most frequently cited argument in favor of formal specialization is that since no man can be expert in all areas of accounting practice, formal specialization would help to insure proficiency in a particular field.
The most frequently cited argument against formal specialization is that the public would be better served by a CPA's reputation since labels are no assurance of proficiency.
CHAPTER III

IMPACT OF CHANGES ON THE NEED FOR SPECIALIZATION

Introduction

The purpose of this chapter is to present specific recent developments which add complexity and scope to the practice of accountancy. Such developments render increasingly difficult the maintenance of a high degree of proficiency simultaneously in all areas of service.

Sargent reflected that "revolutionary forces are reshaping the structure and character of public accounting . . . and making unprecedented demands for training."¹ He maintains that public accounting can achieve great heights or slip into mediocrity depending on its approach to training. Sargent further feels that much of the present system of training is for the "kind of a world which flourished in the fifties!"²

Capon stated that the "complexity of economic affairs will call for new degrees of advanced special-

²Ibid.
ization by accountants."

Helstein stated that the many changes taking place "came from outside stimuli." In order to adequately address itself to growing industrial dynamism and changing client requirements, "... it was necessary for the profession to develop in depth and to proliferate in coverage." As a result, Helstein concluded that "... our practice today is separated into three distinct fields: (1) accounting and auditing, (2) taxation and (3) management advisory services."

Lawler, in advocating that the AICPA be reorganized in special sections similar to the ABA, listed taxes, auditing, and management advisory services as particular aspects of practice for which sections could be established. In this regard he said:

... many members are already concentrating their attention on one or more areas of practice for the simple reason that no one can any longer be a master of all of them. It would seem sensi-

---


5Ibid.

6Ibid.
ble for the Institute to recognize that reality in the design of its own structure. 7

Modern developments in accountancy which reflect the great expansion of scope include the attest function which became important with the establishment of the Securities and Exchange Commission in 1933; the federal income tax which gained significance with rising tax rates in the 1940's; the growth of EDP in the 1960's; and the recent expansion of the field of management services. 8

Changes in Educational Needs

Reacting to the widening and deepening of accounting practice, the AICPA's Committee on Education and Experience Requirements for CPAs determined that at least five years of college study are now needed to prepare the beginning accountant. 9

Lembke, et al., in discussing the newly adopted requirement in Iowa for compulsory continuing education comment on the need for this requirement for the profes-

7 "Lawler Suggests That Growth in Membership Raises Questions about AICPA Structure," The CPA, LI, No. 6 (June, 1971), 7.

8 Helstein, loc. cit.

9 Committee on Education and Experience Requirements for CPAs, Report of the Committee on Education and Experience Requirements for CPAs (New York: American Institute of Certified Public Accountants, 1969), pp. 11-13. See also "AICPA Form Bill is Available," The CPA, LI, No. 3 (March, 1971), 11, in which the AICPA's state legislative committee recommends that state laws require a fifth year of college as a CPA requirement.
sion in the following:

Concern over substandard accounting work, which is one of the factors leading to growing emphasis on professional development, resulted in a 1967 proposal by Marvin L. Stone, then president of the American Institute, that the accounting profession undertake a program of compulsory continuing education. In the November membership bulletin he stated, "I am convinced that most substandard work is the result of ignorance rather than willfulness. Therefore, I suggest that we attack the problem by attempting to dispel ignorance through a program of compulsory continuing education." 10

The AICPA's Council approved a resolution on May 12, 1971 urging the various states to require, either by legislation or regulation, that CPAs engage in continuing education as a "condition precedent to the reregistration, renewal of permit to practice, or other validation of a CPA's designation." 11

The above recommendations for additional academic preparation and required continuing education reflect the concern that accountants are not mastering skills and keeping abreast of changes. Without even considering continuing education coursework and study, personal reading required of a CPA has become a considerable task. 12


11"Council Urges States to Adopt Continuing Education Requirement," The CPA, LI, No. 6 (June, 1971), 4.

12Examples of reading required to retain current skills and knowledge include (1) laws, amendments and
Melstein's strong feelings regarding the impossibility of absorbing so much reading become apparent in his statement:

... it is self-evident that accounting, like other professions, requires great specialization. No one man could possibly absorb all the literature in these fields and still have time to service his clients. And if he tried, he certainly would have no personal life and quite possibly would have an early demise.\(^\text{13}\)

In order to implement continuing education, the AICPA and the various state societies are sponsoring an extensive professional development program.

Notwithstanding the availability of professional development coursework, evidence exists which shows that many practitioners seldom if ever participate.\(^\text{14}\)

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regulations concerning compliance with the various Securities and Exchange Acts and the Securities and Exchange Commission; (2) laws and regulations relevant to compliance with federal income tax laws; (3) pronouncements of the AICPA such as (a) the Code of Professional Ethics and Amendments, (b) Accounting Principles Board Opinions, and (c) numerous statements by the Committees on Auditing Procedure, Federal Taxation, and Management Services; (4) pronouncements and regulations of the various state boards of accountancy; and (5) reading of many important articles published in such magazines as The Journal of Accountancy, The Financial Executive, Management Accounting, Management Advisory Services, The Accounting Review, The Journal of Accounting Research, and The Internal Auditor. In accounting and auditing for special industries the accountant must become knowledgeable of regulations of the various state and federal commissions concerned with such industries. In the area of taxation, the accountant must read important tax essays and cases in order to properly assist his clients.

\(^\text{13}\)Melstein, loc. cit.

\(^\text{14}\)"Profile of a Public Practice," The CPA, LI, No.1
Beamer noted that in the Institute's 1969-70 fiscal year only 20% of the AICPA membership (or 14% of all CPAs in the U.S.) enrolled in Institute-developed continuing education programs. 15

Acquisition of Proficiency in Accounting

MacNeill addresses himself to the appropriate acquisition of proficiency in accounting in the following:

... the ideas that comprise our technical body of knowledge are unlikely to be imparted in the abstract to any but a very gifted few. The concepts must be explored in context. Accounting knowledge is best acquired through demonstration, problem-solving and case analysis. Somewhere along the educational process ideas are assimilated. At just what point this occurs it is impossible to say, but it is certain that a student cannot be handed a list of truths in the

---

(1) This study, sponsored by the Illinois Society of CPAs, revealed that in the average partnership in Illinois, two-thirds of the partners and one-half of the staff members attend professional development courses offered by the AICPA or the ISCPA. Approximately one-half of the sole proprietors and one-fifth of the staff members of sole proprietorships take advantage of these courses. See also, Todd S. Lundy, "Professional Development: Today and Tomorrow," The Journal of Accountancy, CXXVI, No. 3 (September, 1968), 85. Lundy said that "... there is a strong indication that many practitioners have attended none or very few of the courses and seminars being offered." He reported that about 50% of one large state society attend courses while "less than 16% of the members of another large state society attended professional development courses."

Lundy enumerated the universal excuses given for not participating as "can't afford to take time off, course fees are too high, can't afford to lose the billing time, etc."

15"Council Urges States to Adopt Continuing Education Requirement," loc. cit.
manner of Moses receiving the Commandments and be expected to understand. Conversely, there is a limit to the time we can spend in lengthy drill and problem-solving. The issue is really one of degree.16

MacNeill says above that the type of knowledge and skill which will be useful to the practicing accountant requires more than just cursory reading and therefore cannot be absorbed in short periods of limited exposure.

Sufficient academic exposure coupled with the experience acquired by concentrating in a specialty will provide the time and both the theoretical and practical exposure necessary for the accountant to assimilate a high degree of knowledge and skills.

A discussion of specific changes indicating the expanding scope and complexity of each of the major areas of accounting practice will follow.

Changes in Accounting and Auditing

Changes in organizations and securities. Students of finance are observing a profound change taking place within the economy. Economic development seems to be passing from a phase of industrial capitalism to a phase of financial capitalism.17 Evidence of this change is


17Joel Dean, "Causes and Consequences of Growth
manifested in new types of business institutions and securities. With all of the horizontal and vertical mergers and acquisitions taking place, the age of the conglomerate is apparent.

Anderson discussed the financial analysts' concern with difficulties presented in meaningfully analyzing statements for conglomerates and companies with much product diversification.

With information presented in aggregate figures for the whole company or large divisions thereof, the external statement reader frequently cannot discern from the statements the different industries in which the conglomerate engages or the relative success of the various segments of the firm.¹⁸

The SEC considers this problem so great as to require that certain large corporations report revenue and contribution to profits of the various segments on the annual report, 10-K.¹⁹

The accountant is confronted with the growing use of


hybrid classes of securities such as convertible bonds and bonds which include warrants to buy stock. The traditional distinction between creditors and owners has been disturbed by the use of such securities. Financial statements are now being prepared in such a way as to give recognition to these hybrid types of ownership.  

Interim financial reports. Interim financial statements, usually prepared quarterly, provide information for stockholders and analysts of many large corporations. These statements are important because many readers cannot wait until annual reports are published.


In these opinions, it is required that multiple earnings per share figures be presented in the financial statements under certain conditions in firms with complex capital structures. It is conceivable that nine earnings per share figures could be presented. These could be:

I. Earnings per share before extraordinary items computed on the bases of primary shares outstanding, partially diluted shares, and fully diluted shares;

II. Earnings per share with respect to extraordinary items computed on the bases of primary shares outstanding, partially diluted shares, and fully diluted shares; and

III. Earnings per share on net income after considering extraordinary items computed on the bases of primary shares outstanding, partially diluted shares, and fully diluted shares.
and must rely upon interim reports for data upon which to make investment decisions. The SEC has recently changed its requirements to provide for a new quarterly report, 10-Q, for certain large corporations in place of the semi-annual report, 9-K.21

Notwithstanding the general practice of interim financial disclosure, Rutledge stated:

... there presently exist no authoritative pronouncements on the objectives of and criteria for such disclosure. Little research has been done in this area and relatively few articles have been written. A review of texts in accounting principles, auditing, theory, and other accounting areas reveals only a rare, brief mention of the subject.22

With affluent investors engaging in great volumes of stock transactions daily, the importance of interim financial disclosure cannot be underestimated. Yet, according to the above source, little is written to guide the accountant in interim reporting. The profession has apparently not reacted to minimize the disparity in reporting on an interim basis. Perhaps accountants have been so engrossed in the rigors of providing service in all areas that a subject so basic as interim reporting has been relatively neglected.


Accounting for multinational firms. Berg, Mueller, and Walker, in discussing the growing engagement in international business by United States-based companies stated that:

... As stockholders, creditors, employees and consumers domiciled in other countries have an increasing interest in United States annual reports, these reports appear to be responding with an orientation to international use. ... The new internationalism found in some corporate annual reports is a major development in corporate financial reporting. Yet, accountants seem to have given relatively little attention to the nature or the significance of this change.23

This international dimension adds scope to the ever-broadening practice of accountancy.

The international aspects of corporate reporting have become important because of growing international financing of business operations and increasing trade of corporate securities across national borders. Therefore, the Accounting Principles Board has "authorized an accounting research study to deal with the problems of transnational financial reporting to investors."24


Requirement of funds statement. While some accountants have traditionally included a statement of source and use of funds with the balance sheet and income statement, the SEC now requires the inclusion of such additional statement in the annual report, 10-K, and in registrations filed with the Commission.25

The AICPA's Accounting Principles Board, following the lead of the SEC, approved APB Opinion Number 19 in March, 1971, which requires the presentation of such statement whenever financial statements are issued which purport to present both financial position and results of operations.26

The above requirement manifests recognition by the SEC and the AICPA's APB that the accountant must sharpen his presentation of information to statement readers. Omitting the statement of changes in financial position is apparently thought to be inadequate.

As the accountant is called upon to improve his reporting, he must expend more time and effort in advance to prepare himself to expertly do so and in actually performing the engagement.

Accounting and the computer. The growth of computer

25Securities and Exchange Commission, loc. cit.

usage in the United States since the early 1960's has been rapid. The predicted increase in usage is expected to continue.27

As firms convert to EDP, accountants for such firms will do less of the traditional write-up work. If these accountants prepare themselves adequately, they will engage more in systems installation and maintenance. More time will be devoted to controlling EDP inputs, controlling and evaluating EDP outputs, and determining and providing additional information needs of management.

CPAs providing accounting services for firms which possess or plan to install EDP systems must be knowledgeable in EDP systems installation, maintenance, and analysis. Thus, one more dimension is added to the accountant's list of required knowledge and skills.

Adoption of uniform legal codes. Another change

27Geoffrey B. Horwitz, "EDP Auditing - The Coming of Age," The Journal of Accountancy, CXXX, No. 2 (August, 1970), 48-49. Horwitz stated:
Viewed numerically, the number of computers installed within the United States has doubled, and is expected to continue to double every three years:
1960 - 5,000 installations
1963 - 11,000 installations
1966 - 22,000 installations
1969 - 50,000 installations (plus 16,000 on order)
1972 - 100,000 installations (projection)
1975 - 200,000 installations (projection)
Recent surveys have shown that, of the above installations, most are being used extensively for the maintenance of accounting records and related financial information. This is likely to remain true for the foreseeable future.
which accountants are experiencing is the strong tendency of states to adopt the Uniform Commercial Code and/or other uniform legislation such as The Uniform Negotiable Instruments Act and The Uniform Partnership Act. For the actively occupied practitioner, who probably studied the forerunner of such uniform legislation, current reading and study of this material have required or will require some outside work and effort.

Accounting Principles Board opinions. In the quest of providing more uniform information in financial statements for the sake of making them more comparable while still providing the flexibility to reveal significant differences among cases, the AICPA, through its Accounting Principles Board, has issued a number of opinions which add to, modify, or supersede the bulletins issued by earlier committees of the AICPA. In discussing past and future APB opinions, APB chairman, Philip Defliese, told the AICPA Council that the investor should realize that "accounting is going to get more complex rather than more simple." These opinions are relatively detailed and must be read by members of the accounting profession because, if

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29 "Defliese Tells Council What's Ahead for the Accounting Principles Board," The CPA, LI, No. 6 (June, 1971), 8.
a member chooses to depart from them, he bears the burden of proof that his actions are based upon general acceptance of the profession. 30

The efforts of the APB have drawn some adverse criticism. Tietjen feels that the AICPA's approach to establishing generally accepted accounting principles has, because of outside pressures, become a regulatory or police approach in which the CPA must "do it this particular way or else." 31 Tietjen also complains that the type of material has changed from broad guidelines to minutia, "often leaving little if any leeway for professional judgment or even skill." 32 He concluded that, "As we accountants painstakingly study each work of our 'cookbooks,' we cannot help but be reminded of the Internal Revenue Code, and the analogy is not comforting." 33

Impact of federal laws and regulations. If the

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30 For example, these opinions include such subjects as accounting for the cost of pension plans, consolidated financial statements, accounting for income taxes, accounting for deferred compensation contracts, amortization of debt discounts and expense or premium, accounting for convertible debt and debt issued with stock purchase warrants, accepted methods of accounting for business combinations, and accounting for intangible assets.


32 Ibid.

33 Ibid.
CPA is accounting for firms in special industries, he
must be aware of the unique accounting problems associated
with such industries.\textsuperscript{34}

In addition, the CPA must be current in the reading
of state and federal laws and pronouncements of regulatory
agencies pertaining to such industries. With regard to
changes in federal laws and regulations, Bryan wrote that:

More federal developments affecting CPAs
occurred in 1969-70 than in any of the 13 prior,
year-end surveys conducted for this column.
Many actions were by agencies, but as it did
with medicine, law and science, the 91st Congress
took more interest than ever in accounting.\textsuperscript{35}

Reading the before-mentioned laws and regulations
requires time and effort. Federal agencies which issue
these regulations affecting accounting are numerous.\textsuperscript{36}

\textbf{Displacement of firms in SEC engagements.} A siz-

\textsuperscript{34}Examples of such industries are: construction;
extractive industries including oil, gas, and mining;
banking including commercial and savings and loan associ-
atations; insurance; regulated industries including rail-
roads, public utilities, and airlines; governmental and
non-profit entities such as municipalities, hospitals,
and universities; and agricultural including farming for
crops and raising cattle.

\textsuperscript{35}Lyman Bryan, "Washington Background," The Journal
is the Director of the Washington office of the AICPA.

\textsuperscript{36}Examples include the Federal Power Commission and
its regulation of electric utilities and natural gas pipe-
line companies; the Social Security Administration and its
implementation of the Medicare program; and the pronounce-
ments of the Small Business Administration affecting a
great proportion of the local practitioners' clientele
across the nation.
Significant amount of concern is being expressed by leaders in the accounting profession as to the reasons small firm practitioners are being displaced in SEC registrations and filings. In one AICPA survey reported, 62% of the CPA firms responding with participation in SEC filings were displaced.37

Carpenter and Strawser, from a survey of corporations issuing securities for the first time on an interstate basis and filing with the SEC, concluded that the underlying reasons for the decision to replace local and regional firms with national CPA firms "most frequently appear to be the prestige, reputation and greater technical ability (particularly in SEC matters) of a national firm."38

A special AICPA committee commissioned to study displacement found that underwriters often insist, because of the great financial responsibility and legal liability involved "that the public offering team be composed of 'pros' experienced in SEC work."39

37Marshall S. Armstrong, "Displacement of Accounting Firms," The CPA, LI, No. 3 (March, 1971), 24ff. See also, "Displacement of Accounting Firms in Public Offerings to be Studied," The CPA, L, No. 3 (March, 1970), 11.


39" Hoyt Suggests Ways to Avoid Displacement," The CPA, LI, No. 6 (June, 1971), 16.
The underwriters imply that some CPAs possess more expertise in this area of practice than others.

Barr contends that the main difficulty of the local CPA when his clients go public has been and still is "an uncritical appraisal of his competence to undertake work which may involve the liabilities of the Securities Acts and a failure to recognize that he may be deemed not independent under our rules. . ."^40

The inescapable conclusion is that, among other reasons for displacement of firms, a significant proportion of the profession is not considered by "industry" to possess adequate preparation and experience to undertake engagements involving SEC filings and registrations.

**Changes in Code of Professional Ethics.** Complete consideration of the Code of Professional Ethics, current changes therein and the proposed major restatement thereof is an undertaking which has and will demand time and effort of the CPA.^41

If the AICPA's Council approves the proposed code

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^40"News Report," The Journal of Accountancy, CXXX, No. 5 (November, 1970), 16. Andrew Barr is the chief accountant of the SEC.

^41For a discussion of the code restatement, see "Council Hears of Differences Between 1970 and 1971 Drafts of Code Restatement," The CPA, LI, No. 6 (June, 1971), 3. Wallace E. Olson explains that the revised draft consists of three separate sections: (1) Concepts of Professional Ethics, (2) Rules of Conduct, and (3) Interpretations of the Rules of Conduct.
restatement at its Spring, 1972 meeting, the restatement will subsequently be submitted to an AICPA membership vote. 42

Auditors' legal problems. Helstein advises that the accounting profession is the only one which can be subjected to law suit by an entity which neither was a party to the contract nor which had an interest when the engagement was performed. 43

Reiling and Taussig stated that during the late 1960's, while accountants were experiencing a high degree of prosperity, CPAs also found themselves confronted with "an unprecedented number of lawsuits." 44 They related that "... these suits have frequently involved the profession's most prestigious firms..." 45

In discussing what the profession must do in reaction to the assertions of deficiencies in auditing and reporting as reflected by the major law suits, Carmichael gave the following opinion:

The profession can no longer wait for appropriate standards to evolve from practice but must accept greater responsibility for determining

42Ibid.

43Helstein, op. cit., p. 75


45Ibid.
appropriate standards before they are established by the courts and must commit even more of its scarce resources to improving the traditional area of expertise - auditing.\(^6\)

Carmichael is imploring the profession to take the steps to raise the standards of practice now before public confidence is lost in the quality of work being performed and before standards are imposed on the profession by the courts.

Recurring auditing problems. Horton stated that "old auditors' problems never die. Unfortunately, they don't fade away either; they just keep coming back to haunt us."\(^7\) Horton rhetorically asked why the AICPA Committee on Auditing Procedure is continually re-evaluating and changing what has been done before with respect to the recurring problems with which it is confronted. He includes in his reasons the following:

Too many of the conclusions we reach are based too much on feel or hunch, rather than on empirical research that could lead us to better answers before we make a pronouncement. This, too, creates a need for continual re-evaluation.\(^8\)


\(^8\)Ibid.
Impact of the computer on auditing. The growth of EDP installations requires that the CPA add to the traditional academic and practical preparation for his role as auditor the EDP systems dimension.

Davis stated that auditors conducting computer audits should have an extensive understanding of the following subjects:

1. EDP equipment and its capabilities
2. Characteristics of computer-based systems
3. Fundamentals of computer programming
4. Computer center operations
5. Organization and management of the data processing function
6. EDP documentation
7. Controls in EDP systems
8. Auditing techniques not using the computer
9. Auditing techniques using the computer

Horwitz, discussing the condition of the profession with respect to acquiring proficiency in this area, made the following comments:

... there is still a minority of the profession who have had in-depth exposure to computer systems and there is still a considerable reluctance on the part of most auditors to get involved.

EDP auditing as a legitimate and significant component of the overall audit attest function can no longer be ignored. Five years ago it was viewed as a mysterious and esoteric science of questionable viability, to be nurtured, if at all, by a few intellectually crotchety members of the profession. Anyone who still holds to this view had better take a good, hard look; yesterday's frail baby is about to come of age.

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50 Horwitz, op. cit., pp. 49-56.
Sampling in auditing. Traditionally, the auditor applied simple, random block sampling techniques. However, the modern auditor is making increasing usage of classical and/or Bayesian statistics in his sampling process. This is done not only to save time, effort, and cost, but also because the auditor recognizes that use of proven statistical concepts of logic and probability are more defensible to the client and in court than the traditional extemporaneously derived block sampling. The latter is not very scientific and probably is often either wasteful in one extreme or insufficient in the other.

Acquisition of more sophisticated statistical techniques require that a new dimension be added to the auditor’s traditional professional preparation.

Changes in Management Services

AICPA formal commitment. The AICPA made a formal commitment in 1961 to provide management services in declaring that "... management services activities are a proper function of CPAs. . .".


53 Committee on Management Services of the AICPA,
Recent growth in management services. The rapid growth in EDP installations has been accompanied by increasing activity in the area of management services by CPAs. The computer has made more practical the use of certain mathematical models and techniques which assist in the processes of planning and controlling and in the analyzing and solving of problems for business firms.54 Because using these techniques frequently involves extensive and repetitious calculations, such tools could not be utilized as extensively before computers were available. Hand calculations often require too much time and effort.

The AICPA Committee on Management Services expresses the view that client demand has contributed to the growth of management services in the following:

In recent years, management advisory services have been in an accelerating process of evolution, with the profession's participation growing in response to requests from clients for assistance. In many instances, management needs and problems are more complex and the techniques involved in their solution more sophisticated than ever before. The profession's response to the demand for advice has been to develop a broader range of services.55

With the push provided by the computer and the pull

54Examples include simulation, Monte Carlo techniques, linear programming, quadratic programming, dynamic programming, queuing theory, and network analysis.

55Committee on Management Services, loc. cit.
provided by client demand, the profession has responded by engaging in a greater amount of management service activity than in previous decades.

EDP systems engagements. If CPAs adequately prepare themselves by coursework, study, and experience in EDP systems feasibility, design, installation, implementation, and analysis, management services engagements in these areas will materialize. Otherwise, non-CPA specialists will enjoy most of the consulting work in this area.

Broadness of scope. The AICPA's Committee on Management Services stated that:

The scope of management advisory services is such that no one person can be expected to develop sufficient specialized knowledge and skill in all areas in which clients might require assistance. A wide range of management advisory services can normally be performed only by a firm which includes both generalists and individuals who have acquired specialized qualifications in the subject matters or techniques involved.56

If no CPA can possess sufficient specialized knowledge and skill to handle all problems a client may present in the management services area, how much less able is the CPA to possess sufficient knowledge and skills in all areas of service offered by CPAs?

Certifying of non-CPA specialists. While the profession currently does not permit accrediting of CPAs,

56 Committee on Management Services, op. cit., p. 8.
the larger accounting firms are hiring non-CPA specialists such as attorneys in the area of taxation and mathematicians and systems analysts in the area of management services. Although the profession refuses to recognize CPA specialists, several members of the AICPA's Committee on Management Services have urged that the non-CPA specialist "be accredited and admitted to full membership in the American Institute." 57

Subsequently, the Committee on Specialization recommended at the Spring, 1971 meeting of Council that the AICPA create an associate class of membership for non-CPA specialists in management advisory services who are employed by CPA firms but who are ineligible to obtain the CPA license. 58

Is it desirable to grant the privilege of formally specializing to the non-CPA who enjoys the benefits of association with the profession while refusing to give the profession's own CPAs the same privilege?

Changes in Taxation

Causes of changes and complexities. Tax laws are man-made, and because lawmakers cannot anticipate the


58 "Proposal Would Create an Associate Class in Institute for Management Consultants," The CPA, LI, No. 6 (June, 1971), 8.
almost infinite number of various situations involving taxpayer transactions having tax consequences, the taxpayer and his advisor often have the opportunity to interpret the tax laws in a manner most advantageous to them. Consequently, controversies arise between the taxpayer and the Treasury Department. If such controversies cannot be resolved between the taxpayer and the various hierarchical levels within the Internal Revenue Service, then the courts become the battleground for evaluating the facts and interpreting the laws to settle such controversies.

The taxpayer may find himself in the Tax Court, the Federal District Court, the Court of Appeals and ultimately in the Supreme Court of the United States. The results of such court proceedings become precedents by which the taxpayer and the Treasury Department will react in future situations to given conditions.

Through the years, many volumes have been developed containing the proceedings of such court cases, and an expert tax advisor will find himself continually researching such cases. In the constant tug-of-war between the taxpayer with his expert counsel and the government, the making of the tax law completes a full circle. That is,

as the taxpayer interprets the law to his advantage, the Treasury Department reacts with new regulations, and the legislative branch of the government reacts with new tax laws which they feel will remove deficiencies in prior laws. These new laws become the subject of further interpretation, and a never-ending cycle of action and reaction involving ever-changing interpretations and new legislation occurs.  

The taxpayers and their expert advisors are constantly alert for ways to make the tax law work to their advantage while the government is constantly reacting to changing objectives and to deficiencies in the tax law. It is unlikely that any person can imagine the practically infinite number of variations in the meanings of the words that comprise the tax literature as such.

60 Tietjen, op. cit., p. 11. Tietjen commented that more than fifty years ago the United States government attempted to guide individuals and firms in the computation of the simple new income tax, and the following describes what happened:

The great game of Looking for Loopholes started immediately and has never stopped. Result - more rules. Privilege seekers importuned Congress and received special concessions. Result - more rules. Thousands of taxpayers took their grievances to court. Result - more rules. Today the income tax situation is close to chaos, with no solution in sight.

See also, William H. Westphal, "What is Tax Reform?" The Journal of Accountancy, CXXIX, No. 2 (February, 1970), 56. Westphal stated that "the tax law is an enormously complex set of statutes that have been revised, altered and adjusted until the patchwork has become almost unintelligible."
words apply to the subtle differences among transactions of tax consequences. The tax expert is well advised to read and understand the implications of numerous essays involving the opinion of other astute tax researchers.

Amount of necessary reading. The amount of study and research a tax expert must involve himself in is significant. The types of material include the Internal Revenue Code, the Internal Revenue Service regulations and rulings, court proceedings involving tax matters, and tax articles and essays.

Complexity of reading. Pressure for equitable (if not favorable) tax treatment has contributed to modifications of traditional business entities. In addition, the Congress has developed a large number of concepts and definitions to suit its purposes in creating and implementing the tax laws. Choka feels that the endeavors of Congress in this regard have resulted in an absurdly complicated compilation. He stated that the Internal

61 For example, the Master Index of Prentice-Hall Tax Service covering only Volumes I through V is approximately 700 pages long. Prentice-Hall published a pamphlet, the title of which indicated that it was a "concise explanation" of the Tax Reform Act of 1969. This publication was not far short of being 100 pages in length.

62 Examples include the Subchapter S corporation, the regulated investment company, the small business investment company, the qualified pension trust, and the professional service organization.
Revenue Code is "so complex, so involuted, so convoluted that even the experts are bewildered."\(^{63}\)

Not only is there a great amount of reading which must be performed by the tax expert, but also such reading is very time consuming because it is so complicated. Any accountant who does not have the time or who is unwilling to expend the effort in studying the ever-changing tax laws will quickly find himself seriously obsolete. If he allows himself to become obsolete, he cannot effectively plan and execute his clients' tax programs and solve his clients' tax problems.

Barnes told the AICPA Council that CPAs will expect a greater proportion of their total billing to come from tax practice (with more emphasis on consulting and planning and less on return preparation). To achieve these expectations "more specialized and better trained staff will be needed."\(^{64}\)

Based on a survey conducted by the Institute in December, 1970 concerning the nature and role of the CPA


\(^{64}\)"Council Hears Early Results of Tax Practice Survey," The CPA, LI, No. 6 (June, 1971), 6. William T. Barnes is the chairman of the executive committee of the division of federal taxation of the AICPA.
in tax practice a prediction was made that:

More attention will be given to specialization. CPAs with masters' degrees in taxation and with law degrees will become more numerous, which may lead to increasing pressures for special recognition.65

Discussion of Hypotheses

First hypothesis. Current changes in environment and within the accounting profession necessitate that accountants focus a major portion of time and attention on specialized areas.

Table 2.1 shows that every occupational grouping of CPAs is highly dissatisfied with the time and energy available for personal study time in maintaining or improving proficiency and keeping abreast of changes in all areas of accounting practice.

The answers presented in Chapter II to question 22 of the questionnaire reveal that a majority of the profession find the task of maintaining an equal level of extensive proficiency in all areas of accounting practice to be improbable if not impossible (see Figures 2.1 and 2.2).

Reference to responses to various questions presented in Table 2.9 shows that every group of CPAs are, to some degree, in favor of some form of specialization.

Some of the more important changes confronting CPAs will be briefly referred to below in relation to the first hypothesis.

65Ibid.
All of the reading which the accountant must do to stay abreast of changes in all areas is overwhelming.

Accompanying the growth of computer usage is the increased activity in management services and the need for accountants and auditors to become proficient in EDP systems engagements.

Only a minority of the profession have had in-depth exposure to computer systems, and there is a significant amount of resistance by most auditors to get involved.

The most frequent explanation given in the survey by respondents answering "yes" to the question of whether formal specialization would be good for the profession was the claim that since no one can be expert in all areas of accountancy in today's complex world, specialization would promote greater proficiency in a particular field of accounting.

Because of major recent lawsuits, some CPAs implore the profession to improve its auditing standards before higher standards are imposed from outside the profession (viz., the courts).

There is significant evidence that a large number of small CPA firms are being displaced in SEC registrations and filings. A major reason is lack of experience and preparation in this area.

Some leaders in the profession are urging the accrediting of non-CPA specialists in management services
and the granting of associate membership in the AICPA to these non-CPAs. This provides additional evidence that the profession does not believe that it possesses within its ranks enough expertise in certain areas and must import the same. If the profession were to accredit CPAs in the area of management services, then possibly more CPAs would be encouraged to become proficient therein. By accredit ing non-CPA specialists and refusing to accredit CPA specialists, the AICPA will place the de facto CPA specialist at a disadvantage.

The weight of the evidence uncovered by the questionnaire survey and the survey of the literature verify the author's conclusion that the first hypothesis is valid.

Second hypothesis. Current changes in environment and within the accounting profession generally prohibit equal expertise in all branches of accounting.

Ninety-seven percent of the respondents to question 25 of the survey indicated that they feel that the average CPA has more expertise in one or more areas (i.e., accounting and auditing, management services, or taxation) than in others. Item 2 of Table 2.9 reveals that 100% of the small firm practitioners wishing to formally specialize who responded to the questionnaire feel that the average CPA has more expertise in one or more areas than in others.

These statistics and the statistics and changes presented in relation to the first hypothesis provide
substantial evidence which tends to support the writer's acceptance that the second hypothesis is true.

Third hypothesis. Specialization is already practiced to a moderate extent in the accounting profession as a natural process.

A specialist is one who concentrates his practice in one or a relatively few areas of accountancy.

Fifty-five percent (or 402 out of 731 answering the question) of the respondents to question 27 of the survey questionnaire claim to specialize. Small firm practitioners indicated that 33.7% of their ranks specialize while 70.4% of large firm practitioners responded that they practice a specialty (see Table 2.7).

Employment brochures used by large CPA firms clearly state that opportunities exist for the prospective employees to specialize in accounting and auditing, taxation, and management services.66

If the CPA is to achieve excellence in serving clients, then the CPA will naturally gravitate toward that system which makes him more proficient and away from that system which hinders his pursuit of this objective. The first positive argument reported in Table 2.10 is the claim that specialization will promote greater proficiency in special areas.

The claim that specialization will promote greater proficiency in given areas of accountancy than is possessed by general practitioners who attempt to do everything, can be supported from three dimensions: (1) reason, (2) testimony of leaders in another profession which formally specializes, and (3) empirically upon the findings in the survey reported in this paper.

If the CPA were to concentrate his practice in one or two of the individual branches of accountancy, he would most assuredly be able to research and experience a greater number of types of problems within those particular branches than a person who is attempting to practice across the entire spectrum of accounting. Because of more intensive experience in a special area of accountancy, the specialist, through concentrating his research and practice, will be more greatly aware of the various aspects of problems in his area than he would be without such concentrated experience. The specialist should also be more aware of the interrelationships of these aspects not only to other facets concerned with the specialty itself, but also to the relationships with respect to the whole of the client's problems. Thus, the specialist, by having repeatedly grappled with particular problems and by having done so in more depth than the general practitioner, should have a higher level of awareness of the significance of the various aspects of the problem in his specialty and should
render solutions with greater confidence and more reliability than his colleagues in general practice. The more frequently the CPA researches, contemplates, and solves problems of a given type, the more proficient he will become with regard to his future ability to solve problems of the same type.

For the testimony as to the effect of specialization upon the medical profession, the reader is referred to the remarks of Motta, Chavez, and Harris in Chapter IV discussing specialization in the medical profession. These men all attribute a great deal of the current success of the medical profession to specialization.

Empirical support for the claim that specialization will improve proficiency is found by referring to the results outlined above in the discussion of questions 32 through 36 and in Tables 2.5, 2.6, and 2.8 where it can be observed that many CPAs responded (both directly and indirectly) that they feel that specialization will improve proficiency.

The above evidence is presented in support of the writer's conclusion that the third hypothesis has been verified.

Fourth hypothesis. Professional obsolescence is a function of an accelerating change in concepts, tools, techniques, and increased technical demands upon the professional person.

When the rate of change in concepts, tools,
techniques, and demands upon the professional person increase to a rapid rate, the professional person and his profession as a coordinated system must adapt more frequently than was previously required.

Evidence is presented in discussions of earlier hypotheses that CPAs generally do not feel satisfied that they are able to keep informed of changes in all areas of accounting practice. As client demands increase, the CPA has even less time for personal study. If the number of changes accelerates but the CPA is not even keeping up with changes prior to an acceleration, then he will be still less informed proportionately after the acceleration with respect to the total changes having taken place.

On a continuum ranging from completely obsolete to completely current, the CPA will regress if he has a relatively static amount of time to study which is not sufficient under a given set of conditions and subsequently the frequency of changes increases.

Based upon the weight of the evidence presented and the logic of the above discussion, the author concludes that the fourth hypothesis has been verified.

Fifth hypothesis. Professional obsolescence is a current condition of fact among a large segment of the accounting profession.

Professional obsolescence refers to the professional person's degree of lack of awareness and/or skill in employing the best tools and techniques available in his
profession in performing services for his clients. The term obsolescence connotes either complete uselessness or, as is more frequently the case, a degree of diminished usefulness of tools, knowledge, and/or skills.

The professional person's tools, knowledge, and skills may not be as useful today as when the individual first acquired them. Old methods may still be useful but less so when compared with the present-day state of the art.

Obsolescence is also relative to public expectations regarding services for which the CPA and his professional colleagues expressly or implicitly hold themselves out to generally provide. CPAs generally provide auditing and accounting services, management services, and services in the area of taxation. Unless the client happens to have personal knowledge to the contrary, his expectation with regard to the general practicing CPA must be that such CPA is just about as expert as any other CPA in all areas of accounting practice (viz., accounting, auditing, management services, and taxation). The accounting profession, if not expressly, has implicitly endorsed this expectation by its silence. That is, the profession has refused to designate which CPAs are specialists in particular areas of practice.

There are some areas of practice where some clients display a lack of confidence in proficiency of some CPAs
(e.g., displacement of CPA firms in SEC engagements and
lawsuits of CPA firms subsequent to auditing engagements).
In the view of such clients, these CPAs are either obso-
lete or such CPAs are thought to have never been profi-
cient.

If CPAs are not satisfied with the time and energy
available to keep informed of chances and maintain or
improve proficiency (see Table 2.1) and generally find the
task of maintaining an equal level of extensive proficiency
to be hardly probable if not impossible (see results pre-
sented in Figures 2.1 and 2.2), then CPAs find themselves
in the process of becoming progressively obsolete relative
to the total spectrum of services being offered generally.
Who knows better than the CPA himself?

The above should not be interpreted to mean that
individual CPAs are not proficient in certain areas. CPAs
generally agree that the average CPA is more proficient in
some areas than in others (see discussion of survey
question 25 in Chapter II).

The evidence presented above supports the hypothesis
that, relative to the total spectrum of accounting ser-
ices, there is a significant amount of obsolescence.
Therefore, based upon the above evidence, the author con-
cludes that the hypothesis has been verified.

Chapter Summary

Major changes are taking place in and surrounding
the accounting profession which add significant scope and complexity to the practice of accountancy. Leaders in the profession are advocating specialization, compulsory continuing education, and a fifth year of college preparation as measures which they hope will assist in the pursuit of continuing to provide quality service. Some leaders have even proposed the accrediting of non-CPAs as specialists and the conferring of associate membership status in the AICPA to such non-CPAs.

The amount of literature reflecting these changes is overwhelming. Testimony by various CPAs throughout the chapter support the contention that CPAs either cannot or are not keeping informed in all areas where changes are taking place.

Some of the major recent changes include the growth in EDP systems installations, the growth in activity in management advisory services and the growth of multinational commerce.

The writer submits that the weight of evidence uncovered and reported tends to support his conclusion that the hypotheses discussed are verified.
CHAPTER IV

SPECIALIZATION IN OTHER PROFESSIONS

Introduction

The discussion in this chapter presents the claimed advantages and disadvantages of specialization in law, medicine and engineering. Also, where available, testimony regarding the effects of specialization on the respective professions is presented.

The accounting profession should consider the mistakes and successes of these other professions regarding specialization. Where applicable, the accounting profession can incorporate the advantageous features of specialization systems of the other professions. By observing the dysfunctional aspects of the specialization systems of the other professions, the accounting profession should be able to minimize the chances of making the same or similar mistakes.

Specialization in the Medical Profession

Background. Specialization in medicine is by no means a phenomenon restricted to modern times. Dr. R. M. Pollitzer noted that specialization existed many centuries before Christ among such peoples as the Egyptians, the
Assyrians, and the Babylonians.¹

Advantages. A report of the Committee on Medical Ethics of the American Medical Association listed the advantages of specialization as including "minuteness in observation, acuteness in study, wideness of observation, skill in diagnosis, multiplicity of invention and superior skill in manipulation."²

In order to provide a level of quality of service consistent with the best available in the state of the art, the professional man must be knowledgeable of and skillful therein.

As medical knowledge advanced and medical literature expanded, medical doctors were forced to specialize in order to provide quality service. Motta stated:

... Advances in medical knowledge have placed an overwhelming burden on the physician's capacity to absorb and retain information; no one man is capable of absorbing and retaining all this knowledge.³


³Gustavo A. Motta, "The Changing Complexion of Medical Care," Rhode Island Medical Care, LI (February, 1968), 106. For other similar comments regarding the inevitability of specialization in medicine see also, Charles Singer and E. Ashworth Underwood, A Short History of Medicine (New York: Oxford University Press, 1962), p. 745; Patricia L. Kendall and Hanan C. Selvin, "Tenden-
Morgan discussed the need for specialization in medicine as that profession engaged in an expanding variety of pursuits in the following:

...Whilst we labour amidst such a variety of pursuits, all improvement must be at a stand. Whereas, let each cultivate his respective branch apart, the physician, surgeon, apothecary &c. the knowledge of medicine will be then daily improved, and it may be practiced with greater accuracy and skill as well as a less expence.

Fox stated that medical doctors face several types of uncertainty: (1) "incomplete or imperfect mastery of available knowledge," (2) "limitations in current medical knowledge," and (3) that which "derives from the first two."

Fox discussed a student who, in the course of studying gross anatomy, finally came to the conclusion that even after four years of study the student would

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4 John Morgan, "Discourse upon the Institution of Medical Schools in America" (commencement address at The College of Philadelphia, 1765), p. 16. Dr. Morgan was the first American professor of theory and practice of medicine.

still be ignorant. In discussing the student's conclusion, Fox made the following comments:

Such a felt sense that there will always be more to learn in medicine than he can possibly make his own, is the beginning of the medical student's acceptance of limitation. It might also be said that this same realization is often one of the attitudinal first signs of a later decision on the part of a student to enter a specialized medical field.

Disadvantages. The Committee on Medical Ethics of the American Medical Association described the disadvantages of specialization as "narrowness of view, a tendency to magnify unduly the diseases which the specialty covers, a tendency to undervalue the treatment of special diseases by general practitioners, some temptation to the employment of undue measures for gaining a popular reputation and a tendency to increased fees."7

The Committee concluded that these disadvantages could be overcome if the medical doctor would begin as a general practitioner and gradually undertake his specialty.8

Fear that the associations of the several specialties would fragment the American Medical Association was expressed in 1888 in the New Orleans Medical and Surgical

6Ibid., p. 211.
7Fishbein, op. cit., pp. 74-75.
8Ibid., p. 75.
This journal contained these comments:

What will be the final effect upon the American Medical Association of the various associations... It will be a sad day for the profession of America when the time-honored A.M.A. ceases to be the medical institution of the country.9

The medical profession is concerned with the problem of fragmenting the patient into specialties whereby diseases are treated rather than persons. While the medical profession seems to generally recognize that specialization is here by necessity, the loss of the total approach to treating the patient is not desirable and should be minimized to the extent possible by the profession. Motta seems to express these general thoughts of the profession in the following remarks:

In the fragmentation of the patient, specialization has brought forth marked advances in cures of organ and system diseases. However, with the loss in care of the fragmented whole person, there has been produced an increase in those conditions which arise from the psyche, or personality, of the individual.10

In prior years the general practitioner frequently acted as family physician and was highly aware through close contact with the patient and his family of the social and economic environment and life style of his patients. Because of such close contact, the family physician was better able, perhaps, to assess the whole

9Fishbein, op. cit., p. 135.
10Motta, loc. cit.
person, including psychological and psychiatric aspects of his personality.

While it is generally felt that specialization is certainly here to stay, Motta implored the medical profession and those institutions which fund training of physicians to encourage more family doctors "even if it means a diminution in the number of future specialists." Motta's concern is with the treating of the whole person rather than just the disease. Sigerist stated:

The general practitioner will remain the core of the medical profession, but alone, left to himself, he is lost and cannot possibly practice scientific medicine. He needs the backing of a health centre or hospital and a group of specialists whose help and advice he can seek. In other words: practice tomorrow will by necessity be group practice, organized around a health centre.

An undesirable feature of specialization in the medical profession is that protection is lacking to some degree for the general practitioner who refers clients.

In Wolf's opinion, referrals from the general practitioner to the specialist are frequently a one-way proposition. In such cases, the specialist "will often

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12 Ibid.

keep the patient because he feels he is more qualified than the general practitioner, and he believes in continuity of patient care.\textsuperscript{14} The specialist, Wolf maintains, will more often turn to other specialists when he needs assistance and his colleagues will frequently reciprocate on a quid-pro-quo basis.\textsuperscript{15}

Structure. Because medical specialties overlap, there is a degree of arbitrariness when one compartmentalizes them.\textsuperscript{16} In discussing how specialties developed, Stevens asked the following question, "Is there a legitimate difference between a 'branch' of medicine (organizationally signified by the establishment of a professional examining College or Faculty); a specialty within that branch (such as ophthalmology within the body of surgery); or a subspecialty or special interest within a particular specialty?"\textsuperscript{17} She later concluded: "In the end, the question was academic, for there was as yet no way of ascertaining, from the point of view of patient care

\begin{itemize}
  \item \textsuperscript{14}George A. Wolf, Jr., "The Organization of Medical Practice in the United States: The Specialist and the General Practitioner," \textit{Journal of Medical Education}, XL (August, 1965), 739.
  \item \textsuperscript{15}Ibid.
  \item \textsuperscript{16}Singer and Underwood, op. cit., p. 205.
  \item \textsuperscript{17}Rosemary Stevens, \textit{Medical Practice in Modern England} (New Haven and London: Yale University Press, 1966), p. 316.
\end{itemize}
whether specialists trained in one way were better than specialists trained in another.\textsuperscript{18}

The medical field is generally divided into two major branches, medicine and surgery. Within each branch a number of specialties and subspecialties are recognized. The following will give one an idea of this architecture:\textsuperscript{19}

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What has the American Medical Association done to prevent the fragmenting of the profession? This is accomplished through the Council on Medical Education and Hospitals. This council is responsible for approving essentials of a registered hospital, approving residencies and fellowships, and approving examining boards in the specialties. Thus, the Council became the adhesive by which the medical profession has been held together, "...since it brought into control of these examining boards the point of view of the entire membership of the

\textsuperscript{18}Ibid., p. 338.

\textsuperscript{19}Donald M. Pillsbury, "Specialism and the Changing World of Medicine," \textit{Archives of Dermatology}, LXXXVI (July, 1962), 69.
American Medical Association.\(^{20}\)

Effects on profession. In discussing the productivity of doctors, Harris made the following comments:

No one can doubt that improved medical education and training have increased the productivity of the doctor. One hour of a doctor's time yields a greater product than it did a generation ago.

The trend toward specialization has also undoubtedly raised average productivity.\(^{21}\)

Throughout the literature, statements are made to the effect that specialization was inevitable because no man could absorb in sufficient depth, enough in terms of knowledge, and develop sufficient skills in order to adequately practice across the entire spectrum of medicine (see reference 3 of this chapter). Each time such an assessment was made, it was done so on the basis of subjectivity. However, when the same comments are made frequently, then the conclusion develops that there must be some degree of social consensus with respect to the assessment that specialization is absolutely necessary in the medical profession.

Chavez stated that specialties permit a man to concentrate in one area and study it so thoroughly that he masters it. He continued:

\(^{20}\)Fishbein, op. cit., p. 448.

What was an effect of the vertiginous advance of science became afterward a causal factor of that progress.

The advantages of medical specialization can no longer be debated, either in the pragmatic aspect of the profession or as a factor for the advance of knowledge. Each specialty has carried out clinical investigation in its field and all may glory in having furnished a great mass of contributions.22

Implications for accounting. Morgan contended that it is absolutely essential that the specialist receive a general education in medicine prior to the training he receives in his specialty.23

A frequently recurring theme also found in modern medical literature is that in order for the specialist of today to be effective in the cure of the whole patient, he must have a solid background in general medicine. For example, a prudent physician specializing in heart surgery should be aware of acceptable alternatives to such surgery provided by other medical areas such as internal medicine or psychiatry. Given the frequent complications involved with major surgery, a conscientious surgeon should be willing to consider such alternative techniques for avoiding surgery in many instances.

Because problems presented to accountants often overlap the areas of accounting and auditing, taxation, taxation,

22 Chavez, loc. cit.

23 Morgan, op. cit., p. 17.
and management services, the accountant who aspires to be a specialist must also be first steeped in a solid general background. Non-CPAs are currently being employed by accounting firms as specialists in the management services area. This practice does not seem to be as desirable as employing management services specialists who have sufficient background in taxation and auditing and accounting to be able to recognize the impact of their proposed solutions on those areas of a client's operations.

Specialization was inevitable in the medical profession because of the advance of knowledge (see reference 3 of this chapter). Lawler made a similar claim for the accounting profession. In pointing to the bulging library shelves of the AICPA, he said:

Indeed, the complaint is loud in the land that CPAs are drowning in a raging torrent of words - and some, like Canute, would like to order the waves to recede. There may well be ways of organizing this flood of printed material to permit a faster and easier access to the information required at a particular moment; but it is hopeless - it has long been hopeless - to assume that any single man will be able to gain a mastery over the entire range of knowledge reflected in this constantly expanding literature of the profession.24

Related to the plethora of technical reading material with which the accountant must keep current is the concept of uncertainty referred to earlier in the remarks made by Fox. The accountant too is faced with these three

types of uncertainty mentioned before: imperfect mastery of available knowledge, limitations in the current state of the art, and the difficulty of distinguishing between personal ignorance and the limitations of the current state of knowledge. Thus, if the accountant is partially besieged by uncertainty because of his inability to maintain mastery over changes being discussed in the literature, then he is not apt to produce in a manner which is satisfactory to himself. Such dissatisfaction will result because the conscientious accountant will be concerned as to whether his knowledge in a given area is sufficiently current to produce the best that the profession has to offer.

A frequently encountered objection to formal specialization in the survey results reported in Chapter II was that it would cause a fragmented or a microscopic approach to solving client’s problems. This same disadvantage is of major concern in the medical profession. Wolf treated this subject with the following comments:

... It is not that the patient needs a kindly, old, inadequately trained but experienced man; the patient needs an advocate and a guide through the complex morass of medical care. He needs a man who knows him and his background and his family, a man who knows the social environment in which the patient lives and the medical environment from which the patient seeks help.25

Elkinton discussed this same problem in the

following remarks:

Patients feel lost when they cease to have one primary physician who guides them in their contacts with the requisite subspecialists (and a subspecialist with the right attitude and general background can just as well be "the man in charge").

Perhaps statements such as the above prompted Stone to make these comments:

In the medical field, many specialists practice alone in separate offices apart from all other specialists. It does not seem that accounting is going to evolve in that direction since most of our clients look to an accounting firm for the entire package of accounting services. I think that we will evolve more as the Mayo Clinic has in the medical practice.

Stone feels that unless there are both generalists and specialists in accounting firms, such firms will not function well. Accounting organizations need to have persons to "coordinate the work of the accounting firm" and "deal with the client as a whole," or impractical suggestions based only on tax consequences or management services implications may result.

With respect to the problem of referral for the general practitioner, discussion is deferred to the


28Ibid.
As was mentioned earlier, many in the medical profession attribute the great advances in practice and in research of medicine largely to specialization in that profession. It is quite conceivable that specialization can expand the knowledge of the profession of accountancy, and sharpen accountants' tools both with respect to practice and research.

**Specialization in the Legal Profession**

**Background.** In recounting the history of law, Pound noted that while there was no unified legal profession in ancient Greece, the various specialized functions were performed by individuals. They were advocacy, counseling, and the teaching and writing of law.

Specializing in law is merely concentrating the attorney's practice in less than the full spectrum of legal services. In commenting on specialization Greenwood and Frederickson stated that those who advocate specialization assert that the term "generalist" as the word is commonly used... is no longer possible. No person can learn all there is to know within his profession. The 'general practitioner', in reality, knows only those fields which

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come into his view."30

Canon 27 permits publication in approved law lists and legal directories of "branches of the profession practiced" by the attorney.31 So, in a sense, the legal profession does permit its constituents to advertise their area of special interest. However, the Canons do not permit the use of the word "specialist."32

Canon 27 was amended in 1952 to permit two exceptions to the prohibition of referring to oneself on letterhead and shingle as a specialist: in the areas of admiralty law and patent, trademark, and copyright law.33

No denial is found in the literature that specialization exists and is needed in the legal profession. The following remarks make such an assertion:

The great demand for these types of listings [law lists and directories] from members of the bar is evidence enough that specialization exists and that there is need for it. In fact there is no denial of these basic premises by even the strongest opponents of regulation.34

Advantages. The strongest underlying motivation in

31 Ibid., pp. 93-94.
32 Ibid.
33 Ibid., pp. 84-85.
34 Ibid., p. 184.
those who advocate specialization is that by confining the scope of the attorney's practice to one or several areas rather than the entire spectrum of legal services that a person can acquire a significantly greater degree of proficiency than he possessed prior to such specialization and than is ordinarily possessed by the general practitioner. This added proficiency is ascribed to the greater repetition and exposure which the specialist receives in an area or areas.

Recent changes in the complexion of business, finance, politics, and the economy have influenced the practice of law. Joiner wrote that:

... The increased complexity of modern day society requires that a lawyer limit his activities within a relatively few fields of law if he is to be highly proficient in those particular fields. Even the most old-fashioned of us admits that the public is better satisfied with specialized service.35

In the same spirit, Tweed said:

... The position that everyone who is admitted to the Bar is competent to advise any client on any problem is untenable... We are fooling ourselves if we let ourselves believe that we are fooling the public. If the monopoly of the Bar depends for its existence on the myth that every lawyer is competent to advise any client on any matter and can perform with equal proficiency in a police court case and in a complicated corporate reorganization, then the monopoly cannot survive.36


36Harrison Tweed, "The Changing Practice of Law: The
Some attorneys feel that the encouragement and formal recognition of attorneys who acquire special expertise will reduce the tendency of the public in recent years to seek specialists outside the legal profession to help solve their problems.

Tweed, in discussing the lack of reaction by attorneys in general to significant changes in commerce and politics in recent years, made the following observations with respect to competition by non-legal specialists:

Meanwhile, laymen had made it their business to become proficient in the provisions of the tax and labor laws and the accounting and other problems involved. . . . the Bar as a whole was not alert to the relative benefits and detriments which the situation presented, and lost business through a failure to qualify itself to do the work involved.37

37Tweed, op. cit., p. 427.
While specialization in legal practice is extensive, some attorneys are fearful that there might be misrepresentations or at least exaggerations by individuals with respect to their proficiency in given areas of legal practice. As was mentioned earlier, an attorney may claim, in a reputable law list, a particular branch within which he practices. Some feel that the legal profession has an obligation to not only recognize but also control such specialization for the long-run benefit of the profession and the public. Joiner asserted this viewpoint in the following comments:

One of the problems in today's specialization is the fact that anybody can be a specialist. All he has to do is to say, "I am a specialist in some field of law." He doesn't have to know anything about that field. He can advertise in the law directories. Other lawyers and the public have no way of knowing whether or not he knows anything about that field. What is needed is a program that will control and eliminate the vices of specialization and yet give to the public and the profession its benefits.38

In the report of the American Bar Association's Special Committee on Recognition and Regulation of Specialization in Law Practice, issued in August, 1963, the following comments were made:

We submit that any solution of this problem 1956), 40. Wham gives the following examples of substitute non-legal specialists: (1) insurance adjusters, (2) accountants handling tax work and (3) realtors "representing laymen in matters involving the law."

38Joiner, op. cit., p. 1171.
Of misrepresentations regarding specialties in law lists must involve a consideration of some form of certification. If certification should prove feasible then the Canons would cease to be merely noble declarations of high ethical principles and would become enforceable in practice.\(^{39}\)

With respect to the benefits of specialization for large firms and small firms, some lawyers feel that specialization is only economically feasible in large firms and to the extent that small firms cannot efficiently utilize specialists, they are placed at a disadvantage. Greenwood and Frederickson discussed this argument and the rebuttal by opponents. The counter argument follows:

Opponents of this view maintain that official recognition would help a lawyer to establish a specialized practice in a small firm or as an individual practitioner. They contend that nowadays clients who have problems in specialized fields automatically go to a large firm for specialized help, but they would look for a specialist in any type of firm, small or large, if they knew he was certified.\(^{40}\)

Formal specialization is contemplated above to give the small firm practitioner the capability of locating special expertise and forming ad hoc or special-purpose associations in order to insure that his client receives expert services in all areas.\(^{41}\)

Through the ad hoc partnership, Tweed asserted that

\(^{39}\)Frederickson and Greenwood, op. cit., p. 187.

\(^{40}\)Frederickson and Greenwood, op. cit., pp. 145-46.

\(^{41}\)Joiner, op. cit., p. 1105. In this reference, Joiner explains his concept of the ad hoc partnership.
the judgment of the generalist and the extensive proficiency of the specialist are combined to provide better service for the client. 42

Disadvantages. Opponents of the specialization movement claim that as specialization develops, the cost of legal services will increase.

Tweed considers the claim to be fallacious and stated:

"... Nothing is as expensive, both from the point of view of the cost of the product and the possibility of lack of quality, as the advice which a lawyer who knows a little about the problem laboriously prepares and offers to his client. The lawyer who is more or less continuously engaged in a concentrated field of work is able to handle a matter within it much more expeditiously and with a much greater probability of producing the right answer." 43

Opponents of specialization claim that formal recognition thereof would fragment the profession. By this they mean weaken the national Bar organization by emergence of splinter groups each with its own self-interest.

Joiner noted that the American Bar Association has met the need of lawyers to associate in limited professional organizations. These common interests and desires naturally motivate them to meet together for the purpose

43 Tweed, op. cit., p. 427.
of exchanging ideas to improve themselves and help their clients. This need has been met by providing sections within the national Bar organization.  

However, Joiner implored the profession to recognize that these sections are interest groups and should be distinguished from proficiency groups. That is, any member of the American Bar Association may merely pay a fee and join any section, notwithstanding his lack of knowledge or skill relative to the concern of a particular section.  

Joiner further disclosed that in recent years more than one specialty organization has developed which demands more than just interest for membership. That is, applicants must meet certain standards of proficiency. He gives as an example the American College of Trial Lawyers.  

Joiner, in commenting on the latter-type groups, maintained that unless the American Bar Association exercises some degree of control, the "profession may be split into splinter groups."  

44 Joiner, op. cit., p. 1106. Examples of such sections include administrative law; antitrust law; criminal law; labor relations law; local government law; mineral and natural resources law; patent, trademark, and copyright law; public utility law; real property, probate and trust law; and taxation law.  

45 Ibid.  

46 Ibid.  

Another objection to specialization in law is the "seamless web" argument which involves the claim that all questions in law are inextricably dependent upon practically all of the facets of all of the overlapping areas. Tweed rebuts this argument in the following comments:

First of all, there is the argument that the law is a seamless web, that a lawyer either knows it all or is no lawyer. There may have been justification for this in the past... But it simply is not true today. A fine mind, developed by a college education and trained to the legal approach by a law school course, is not enough.48

Some concern exists in the legal profession that attorneys may not always refer when not proficient, and such reluctance is at least partially attributed to fear of losing the client.49 However, results of the survey of the State Bar of California (discussed later in this chapter) indicate that the perceived problem of client piracy subsequent to referral in the legal profession is probably to a great extent unfounded.

Some feel that attorneys will lose prestige as a result of labeling themselves as specialists. Tweed gave his feelings toward such a claim in the following:

means a program which will regulate and "eliminate the vices of specialization and yet give to the public and the profession its benefits" (see reference 38 of this chapter).

48Tweed, op. cit., p. 426.

... Is it a disparagement of an historian that he studies and writes chiefly about the Renaissance, or of a scientist that he specializes in electronics? If a human being has studied, trained and worked - has given his all - in as wide a field as it is possible for a human being to cover, what more can be asked? Are lawyers to set for themselves a standard of mediocrity in an excessively broad field with the result that lawmen concentrate in a small area of the broad expanse which is rightfully the domain of lawyers, and give the public an expertness which the lawyers lack?  

Important results of California survey. In March, 1969, the Committee on Specialization of the State Bar of California released results of a random sample survey of California attorneys.51

In reporting on the extent of specialization in the legal profession the following statement with regard to survey results seems highly meaningful:

The survey disclosed that, in the sense that they concentrate their practice in one or a relatively few fields of law, two out of three attorneys now specialize in fact without certification.52

50Tweed, loc. cit.

51Committee on Specialization of the State Bar of California, "The Results of a Survey on Certification of Specialists," Journal of the State Bar of California, XLIV, No. 2 (March-April, 1969), 141. In this survey 1,241 responded of the 2,196 lawyers who were sent questionnaires. The Committee was assured by professionals in the survey field that this response, approximating 60% of the attorneys surveyed, was sufficient to consider the results as being representative of the entire California Bar.

52Ibid., p. 144.
As mentioned earlier some hold the fear that once the general practitioner refers the client to a specialist, the specialist will then retain the client for himself on all future engagements. However, the findings of the Committee on Specialization of the State Bar of California which follow reflect that the problem is more often unfounded than not:

Some 65% of the Bar have no knowledge whether general practitioners complain of loss of clients to specialists. Thirty percent hear such complaints occasionally, but less than 5% hear frequent complaints. Slightly lower percentages of the Bar report occasional and frequent personal losses of clients to specialists.

There is a positive correlation with years of practice and knowledge of and personal loss of clients. Thus, while loss of clients to specialists does not appear to be a major problem, it is one which must be taken into account in any plan for certification.53

In commenting on current practices of specialists vis-a-vis the feelings of the Bar with respect to required policy as to the practices of specialists, the Committee on Specialization of the State Bar of California made the following observations from its survey:

While 57.6% of the specialists claim to seek consent for handling any further matters, only 39.5% of the Bar feel this should be the required policy. Likewise, while 36.5% of the specialists report they retain only cases within their specialty without consent, 76.1% of the Bar feel this policy should be the general policy. In other words, uncertified specialists now conduct themselves more scrupulously, according to the survey, than three-fourths of the Bar (including special-

53Ibid., pp. 148-49.
ists) feel should be required of certified specialists.54

The Committee stated that "probably the most significant attitude reflected by the survey is that almost three-fourths of the Bar anticipate a public benefit from certification."55

Current status of specialization. Increases in the scope and complexity of the practice of law require specialists in order to provide quality service for clients.56

While the Bar has provided sections within its ranks for special interest groups (discussed earlier in this chapter) no certification program exists.

Two special committees were formed by the American Bar Association and submitted proposals for formal specialization in 1954 and 1962, respectively. The plans of these committees were not adopted. While not disapproved, the 1962 proposal was accepted by the American Bar Association House of Delegates "for information

54Ibid., nn. 149-50.
55Ibid., n. 147.
56Wham, op. cit., nn. 39-40. Wham gives examples of fields which require specialists: patent law, reorganization of large business units, labor law litigation, antitrust litigation, income and other tax litigation, utility rate litigation, obtaining the approval of security issues, in many fields "involving specialized business background as well as law and procedure," and even more traditional areas such as criminal law, personal injury, probate, divorce and various types of law and chancery cases. See also references 35 and 36 of this chapter.
Attorneys practicing in only two particular fields are permitted to designate themselves on letterhead and shingle as specialists. However, any attorney may advertise in law lists and law directories that he practices in a particular branch.

While no one would deny the need for existence of specialization, opponents of certification might assert that the profession is not ready for such or that the profession would not be ready even in the foreseeable future for certification. The objections of those who oppose formal specialization range from "there are too many unanswered questions" to "such a system is not practical." In discussing the reasons for failure of the 1954 proposal, Frederickson and Greenwood made the following comments:

Arguments became circuitous. Consideration of the manner of controlling specialization became intertwined with the question of whether specialization was evil.

Joiner, in listing the objections to specialization to which he was exposed, observed that "... all objections are directed at the byproducts of uncontrolled or

57 Frederickson and Greenwood, op. cit., no. 170-77.
58 For a more detailed discussion, see Frederickson and Greenwood, loc. cit.
59 Frederickson and Greenwood, op. cit., p. 171.
un-guided specialization which are resulting from the failure of the profession to exert leadership."60

Cheatham feels that some attorneys who consider themselves to be expert in special areas will be against certification unless there is a provision for a grandfather clause.61 These lawyers, who practice specialization on an informal basis, can contend that a specialist with a label may not necessarily be as expert as an uncertified specialist. Such opponents can also claim that de facto specialists who are truly expert but uncertified may be hurt competitively because they are not so labeled. These uncertified specialists may fear that they "must make the effort" to be certified in order to protect their position and that it is a burden upon them to have to take the extra courses and examinations which they feel will be required.62 On the other hand, others argue that certification would, to some degree, protect the public from self-styled specialists (see reference 38 of this chapter).

Tweed maintains that it would be unfortunate if the Bar ignores "the known risks of overspecialization on one hand and loss of business to the profession because of

60Joiner, op. cit., pp. 1108ff.
61Cheatham, op. cit., n. 505.
62Ibid.
lack of expertness on the other hand, leaving everything to fate."\(^63\)

Niles discussed an interesting development in the legal profession in England. There, attorneys are divided into two separate functions: advocacy and counseling. The counselors, known as solicitors, are for the most part general practitioners and can be engaged directly by clients. On the other hand, barristers perform as advocates in the high courts and operate as lawyers' lawyers. Barristers are for the most part specialists and can ordinarily not be engaged directly by clients.\(^64\)

While one can see that such an arrangement prevents the piracy of clients by the specialist from the general practitioner, the arrangement obviously poses the problem of who is responsible for bad advice, the solicitor or the barrister.

**Implications for accounting.** Members of both the accounting and legal professions seem to have a strong fear that the national societies will be fragmented by specialization. Proponents of specialization are quick to point

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\(^63\) Tweed, op. cit., p. 425.

out, however, that because specialization in fact is inevitable, the professions should encourage the implementation of specialization in such a way as not to fragment the national societies. National societies should be concerned primarily with the long-run benefits to the public and to the society's constituency while maintaining short-run stability. If the structure of a national society is designed to promote attainment of this objective, then considerations should be given to modifying the structure when significant changes both external and within a profession so indicate. That is, the structure of an organization should be so designed and modified as a means to an end and not the end itself.

In both professions the fear exists that if specialization is approached in the wrong manner, then the client will receive narrowly conceived solutions to his problems. That is, unless the professions insist upon the specialist receiving a broad educational background as well as some general experience, he will not be able to render solutions which incorporate both the macro- and micro-viewpoints.

In addition, there is the general feeling that there is a need for teamwork among generalists and specialists. That is, clients need generalists to develop a continuing personal relationship with clients in order that the client's needs be well-coordinated and in order
that the client be able to consult one professional for most of his problems. However, because it is generally admitted in both professions that no man can be highly proficient in all areas of professional service provided, the specialist is needed to handle those problems which require special, in-depth expertise.

For small firm practitioners in both professions, the concept of ad hoc partnerships holds merit.

Substantial evidence has been presented that a significant proportion of both professions specialize on an informal basis. Both professions are currently confronted with the question of whether to maintain the present laissez-faire approach to specialization or to implement a program to promote the benefits and to minimize the disadvantages of specialization.

Specialization in the Engineering Profession

Background. Discussion of the current condition of the engineering profession provides an opportunity to examine the effects of permitting a profession to develop almost without conscious direction to unify and coordinate.

Even today, use of the word engineer must be made broadly because those professing to be engineers have difficulty in agreeing upon the meaning.65

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65M. P. Lohman, "A First Step to Professional Identity," Professional Engineer, XXXIX, No. 8 (August, 1969),
Lohman stated that recently engineers have expressed concern because of the public's inability to distinguish engineers from either scientists or technicians.66

Lohman revealed the lack of unity in the engineering profession when he asserted that if an "acceptable and precise" definition of an engineer could be found, then engineering might be defined in terms of what is required of an engineer. The engineering profession would "thus become a collection of professionals who might be more easily identifiable."67

Today, anyone who performs engineering work can call himself an engineer.68 Thus, what is generally referred to as the engineering profession is composed of individuals with diverse credentials and varying degrees of ability. Sams denounces the disunity of the profession in the following:

The engineering profession should organize its national engineering society, have it speak for the profession, and unify the over 100 different societies which currently disagree on every matter that comes up.69

25. See also, Merritt A. Williamson, "Identifying the Engineering Profession," Professional Engineer, XXXIX, No. 9 (September, 1969), 57.

66Lohman, loc. cit.

67Ibid.


69James H. Sams, "Letters to the Editor," Professional Engineer, XXXIX, No. 12 (December, 1969), 7. Sams signed this letter as Executive Secretary, National Council
Linder stated that engineering societies have been "unable to achieve unity in purpose or in cooperation" among themselves. The advance of knowledge and other reasons "dictate an intimate relationship and cooperation between engineering societies in the dissemination of information. Yet only a few meetings are held each year under joint sponsorship of two or more engineering societies."71

The student planning a career in engineering begins to specialize by choosing a college which offers the particular area of engineering in which he plans to function. Upon graduation, engineers may take state examinations in order to fulfill the legal requirements to practice publicly in those states having such requirements.

Lohman commented that laws governing engineer registration set forth varying requirements for registration in the various states and that even when such laws and requirements are similar, they may be interpreted differently by the various state boards of registration.72

Specialization in the engineering profession of Engineering Examiners.


71Ibid.

72Lohman, op. cit., p. 25.
apparently evolved without the realization of the need by
the leaders in that profession some years ago for planning,
for the control of specialization in order to prevent
fragmentation and to establish and maintain machinery for
insuring cohesion within the profession.

Advantages. Under proper conditions, specialization
.can provide a way to select an area, the scope of which is
not so wide as to prevent extensive proficiency therein
or so wide as to prevent the engineer from keeping current
in his field.

Disadvantages. Under present conditions, the
engineering profession is a fragmented collection of spe­
cialties. Engineers have such diverse backgrounds that
some show concern about the profession's inability to
point to a common core of knowledge for engineers. In
this regard, Williamson asked, "How can one talk about
professional standards or generalize on the qualifications
of engineers if there is no agreement about who is
included in the profession?"

Structure. There is little or no definable struc­
ture in the engineering profession. Lohman stated that
"the problem of identifying an engineering organization

73Williamson, loc. cit. See also, Joseph A. Perry,
"Reader Forum," Professional Engineer., XXXIX, No. 9
(September, 1969), 38.
is so difficult" that the *Directory of Engineering Societies and Related Organizations* published in January, 1968 by the Engineers Joint Council includes organizations which are primarily involved with geology, architecture, physics, mathematics, and nuclear physics. 74 He continued that "the burden of differentiating between an engineering society and a related organization is placed entirely on the reader." 75

There is one organization which attempts to provide the features of a national umbrella society for all engineers registered by the various states, territories, or Canada. This is the National Society of Professional Engineers. 76

However, the National Society of Professional Engineers is only of moderate size relative to one of the specialized technical organizations (viz., the Institute of Electrical and Electronics Engineers). Membership in


75 Ib. id.

76 Engineers Joint Council, *Directory of Engineering Societies and Related Organizations* (New York: Engineers Joint Council, January, 1968), n. 104. The stated objectives of the National Society of Professional Engineers are to:

Promote social, professional, ethical and economic considerations of engineering as a profession and encompass programs in public relations, employment practices, ethical considerations, vocational guidance, governmental liaison and research in the social and economic aspects of the profession.
the former approximates 70,000 while membership in the latter approximates 155,000.77

Claimed effects on profession. Because the profession is so fragmented, its total power to control its destiny is dissipated. Lost advantages which could be achieved by a strong central society include (1) more uniformity in state requirements regarding registration; (2) better dissemination of information and promotion of professional development; (3) a uniform code of ethics giving greater professional stature; (4) a stronger public relations program; and (5) more influence in political, economic, and social spheres.

Implications for accounting. The accounting profession cannot afford to allow itself to develop the unfortunate relative lack of unity and identity with which engineers currently find themselves confronted. If specialization is to be instituted in the accounting profession, accountants must conceive and implement a positive program which will promote the advantages of specialization while minimizing if not eliminating the ill-effects.

77 Charles W. Bonhag, "Funds Needed as Profession Calls Upon NSPE for Leadership," Professional Engineer, XLI, No. 2 (February, 1971), 70.
Chapter Summary

While de facto specialization exists extensively in the medical, legal, and engineering professions, specialist certification controlled by a unified national organization is found only in the medical profession.

Specialization is considered to be necessary to provide extensive proficiency in the legal profession and to permit the attorney to concentrate in an area, the scope of which allows him to maintain currency therein. Except in the areas of admiralty law and patent, copyright, and trademark law, lawyers are not permitted to refer to themselves on letterhead or shingles as specialists. However, they are permitted to advertise the particular branch of law they practice in law lists and law directories.

The engineering profession is composed of a series of many specialized, autonomous organizations. Anyone, regardless of credentials or background, can call himself an engineer if he performs engineering work. The engineering profession suffers because it possesses no relatively strong central organization to provide leadership, unity of purpose, minimum requirements for admission, and a significant measure of control of political, legal, economic, and social destinies.

Overriding implications for accounting found in this chapter include: (1) specialists must have general
backgrounds to prevent myopic solutions to problems, (2) specialization must be controlled to prevent fragmentation of the profession, and (3) both generalists and specialists are needed in order to provide a macro-approach and coordinated package of services by the generalist and to provide extensive proficiency by the specialist.
CHAPTER V
IMPLEMENTATION

Introduction

Evidence presented in previous chapters has established that informal specialization is practiced by accountants to a significant extent. If the scope and complexity of accounting practice continues to increase, de facto specialization must also increase if accountants are to continue to provide quality service. That is, if accountants claim that they cannot maintain currency in all areas practiced at present (see Chapter II), then they will be less able to do so as the scope and complexity of accounting practice expand.

No evidence or statement in the literature has been found which suggests a lessening of breadth or complication in accounting practice. In fact, evidence is presented in Chapter III which indicates an increase. Correspondingly, specialization is firmly entrenched and will perhaps increase.

The profession should explore alternatives to reduce the dysfunctional aspects of specialization and promote the beneficial facets of it. To leave such an important matter to chance by a profession which is continually imploring its clients to plan for their own
future successes seems indefensible.

**Positions on the Specialization Continuum**

A number of alternatives exist for the accounting profession in its approach to the question of specialization. These alternatives include the following:

<table>
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<tr>
<th>Alternative Number</th>
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<td>1.</td>
<td>Do-nothing approach.</td>
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<td>2.</td>
<td>Recognition of informal specialization.</td>
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<td>3.</td>
<td>Accreditation for public practice with a singular requirement.</td>
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<td>Accreditation for cooperative resource centers.</td>
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<td>6.</td>
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<td>7.</td>
<td>Fragmentation into narrow, solinter societies.</td>
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**Extreme positions.** Extreme positions (alternatives 1 and 7) can be taken on the subject of specialization. On one extreme of the spectrum (alternative 1), the profession can ignore the need for and continued expansion of de facto specialization, thereby leaving to chance the emergence of undesirable effects of specialization and failing to promote the beneficial aspects thereof. At the other extreme (alternative 7) exists the lunacy of fragmenting and dissolving the profession as it is known today and leaving a number of uncoordinated, autonomous, solinter
groups, each of which claims a very narrow scope of practice. The folly of the latter pursuit would mean the near destruction of a highly viable profession. The solutions to clients' problems rendered by men of narrow viewpoints would be suboptimum in nature with respect to questions outside the narrow specialist's own area.¹

The following discussion of what falls between the two extremes will proceed by moving in the discourse from the end of the continuum which can be described as the "do nothing" or present approach toward the other extreme in which narrow specialization and fragmentation are involved.

2. Recognition of informal specialization. Little stronger than the "do nothing" approach is to informally recognize, either within the profession only or both within and external to the profession, areas of special interest or concentrated experience. This approach is similar to the legal profession's recognition of specialization on an informal basis through use of law lists. However, in the legal profession, inclusion in law lists is dependent upon little more than a person's own statement.

¹An example of an approach which might lead to many specialty groups and consequently promote a narrow perspective is specialization by industry. It is possible that specialization by industry would elicit one of the dysfunctional effects of narrow specialization by causing the accountant to become too concerned with too small an area.
with regard to the particular branch which he practices. Yet, the approach does permit the professional to convey his desire to concentrate his practice in a particular area and also provides a means by which his professional colleagues might identify those people wishing to concentrate in a given area. If a person concentrates in a specialty, his proficiency in that area will normally be greater than that of another person of equal intelligence and previous experience who has not so concentrated. Repetition in grappling with special problems and the gaining of concentrated experience therein by having to examine and contemplate different aspects and variations in similar special problems are thought to provide this additional proficiency.

3. Accreditation for public practice with a singular requirement. A modification of the above approach would be to require the CPA either to pass some type of proficiency examination or to successfully complete certain specialty courses through the professional development program or at the university level. The names of those successfully completing such requirements could be published in some type of professional list either for the private use of CPAs or for the public's use also.

4. Accreditation for public practice with several requirements. The next level would be to accredit CPAs
for a specialty imposing several rigorous requirements rather than the singular requirement proposed above. Upon the subsequent passing of some form of examination, written or oral, prepared by an examining board which represents the viewpoint not only of those in the specialty but also of the profession generally and the satisfying of other stipulated requirements (e.g., specified coursework and/or experience), the CPA would be further accredited as to special proficiency.

Such a program would give the individual CPA an objective goal for which to strive, would promote the development of standards with regard to special expertise in a given area, and would permit the CPA's fellow practitioners and the public to identify him as one with whom to consult regarding problems of particular complexity in a certain area. With some form of objective recognition by the profession in general, individual CPAs will probably be more convinced that there are other CPAs in their communities more prepared than the CP in special fields, and referrals will be encouraged in areas where CPAs feel relatively unsure. Problems in these special areas have been handled in the past by generalists who might have liked to have referred had they been more confident that someone else in the community were indeed more proficient with respect to these particular problems than they.

5. Accreditation for cooperative resource centers.
Another avenue which might be taken by the profession is to create a system in which accredited CPAs function as members of regional resource centers. This type of specialist would practice as an accountant's accountant. In the system conceived, the small- to medium-sized accounting firms would join to fund these cooperative regional resource centers for purposes of professional development and for the capability of expanding the general practitioner's level of service to his clients through being able to draw upon the expertise of the specialists at the resource center. In addition, other benefits could be available such as providing centralized computer and library capabilities beyond those which the individual firm could achieve as efficiently. Universities situated in the various regions might provide ideal locations for the proposed regional resource centers.

Several such resource centers are currently in existence. This writer has corresponded with the Associated Accounting Firms International and The American Group of CPA Firms. Included in the objectives of the former organization are the following:

... to share knowledge and experience of the many developing special skills used to satisfy the growing needs of clients;

to extend the availability of special service skills of individual member firms to the clients of all AAFI member firms;²

²Informational Booklet (New York: Associated
In discussing arrangements for services to clients, The American Group of CPA Firms made the following statement:

In order to expand the scope of services available to clients, The American Group pooled the resources of all member-firms in specialized fields and in specialized industries. A directory of specialized knowledge and experience is maintained and the services of specialists are freely available to all member-firms.

6. Accreditation of CPA firms. The concept of accrediting the firm as the basic entity to be recognized in the various specialties appears to have considerable appeal. Such a program would explicitly encourage the team approach. The system would implicitly recognize the efficacy of the team approach to tackling some of the extensive and complex problems with which individual accountants are currently being faced.

Specialists working together can both complement and supplement the efforts and capabilities of each other. For example, the AICPA's Committee on Management Services declared that the scope of management advisory services is so broad that no one person (presumably not even a specialist) can possess the knowledge and skills to offer all that a client might require in this area (see reference 56 of Chapter III). Variety of subjects thought to be necessary.


included in the area of management services is so broad that each of several specialists would probably display varying degrees of strengths in the different types of problems therein. By specialists working together, the strongest knowledge and skills possessed by each can be focused on client problems while the others learn by observation, consultation, and participation. In this way, the potential client can be assured of even greater proficiency than that possessed by an individual accountant if he could locate such specially accredited firms.

Certain special engagements may require a team of specialists for control and timeliness of completion. Examples include large scale EDP audits and the installation of large, integrated management information systems upon conversion from manual to EDP systems. The public and members of the profession would have a method of locating such special firm capabilities if firms were accredited.

By operating as a team, specialists could efficiently employ, train, and supervise subprofessionals who could extend the effectiveness of the specialist even further.

While Davidson feels that accrediting the firm holds considerable merit, he thinks that the task of accrediting firms should be deferred in favor of currently initiating a system of accrediting individuals. He said
of the future that "... it appears that any accreditation of firms will necessarily involve examination of the credentials of its individual members."\(^4\)

Membership and complexion of accounting firms are constantly changing, and some difficulty could be experienced in the need for continual reappraisal.

**Lessons to Be Learned from Other Professions**

When one examines the architecture of specialization in other professions, he sees a variety of approaches. The accounting and legal professions have done very little to recognize the existence of specialization. At the other extreme, the field of engineering is broken down into numerous specialized categories including electrical, civil, mechanical, and chemical engineering.

Engineers today find themselves in the unhappy position of having no relatively strong society through which the activities of the several autonomous societies can be coordinated. The power and prestige of one large national society would facilitate the promotion of high ethical and technical standards.

While the medical profession might have initiated stronger control of specialization earlier than it did,\(^5\)


\(^5\)Charles W. Joiner, "Specialization in the Law:
the leaders in that profession did take the steps necessary to prevent the destruction of the AMA and to promote and utilize the beneficial aspects of specialization to great advantage.

As was mentioned earlier, the AMA Council on Medical Education and Hospitals approves the essentials of a registered hospital, residencies and fellowships, and the examining boards in the specialties. In this manner, these examining boards in the specialties represent the point of view of the entire membership of the AMA.

There will always be the need for general practitioners. The medical profession is experiencing an interesting phenomenon in that there is a cry from the public for the profession to provide family doctors once again. This same need for generalists will continue in the accounting profession. In order that the client have a coordinator of his needs and be served by a person who learns the special needs of the client through continuing personal contact, the accounting profession will do well to continue to encourage and support the ranks of its general practitioners. General practitioners, because of their broad experience in all areas of accountancy and because of the analytical ability which they learn in their academic preparation and experience can probably

Control It or It Will Destroy the Profession," American Bar Association Journal, XLI (December, 1955), 1107.
handle satisfactorily the majority of their clients' problems.

**Plan Recommended by the Writer**

Because the profession's scope of practice has become so broad, a formal system is needed whereby the general practitioner can consult with and refer to specialists who can provide the needed additional technical proficiency in trouble spots. The general practitioner can no longer hope to handle many of the complex problems by himself through engaging in brush-fire research. He must be able to locate, consult with, refer to, and trust accredited specialists in the quest of solving some of his clients' more complex problems.

The author recommends alternative 4. That is, the CPA specialist should be accredited on the basis of several dimensions: specified course work, concentrated experience, and the passing of special examinations. Alternative 4 is preferred to alternative 3 because the several requirements of alternative 4 should reinforce each other and give a greater assurance of proficiency.

The accounting profession should follow the natural pathways established by its constituency by observing that some accountants devote most or all of their time to one of the following specialties: accounting and auditing, taxation, or management services. These specialties are
each broad enough to provide the accountant enough interesting material and enough challenge to maintain the accountant's professional interest and yet not so broad that the professional man becomes a person with shallow knowledge in many, many areas with not much depth in any one.

If the profession does nothing to control specialization and chooses to leave to chance the ability of general practitioners to locate special proficiency when and where needed (alternative 1), then the truly beneficial aspects of specialization may not be realized while the unfortunate facets such as the unwarranted self-proclaiming of expertise and the eventual fragmentation of the profession may appear.

It seems practicable that the generalist and the specialist can work well together. The specialist can assist the general practitioner in raising the level of service to his clients through consultation, assistance, and availability for referrals. The general practitioner can correspondingly assist the specialist when needed and refer clients to the specialist in appropriate engagements. The common objective of both the specialist and the generalist is to provide the highest possible level of service to the client, and this should prevail over more selfish motives. If both groups strive to cooperate in this objective, then the long-run health of the profession
is supported.

In an informal system of specialization where the general practitioner in a community has no objective knowledge and perhaps little subjective cognizance of the capabilities of his colleagues, he may have small reason to believe that other local CPAs can handle particular engagements any better than he. In such an atmosphere, will the general practitioner, who is trying to succeed in a competitive environment, go far out of his way to seek someone else to handle a job which he may rationalize that he can handle as well?

Even if the generalist did refer in a system in which specialization remained in an informal state, what guarantees has he that the client will be returned upon completion of the special engagement? To dismiss such an important issue by resorting to the installation of high-sounding ethical but relatively unenforceable rules with respect to requiring the return of the client seems inappropriate when consideration is given to the professional competitiveness which is thought to exist in some communities. Such an approach is likely to cause the continuation of the reluctance to refer which apparently exists now in the minds of CPAs. The lack of frequency with which referrals are now made is discussed in Chapter II.

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6 John Lawler, "The Divided House Revisited," The CPA, L, No. 6 (June, 1970), 13ff.
(see Tables 2.3 and 2.4).

Alternative 2 (i.e., recognizing anyone's desire to concentrate without requirements) seems deficient because the public and other CPAs would have no objective evidence as to a person's claim of special proficiency.

Alternative 5 holds considerable advantage but has the failing that responsibility for bad advice to clients would be divided between the specialist at the resource center and the accountant practicing publicly.

Alternative 6 also is appealing but seems to be a system which would be difficult to control on a practical level. That is, accrediting of the firm is based upon qualification of individuals within it, and since membership of firms is constantly changing, firms would have to be frequently evaluated.

**Important Considerations of the Writer's Plan**

**Required general background.** Specialists must possess general knowledge of the other phases of accounting in addition to that of their own special area. Frequently, the various ramifications of many client problems outside the specialty are of such importance as to render useless any abstract solutions presented by a specialist who ignores the effects of his solutions upon the whole of the client's problems.

Thus, the specialist must possess a general core
of knowledge so that he can take into account all evidence which indicates aspects of a problem which must be coped with but which may be outside of his own special area. If the peripheral aspects of a problem are of great complexity then a team approach may be required. Even if a team approach is taken, the specialist must be able, at a minimum, to recognize trouble spots outside his own area.

By requiring that the specialist first become a CPA before undertaking a specialty, the general background is, to a great extent, thereby acquired. That is, the broad academic and practical experience the accountant acquires in the process of becoming a CPA provides him with an excellent general background.

Machinery for removing distrust. A model is discussed below which should reduce complaints by general practitioners with respect to one-way referrals such as those alleged to occur in the medical profession.

In this model, when the general practitioner confronts a problem of his client which requires the use of a specialist, the general practitioner could personally contact the specialist with a contract providing for fees, progress reports, timetable, a formal conference returning the client to the generalist by the specialist, and a covenant by the specialist not to serve the client in any other capacity for a specified period of time without the
expressed permission of the generalist.

During the time in which the specialist and the client work together, some means for progress reports should be initiated between the specialist and the generalist. These progress reports would include work performed to date, fees involved to date, time and effort required for completion, and fees expected for completion.

When the specialist has completed his work with the client, a termination conference involving the client, the generalist, and the specialist could be arranged at the generalist's option so that the specialist could officially return the client to the generalist.

The above requirements can be couched in ethical and legal terms which are quite enforceable.

If the generalist were to lose too many clients to the specialist after the covenant period stipulated in the above-described agreement, he would have the necessary feedback to indicate that he probably would not wish to continue referring clients to the specialist in question. In this way, the generalist could provide economic sanctions which would protect himself from specialists who would tend to pirate his clients.

Thus, for each referral, the specialist and the generalist could form an ad hoc partnership for the purpose of insuring that the client receive the best possible service at a reasonable cost and for facilitating the
cooperation between the specialist and the generalist.

**Extended timetable.** The survey results show that slightly fewer than half of the CPAs favor a grandfather clause (see the Appendix). An alternative is to institute a grandfather clause but require subsequent success on examinations given over an extended period. This alternative provides objective criteria for permitting accountants utilizing the grandfather clause to maintain their long-term claim to the specialty or upon failing to complete the examination to relinquish such claim.

These specialty examinations could be given in parts small enough so that even busy practitioners who were so inclined could secure, through personal study and professional development courses, the knowledge to pass them one part at a time.

**Formal machinery.** During this initial period, these temporarily grandfathered specialists could assist in the development of branches of the AICPA and in the formation of bylaws of such special branches. The bylaws would provide for admission requirements with respect to education, experience, and examination results as well as for rights and privileges of members of the special branches, for financing the machinery for testing and certifying, for elections and meetings, and for disciplinary action and terminations.
For example, suppose that leaders of the AICPA, with the endorsement of the membership, wish to establish a special branch in the area of management services. These leaders could appoint and approve a special board which would create the machinery for determining admission requirements (including preparation of examinations and the grading thereof), the rights of persons gaining formal certification as specialists in management services, the aspects of financing the implementation and maintenance of such special machinery, and the provision of ways and means of disciplining violators of the special branch's code of ethics and standards of practice.

With respect to financing the machinery for developing special branches of the AICPA, there is little reason why those persons acquiring a special certificate should not pay annual dues and examination fees to entirely finance such programs just as CPAs do generally for the CPA examination, annual dues to state and national societies, and state licensing fees. It is contemplated that the specialist will pay all of the general dues and license fees paid by CPAs currently and in addition pay sufficient fees to finance the operation of his special branch(es) set up by the AICPA.

A plan with respect to implementing specialization should provide some way for practitioners who are already experts to engage in a specialty without having to give
up their practice and immediately undertake extensive coursework. If such a plan were instituted to cover five to ten years, then the CPA would be permitted to undertake coursework and pass periodic examinations to prove his expertise in a particular area.

In the meantime, a team established by leaders of the AICPA could evaluate applications submitted by interested CPAs for the purpose of supplying such CPAs with a temporary title such as "Candidate for Specialty in ______." Such a person could be styled by the Institute as concentrating but not limiting his practice to the area. He would be recognized as a formal specialist for a period, for example, of two years. Such candidate would then be expected to take a portion of a total examination (e.g., one-tenth or one-fifth of a total examination) each year with a limited number of retrials if such candidate should fail to pass such portion of the total uniform specialty examination on the initial try.

The candidate might be given the opportunity to take the entire examination in the same manner as he took the general CPA examination with an infinite number of retakes and credit if he passes, for example, two or more parts at a sitting and the remainder in "x" number of attempts.

Thus, if the above candidates are truly experts in an area, or are willing to become experts through prepara-
tion and experience, then they should not have too much trouble passing the examinations provided on a piecemeal basis. Conversely, if they do not pass these examinations in this manner then such failure would constitute objective evidence that they are not expert, and they should not be permitted to continue to claim such special expertise.

The AICPA and the state societies should continue to function as always and additionally to control the specialty branches falling under their umbrella. If desired by the members of specialty groups, subdivisions of the AICPA and perhaps even at the state society level can be formed so that exchange of ideas, research programs, publications, and continuing education can be implemented and improved in the special areas of interest. In every respect, it is anticipated that such subdivisions would be subservient to the AICPA and the state society of which they are a part.

With specialists pooling their ideas and efforts, research of a more refined nature and publication thereof can be generated. In addition, the findings of these specialty groups can be discussed and coordinated by the AICPA in general so that the ideas of the several groups can be examined and interlocked from the broader viewpoint.

7For a similar proposal, see "Lawler Suggests That Growth in Membership Raises Questions about AICPA Structure," The CPA, LI, No. 6 (June, 1971), 7.
Admittedly, there is a difficulty in obtaining the coordination and agreement among the legislatures of the fifty states and several possessions with respect to the accreditation of specialists. However, the AICPA could establish uniform requirements with respect to accreditation of specialists to be administered by the AICPA, the official state societies and/or the various state boards of accountancy.

Thus, if the legislature of a certain state wished to participate in the accreditation of specialists, then specialties would be officially recognized by the state or possession, the AICPA, and the state society. Conversely, in those states and possessions in which the legislature did not indicate a desire to participate in the accreditation of specialists, the various specialties would be recognized officially only by the AICPA and the societies of those states. It is probable that most of the latter states and possessions would later follow the leadership of the profession by officially recognizing such specialties as the benefits to be derived therefrom become apparent.

The AICPA currently publishes a directory of its members. It would be an easy matter to establish a legend of symbols in that directory which would identify a CPA
with respect to the specialty or specialties for which he is accredited. In addition, the state societies may wish to also publish directories of membership in a consistent manner.

Finally, if the legislatures of the various states and possessions decide to participate in certification, then the various state boards of accountancy will probably also wish to publish a list of membership which indicates the various specialties of members. If the above directories were published in the manner suggested, then the profession will have taken a big step toward encouraging cooperation among its members with respect to consulting and referrals.

Requirement of education and experience. Bruschi supports the contention that at least five years of college study are needed preparatory to entering public accountancy. While Mr. Bruschi does recognize the value of actual experience he made the following observations with respect thereto:

There can be no substitute, in any profession, for the complex combination of knowledge, skills, and judgment acquired from many years of experience.

But there can be serious question about the value of watered-down experience requirements, originally intended to prepare candidates for entry into the profession, that have now become virtually meaningless in many jurisdictions.8

8William C. Bruschi, "Issues Surrounding Qualifying
Notwithstanding the above, Bruschi prefers the fifth year of course work to experience for the beginning CPA if a choice must be made.9

This fifth year could be devoted to acquisition of a specialty in accounting and auditing, taxation, or management services.

Also, the course work in the fifth year might be credited toward a Master of Accountancy degree by the various universities so that with not too much more work, the accountant, if he desired, could obtain an advanced degree and would thus be given additional professional recognition. A master's degree would provide him the flexibility to teach accounting at higher pay levels, and perhaps such CPAs with advanced degrees might assist the profession in its continuing education efforts. Additional prestige and compensation for the accountant can also be experienced with a master's degree in both governmental and industrial employment.

The profession may wish to adopt a residency requirement before the CPA is finally conferred with the formal title "CPA Specialist in _____."

Experience Requirements," The Journal of Accountancy, CXXVII, No. 3 (March, 1969), 53. Bruschi draws heavily on the report of the AICPA's Committee on Education and Experience Requirements and upon the findings of James MacNeill in the follow-up seminars regarding Horizons for a Profession which MacNeill coauthored.

9Ibid., p. 54.
Continuing education. Rather than requiring subsequent testing for evaluation with respect to reaccreditation, the profession could institute a program of required continuing education such that every specialist, in order to maintain his status, be required to complete several continuing education courses. Such courses could be selected from a list specified by the specialty board and approved by the leadership of the AICPA.

This solution to continued accreditation seems much more feasible than the costly program of continually retesting persons who passed the initial accreditation requirements. The approach is similar to that currently being implemented by the state of Iowa in which the CPA generalist is now required to undertake continuing education courses in order to maintain his certificate (see Chapter III, references 10 and 11).

Chapter Summary

Alternatives to implementation of specialization discussed in the chapter range from one extreme of maintaining the status quo whereby the development of specialization is relegated to chance to the other extreme of initiating a system which would lead to uncontrolled and excessive formal specialization which would fragment the profession and produce men of narrow viewpoints.

Between the extremes (alternatives 1 and 7) lie a
number of other alternatives: (2) the recognizing in
directories of informal specialization for those who wish
to concentrate; (3) the recognizing of CPAs, who have met
a single formal accreditation requirement, for public
practice in a plan established and controlled by the
AICPA; (4) the recognizing of CPAs, who have met several
established accreditation requirements, for public prac­tice in a plan established and controlled by the AICPA;
(5) the recognizing of CPAs who have met formal accredi­tation requirements to function in cooperative resource
centers for CPAs in a plan established and controlled by
the AICPA; and (6) the recognizing of CPA firms as meeting
formal accreditation requirements in a plan established
and controlled by the AICPA.

Because specialization is well established and will
probably expand as a result of the expanding scope and
complexity of accounting practice, the profession should
control its destiny by formally accrediting CPAs for
public practice who desire to concentrate their practice
and who meet the requirements (i.e., alternative 4).

As a second choice, CPAs could be accredited to
function as part of cooperative resource centers to per­form as accountants' accountants. However, the problem
arises with this alternative as to the inability to pin­point responsibility for bad advice or service which the
client might receive.
The concept of accrediting CPA firms for public practice has much in its favor but would, at least initially, be difficult as a practical matter because of the moderately frequent changes in personnel and special capabilities of firms, necessitating continual reappraisal.

No person should be permitted to undertake a specialty before he has acquired, through academic preparation and experience, a solid general background. Otherwise, he will render solutions to client problems which are narrowly conceived, and he will not be able to recognize problems in areas peripheral to his specialty. The narrowly prepared specialist may create more problems than he solves.

In order to protect the general practitioner from client piracy and to encourage referrals, ad hoc partnerships between generalists and specialists should involve written agreements which set forth the terms of the referral. Such terms might include scope of the referral engagement; estimated fees; estimated completion date; requirements for progress reports; and a provision for a final meeting, at the option of the generalist, for returning the client to the generalist.

Because many CPAs who have gained special expertise may not be able to leave their practices and families to immediately prepare academically for passing the accrediting examination, and in order to assist the AICPA in
implementing the program, temporary accreditation through use of a grandfather clause could be employed. This would be fair to the de facto specialist, and the Institute could enlist his services in establishing the machinery for determining accreditation standards, preparing examinations, and accomplishing other general aspects of implementation.

The temporary accreditation is conceived to become permanent upon passing an examination given in parts over an extended period of time. Otherwise, after the established interim period had passed, the temporary accreditation would terminate because the CPA would not have objectively proven his proficiency to his peers.

The full program would involve specialty boards appointed by AICPA officials who are elected by the general AICPA membership. In this manner, the specialty boards would represent the wishes of the general AICPA membership.

A required combination of experience, coursework and examination performance is contemplated for accreditation.

Because of the expense and difficulty of requiring periodic examinations for reaccreditation, the periodic requiring of successful completion of a specified number from a list of continuing education courses seems to be an appropriate alternative to retesting for reaccreditation.
CHAPTER VI

SUMMARY AND CONCLUSIONS

Summary

Survey results. Results of the survey include findings which are of significance to the question of specialization:

1. A strong majority of every occupational group of CPAs is not satisfied with the time and energy available for personal study in terms of maintaining or improving proficiency and keeping abreast of changes in all areas of accounting practice (i.e., accounting and auditing, taxation, and management services).

2. A moderately strong majority of both small and large firm practitioners assessed the degree of difficulty of maintaining an equal level of extensive proficiency in all areas of accounting practice to range from an area on a continuum described as "Possible but Hardly Probable" to "Impossible."

3. Ninety percent of practitioners receive referrals less than six times per year, and 97% of practitioners make referrals less than six times per year.

4. Fifty-nine percent of the CPAs responding indicated that they are not satisfied with the means
available to CPAs in general to determine the best fellow-practitioner with whom to consult or refer.

5. Responses to a variety of questions (see Table 2.6) provide evidence that polar viewpoints exist in the profession with respect to certification of specialists. The small firm practitioner who wishes to formally specialize consistently gave answers regarding the effects of specialization which are quite different from the large firm practitioner who wishes to generalize in the future. The former group's answers show a consistently high proportion who foresee favorable effects from accreditation.

6. Because no system of formal specialization now exists in accounting, to categorically prove that certification of specialists will improve the CPA's service to clients is, as a practical matter, virtually impossible. However, reference to the responses to question 33 of the questionnaire (see Chapter II) reveals that 57% of CPAs responding feel that the public will be benefited by such certification. In addition, reference to Table 2.6 shows even higher proportions of certain CPA groups who think that the public will be benefited by certification.

7. With respect to informal specialization, reference to Table 2.9 reveals that a very high proportion of every category of CPAs displayed therein feels that the CPA should be permitted to narrow the scope of his practice,
provided that ethical and legal barriers can be removed, if a given CPA feels that he can better serve his client by so doing. It is noteworthy that 70.4% of large firm CPAs are now informally specializing (see Table 2.7).

8. The most frequently cited argument in favor of formal specialization is that since no man can be expert in all areas of accounting practice, formal specialization would help to insure proficiency in a particular field.

9. The most frequently cited argument against certification of specialists is that the public would be better served by a CPA's reputation since labels are no assurance of proficiency.

Changes in accounting. The discussion of the survey of the literature presents testimony by various CPAs that CPAs either cannot or do not keep pace with changes in all areas of accounting practice. Specific changes are discussed at length in Chapter III. In quest of continuing to provide excellence in service to clients, measures suggested include a fifth year of college preparation, required continuing education, specialization of CPAs, and accrediting as specialists non-CPAs and granting associate membership in the AICPA to such non-CPAs.

Hypotheses. The first hypothesis is that changes necessitate that accountants specialize. Accountants generally claim they cannot keep current in all areas of
practice, and that the difficulty in maintaining equal proficiency in all areas ranges from improbable to impossible. Testimony presented in Chapter III by Helstein, Horwitz, Carmichael, Barr, and the Committee on Management Services of the AICPA indicates that CPAs cannot or do not keep pace with changes in all areas of accounting practice.

If excellence in service is a worthy objective of the accounting profession and accountants cannot keep current in all areas of practice, then CPAs must choose an area smaller than the whole in which they can provide excellence. Crisis-basis preparation and widely diverted attention are not conditions which are conducive to providing excellent service.

Leaders in the profession are now advocating the accrediting of non-CPA specialists.

The second hypothesis is that current changes prohibit equal expertise in all branches of accounting. Almost all respondents to the survey indicate that the average CPA is more expert in some areas than others. This result plus the discussion relative to the first hypothesis provide significant evidence that the second hypothesis is correct.

The third hypothesis claims that specialization in accounting is currently practiced. Fifty-five percent of respondents to the survey claim to specialize.

Examination of employment brochures of various
large firms shows that such firms specialize to a significant extent.

The fourth hypothesis is that obsolescence is a function of accelerating change. Discussion of previous hypotheses indicates that accountants do not now keep current in all areas of accounting practice. If the rate of change increases and CPAs were not keeping current prior to such increase, then their grasp of the total knowledge of all areas must correspondingly diminish.

The fifth hypothesis is that obsolescence is a condition of fact among a large segment of the profession. If obsolescence is viewed as being relative to the total of services for which accountants generally open their offices, the evidence presented in the discussion of the preceding hypotheses supports the fifth hypothesis. The accounting profession implies to the public that the CPA certificate is a badge of excellence for the services for which CPAs generally open their offices.

Implications found in other professions. Implications for accounting in the discussion of specialization of other professions include:

1. Accountants must have a general background prior to specializing.

2. Specialization in a profession is inevitable when knowledge advances to a point where the literature
has expanded so much that constituents cannot keep current.

3. Three causes of uncertainty confront the professional: imperfect mastery of available knowledge, limitations in the current state of the art, and the difficulty of distinguishing between personal ignorance and the limitations of the current state of the art. If the degree of uncertainty is too great, the professional will be dissatisfied if he is conscientious in trying to provide excellent service. CPAs are generally dissatisfied with the time available to keep current in all areas of accounting. Their uncertainty is therefore increased.

4. General practitioners will always be needed to coordinate and give continuity to the total services rendered to clients.

5. Advances of knowledge and increased productivity in the medical profession have been attributed partially to specialization.

6. Specialization must be controlled to prevent fragmentation of the AICPA. AICPA specialty boards should represent the viewpoints of the entire AICPA membership.

7. The concept of ad hoc partnerships between GPs and specialists for small firm practitioners holds merit.

Conclusions

Between the extremes of doing nothing (described
in Chapter V as alternative 1) and initiating a system which leads to uncontrolled overspecializing (described in Chapter V as alternative 7), the accounting profession can choose from the following (each preceded by the alternative number set forth in Chapter V): (2) to recognize without accreditation CPA specialists who merely wish to concentrate, (3) to recognize accredited CPA specialists for public practice who satisfy a single requirement, (4) to recognize accredited CPA specialists for public practice who satisfy several specified requirements, (5) to recognize accredited CPA specialists to function at regional resource centers, and (6) to recognize CPA firms as accredited in a specialty to practice publicly. Alternative 4 is recommended as the most feasible.

A grandfather clause for temporary accreditation would be not only fair to those de facto CPA specialists whose obligations might prevent them from immediately undertaking rigorous academic preparation to pass a specialty examination but would also provide a group of specialists to assist the AICPA in developing the formal machinery for specialty branches. These grandfathered specialists would receive regular accreditation upon passing tests given in sections over an extended period. If such CPAs failed in the latter pursuits, then the temporary accreditation would be lost.
Continuing education seems more feasible than retesting for reaccreditation.

By implementing use of special ad hoc partnership agreements protecting the rights of the parties involved, client piracy can be minimized and confidence with respect to referrals increased.

As the scope and complexity of accounting practice increase, specialization is expected to also increase. For a profession which implores clients to plan, leaving to chance the hope that the benefits of specialization will be maximized and the disadvantages will be minimized seems indefensible.
APPENDIX

DISCUSSION AND RESULTS OF SURVEY
NOT TREATED ELSEWHERE

Introduction

The purpose of this appendix is to complement the earlier discussion and presentation of the results of the survey conducted as part of this research. While the results presented earlier are deemed to be more important, the remaining results of the survey are presented to provide additional background and to satisfy any reader interest with respect thereto.

Exhibit A of this appendix is a copy of the letter of transmittal which accompanied the questionnaire used in the survey. Exhibit B is a copy of the questionnaire.

Remaining Results of the Survey

Of the 758 respondents, 440 indicated that they are practitioners. Of the practitioners it was ascertained that approximately 59% are members of small firms while 41% practice in large firms. Interestingly, the AICPA reported that 42.1% of its practicing membership belong to CPA firms which contain ten or more AICPA members.¹

While all CPAs in a firm are not Institute members and while there is a very slight overlap of classifications (i.e., in the coincidental case where a firm has exactly ten CPAs), there is some degree of confirmation between the two percentages. That is, 41% of all CPAs responding to the survey are members of firms having greater than ten CPAs, and 42.1% of the AICPA is composed of CPAs who belong to firms having ten or more Institute members.

The following distribution of expected and observed frequencies were generated from the survey so that chi-square values could be calculated:

<table>
<thead>
<tr>
<th>Practitioners</th>
<th>Business, Government, and Other</th>
<th>Education</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>276</td>
<td>201</td>
<td>258</td>
</tr>
<tr>
<td>Large</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Expected frequency (E)

(see Table 1.1)

<table>
<thead>
<tr>
<th>Practitioners</th>
<th>Business, Government, and Other</th>
<th>Education</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Observed frequency (O)</td>
<td>261*</td>
<td>179*</td>
<td>278</td>
</tr>
<tr>
<td>Difference (O-E)</td>
<td>-15</td>
<td>-22</td>
<td>20</td>
</tr>
</tbody>
</table>

Twenty-three (or approximately 5% of those 440 who claim to practice publicly) of the practitioners could not be identified as to size of the firm within which they work. These 23 were allocated to the small and large categories in the same proportions as those of the practitioners whose firm size could be determined (i.e., 59% small and 41% large).

From the above distribution, the following chi-square values are calculated:

<table>
<thead>
<tr>
<th></th>
<th>(O-E)</th>
<th>(O-E)^2</th>
<th>(O-E)^2 / E</th>
<th>Cumulative Chi-Square Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small firm practitioners</td>
<td>-15</td>
<td>225</td>
<td>.82</td>
<td>.82</td>
</tr>
<tr>
<td>Large firm practitioners</td>
<td>-22</td>
<td>484</td>
<td>2.41</td>
<td>3.23</td>
</tr>
<tr>
<td>Business, government and other</td>
<td>20</td>
<td>400</td>
<td>1.55</td>
<td>4.78</td>
</tr>
<tr>
<td>Educators</td>
<td>17</td>
<td>289</td>
<td>12.57</td>
<td>17.35</td>
</tr>
</tbody>
</table>

Based upon the above cumulative chi-square values, if responses by educators are excluded the null hypothesis that the survey results are representative of the AICPA membership cannot be rejected at the .05 significance level. That is, the calculated, cumulative chi-square value of 4.78 with 2 degrees of freedom is less than the critical chi-square value of 5.99 which corresponds to a significance level of .05. The hypothesis that the survey results, excluding responses by educators, are representative of the AICPA membership can therefore be accepted.

With regard to question 3, the mean number of years respondents worked as an accountant in any capacity was 19.74 while the standard deviation was 10.20 years.

The age distribution of respondents to question 4 follows on the next page.
The distribution of respondents to question 5, according to size of the metropolitan area in which their office is located, is as follows:

<table>
<thead>
<tr>
<th>Size of Metropolitan Area</th>
<th>Practitioners Whose Location Could Be Determined</th>
<th>All CPAs Responding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Small Firm</td>
<td>Large Firm</td>
</tr>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>Under 10,000</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>10,000 to 49,999</td>
<td>52</td>
<td>21</td>
</tr>
<tr>
<td>50,000 to 99,999</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>100,000 to 199,999</td>
<td>31</td>
<td>13</td>
</tr>
<tr>
<td>200,000 to 499,999</td>
<td>29</td>
<td>12</td>
</tr>
<tr>
<td>500,000 to 999,999</td>
<td>21</td>
<td>9</td>
</tr>
<tr>
<td>1,000,000 or more</td>
<td>77</td>
<td>32</td>
</tr>
<tr>
<td>Totals</td>
<td>242</td>
<td>100</td>
</tr>
</tbody>
</table>

Based upon the above, approximately 53% of all small firm practitioners are thought to be located in metropolitan areas of greater than 200,000 people, if the pattern reflected above can be accepted as representative of the universe.

The distribution of respondents by annual earnings as reflected by answers to question 6 follows:
### Annual Earnings

<table>
<thead>
<tr>
<th>Annual Earnings</th>
<th>Practitioners Giving Earnings</th>
<th>All CPAs Responding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Small Firm</td>
<td>Large Firm</td>
</tr>
<tr>
<td>Less than $10,000</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>$10,000 to $14,999</td>
<td>31</td>
<td>23</td>
</tr>
<tr>
<td>$15,000 to $19,999</td>
<td>60</td>
<td>28</td>
</tr>
<tr>
<td>$20,000 to $29,999</td>
<td>90</td>
<td>50</td>
</tr>
<tr>
<td>$30,000 to $49,999</td>
<td>45</td>
<td>29</td>
</tr>
<tr>
<td>$50,000 or more</td>
<td>9</td>
<td>33</td>
</tr>
<tr>
<td>Totals</td>
<td>243</td>
<td>165</td>
</tr>
</tbody>
</table>

The average percentages of total past experience gained in the various areas of accounting practice as indicated by responses to question 7 follow:

- 53.1% Accounting and auditing
- 13.0% Management services
- 26.4% Taxation
- 7.5% Other

100.0% Total of above averages

The above percentages can be compared with the average percentages of experience gained in the past three years. These percentages, which were given in response to question 8, follow:

- 43.8% Accounting and auditing
- 15.9% Management services
- 27.7% Taxation
- 12.3% Other

99.7% Total of above averages

The above percentages display that less experience is being gained in the traditional auditing and accounting...
area and more in the other areas in recent years.

The mean annual numbers of "in class" hours, classified by type of coursework, in which respondents engaged in accounting or related subjects, as reflected by answers to question 9, follow:

### All Respondents

<table>
<thead>
<tr>
<th></th>
<th>This Year</th>
<th>Last Year</th>
<th>Year Prior to Last Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>College Coursework</td>
<td>3.43</td>
<td>6.33</td>
<td>7.78</td>
</tr>
<tr>
<td>Professional Development Coursework:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AICPA</td>
<td>3.98</td>
<td>5.93</td>
<td>5.53</td>
</tr>
<tr>
<td>NAA</td>
<td>.56</td>
<td>.53</td>
<td>.45</td>
</tr>
<tr>
<td>State Society</td>
<td>2.78</td>
<td>3.61</td>
<td>3.90</td>
</tr>
<tr>
<td>Other</td>
<td>7.61</td>
<td>7.96</td>
<td>11.16</td>
</tr>
</tbody>
</table>

### Small Firm CPAs

<table>
<thead>
<tr>
<th></th>
<th>This Year</th>
<th>Last Year</th>
<th>Year Prior to Last Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>College Coursework</td>
<td>2.12</td>
<td>2.44</td>
<td>4.02</td>
</tr>
<tr>
<td>Professional Development Coursework:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AICPA</td>
<td>7.24</td>
<td>10.03</td>
<td>10.03</td>
</tr>
<tr>
<td>NAA</td>
<td>.16</td>
<td>.42</td>
<td>.27</td>
</tr>
<tr>
<td>State Society</td>
<td>6.03</td>
<td>7.23</td>
<td>7.50</td>
</tr>
<tr>
<td>Other</td>
<td>2.76</td>
<td>3.65</td>
<td>5.55</td>
</tr>
</tbody>
</table>
Approximate Number of Classroom Hours

<table>
<thead>
<tr>
<th>Coursework</th>
<th>This Year</th>
<th>Last Year</th>
<th>Year Prior to Last Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>College Coursework</td>
<td>.68</td>
<td>2.98</td>
<td>6.37</td>
</tr>
<tr>
<td>Professional Development Coursework:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AICPA</td>
<td>4.94</td>
<td>6.78</td>
<td>5.71</td>
</tr>
<tr>
<td>NAA</td>
<td>.49</td>
<td>.48</td>
<td>.40</td>
</tr>
<tr>
<td>State Society</td>
<td>2.52</td>
<td>3.18</td>
<td>4.07</td>
</tr>
<tr>
<td>Other</td>
<td>17.81</td>
<td>15.85</td>
<td>21.51</td>
</tr>
</tbody>
</table>

A significant portion of the number of hours listed as "other" for the large firm CPA were described by respondents as in-house training sessions.

The mean number of hours worked per week by CPAs responding to the survey was 46.82 with a standard deviation of 10.68 hours. The following responses to question 10 show some degree of consistency for working CPAs regarding hours worked on a weekly basis.

<table>
<thead>
<tr>
<th>Group</th>
<th>Mean Number of Hours</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practitioners</td>
<td>47.24</td>
<td>8.96</td>
</tr>
<tr>
<td>Educators</td>
<td>46.75</td>
<td>14.97</td>
</tr>
<tr>
<td>Business, Governmental, and Industrial</td>
<td>46.56</td>
<td>11.54</td>
</tr>
<tr>
<td>Nonworking</td>
<td>17.33</td>
<td>21.75</td>
</tr>
<tr>
<td>Other</td>
<td>45.59</td>
<td>14.31</td>
</tr>
<tr>
<td>Aggregate of all CPAs</td>
<td>46.82</td>
<td>10.68</td>
</tr>
</tbody>
</table>
The sources of referrals received by CPAs answering question 15 of the questionnaire, displayed in terms of the average percentages of these CPAs' total sources of work, are set forth below:

<table>
<thead>
<tr>
<th>Source</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other accountants</td>
<td>3.87</td>
</tr>
<tr>
<td>Clients</td>
<td>40.35</td>
</tr>
<tr>
<td>Other professional persons</td>
<td>19.11</td>
</tr>
<tr>
<td>General reputation</td>
<td>29.71</td>
</tr>
</tbody>
</table>

The proportions of CPAs responding who make some use of the methods listed in question 17 by which to select the CPA to whom to make referrals follow:

- Personal observation of that CPA's work in the problem area involved 40
- Personal discussions with the CPA as to his proficiency in that area 24
- Conversations with others regarding the CPA's proficiency 23
- All of the above 16
- Other 19

Question 19 was composed of three separate lists of types of engagements which the CPA might be requested to handle. The three lists were classified as auditing and accounting, management services, and taxation.

Compilation of statistics was only focused on the percentage of the total number of assignments which the respondent would handle himself under each classification.
For example, eight items were classified under taxation. If a respondent answered that he would handle four of the eight engagements, a score of 50% was calculated under taxation for that CPA. Then, mean scores were calculated for all CPAs. This approach was taken with the thought that the respondent was indirectly reflecting his own feelings of proficiency in a given area depending upon whether he would handle an engagement or not.

In the preface to question 19, the respondent was instructed to assume that (a) he had the time to handle the matter, and (b) the matter represented a relatively complex problem in the particular area of accounting practice.  

The following statistics reflect the average scores of CPAs in the three areas mentioned in question 19:

<table>
<thead>
<tr>
<th>Classification</th>
<th>Average Scores Percentage</th>
<th>Standard Deviations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting and auditing</td>
<td>32</td>
<td>25</td>
</tr>
<tr>
<td>Management services</td>
<td>31</td>
<td>23</td>
</tr>
<tr>
<td>Taxation</td>
<td>53</td>
<td>33</td>
</tr>
</tbody>
</table>

Of all respondents to question 20 only a small percentage indicated they spend more than 25% of their

---

2 One exception must be noted. Under the management services listing, the item entitled "Consumer Opinion Surveys" was purposely placed as somewhat of a validity check upon the reasonableness of answers. Therefore, this item was not included when a respondent's score was calculated under the caption of management services.
time practicing any one of the individual items listed under a major classification (e.g., EDP systems installations). The percentages so tabulated were:

<table>
<thead>
<tr>
<th>Individual Items Listed Under:</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditing and accounting</td>
<td>12</td>
</tr>
<tr>
<td>Management services</td>
<td>6</td>
</tr>
<tr>
<td>Taxation</td>
<td>5</td>
</tr>
</tbody>
</table>

Question 21, partitioned according to the same three major classifications as in question 19, requested that the CPA assess his own degree of proficiency for individual items listed under each classification. The replier could check "Not Proficient," "Slightly Proficient," "Moderately Proficient," or "Very Proficient." In accumulating a score for the CPA, weights of 0, 1, 2, and 3 were assigned to each level of proficiency, respectively.

At the end of each major classification, the respondent was given credit for one extra specific item if he so listed additional items at whatever proficiency level he may have indicated. If the respondent listed more than one additional item, he was given credit only for the one for which he indicated the highest level of proficiency.3

3 For example, the highest number of points the respondent could achieve under the management services classification was 24 (i.e., 7 items listed plus 1 extra allowed if the CPA listed one or more additional items, multiplied times a weight of 3 if the replier checked "Very Proficient" on every item). However, if the CPA added no additional items then the maximum points he could
The number of points accumulated for each respondent for each of the major classifications was then divided by the maximum possible points for the respective sections to calculate a percentage score on that section.\(^4\)

Once scores were calculated for each CPA by section, then mean scores were calculated for all respondents by such section. These follow:

<table>
<thead>
<tr>
<th>Major Area</th>
<th>Mean Scores %</th>
<th>Standard Deviations %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting and auditing</td>
<td>46</td>
<td>17</td>
</tr>
<tr>
<td>Management services</td>
<td>33</td>
<td>20</td>
</tr>
<tr>
<td>Taxation</td>
<td>43</td>
<td>25</td>
</tr>
</tbody>
</table>

The responses to question 29, related to composition of organizations in terms of specialists, were converted to percentages and averaged. The averages appear below:

<table>
<thead>
<tr>
<th></th>
<th>Average %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting and auditing</td>
<td>41.04</td>
</tr>
<tr>
<td>Management services</td>
<td>10.76</td>
</tr>
<tr>
<td>Taxation</td>
<td>23.72</td>
</tr>
<tr>
<td>Other</td>
<td>2.74</td>
</tr>
<tr>
<td>Total</td>
<td>78.26</td>
</tr>
</tbody>
</table>

\(^4\)For example, if the total score accumulated under management services for a given CPA was 18 points which included 3 points because he had indicated that he was very proficient in one or more extra items, his score would be 75% (i.e., 18 ÷ 24). If he had not listed extra items but had accumulated 14 points, his score would be 67% (i.e., 14 ÷ 21).
From the above, the inference might be made that the remaining 21.74% of CPAs in these firms are generalists. Possibly a large portion of this group are at the top of these organizations coordinating activities of specialists.

Question 30 asked how many years the CPA had practiced the specialty which he indicated he had in question 27. The following distribution was obtained:

<table>
<thead>
<tr>
<th>Number of Respondents</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>3</td>
</tr>
<tr>
<td>1 to 2 years</td>
<td>12</td>
</tr>
<tr>
<td>3 to 5 years</td>
<td>73</td>
</tr>
<tr>
<td>6 to 10 years</td>
<td>119</td>
</tr>
<tr>
<td>Over 10 years</td>
<td>198</td>
</tr>
<tr>
<td>Totals</td>
<td>405</td>
</tr>
</tbody>
</table>

Restatement of question 37 and the response thereto follow:
If you answered yes to question 36 above, would you favor the use of a grandfather clause (i.e., permitting current holders of the CPA certificate to claim one or more specialties) to implement specialization in the profession?

<table>
<thead>
<tr>
<th>Number of Respondents</th>
<th>Percentage of Affirmative Responses</th>
<th>Standard Error of the Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>453</td>
<td>48</td>
<td>2.35</td>
</tr>
</tbody>
</table>

5Included are the responses of about 70 CPAs who either answered "no" to question 36 or did not answer it but who did respond to question 37.
Have you ever felt that the practicing CPA might, at least at times, be overburdened in meeting clients' needs? Can our esteemed profession hope to enjoy continued respect and confidence when many of us are forced to resort at times to a brush-fire approach to our research and to serving our clients?

Because I very strongly feel that we must, as a mature profession, squarely face the above problem, I am asking you for your thoughts and feelings via the enclosed questionnaire. The results of this survey will be summarized in a doctoral dissertation being prepared in quest of the Ph.D. at Louisiana State University. I will explore the various advantages and disadvantages of permitting the individual CPA to specialize if he so chooses.

Having practiced as a CPA for several years, this writer feels very keenly that we need to look objectively at alternatives which may allow us to better serve our clients and to lead more fulfilling and fruitful lives ourselves.

Because my funds are limited, it is important that each person complete the questionnaire and return it in the postpaid envelope within two weeks of receipt. Thus, subsequent mailings will be minimized and meaningful conclusions drawn from the study.

You can make a significant contribution to the success of this research and, ultimately I hope, to the profession at a relatively small cost—a little of your time. Because the questionnaire involves a self-assessment, it should be answered in a completely anonymous manner. Therefore, please do not sign it or give a return address.

Your assistance is greatly needed and respectfully requested.

Very truly yours,

Jesse T. Barfield
Certified Public Accountant

Enclosures
SURVEY OF THE ACCOUNTING PROFESSION

1. Check one of the following classifications indicating your principal affiliation:

- Certified Public Accounting firm
- Educational institution
- Governmental entity, business or industrial firm
- Nonworking
- Other (Please specify) ________________________________

If you are a nonpracticing CPA, omit page 4.

2. If you are a member of a Certified Public Accounting firm, estimate the number of CPA's (including employees and partners) in the firm: ____________________________

3. Estimate the combined number of years you have worked as an accountant in any capacity (e.g., practitioner, educator, industrial accountant, etc.): ____________________________

4. Age of Respondent:

- Younger than 30 years of age
- 30 through 39 years of age
- 40 through 49 years of age
- 50 through 59 years of age
- 60 years of age or over

5. What is the population of the metropolitan area in which your office is located?

- Under 10,000
- 10,000 to 49,999
- 50,000 to 99,999
- 100,000 to 199,999
- 200,000 to 499,999
- 500,000 to 999,999
- 1,000,000 or more

Return to: Jesse T. Barfield, Faculty of Finance and Accounting, Gamma College, The University of West Florida, Pensacola, Florida 32504
6. During the calendar year 1968 my share of firm profits or salary was:

- Less than $10,000
- $10,000 to $14,999
- $15,000 to $19,999
- $20,000 to $29,999
- $30,000 to $49,999
- $50,000 or more

7. Estimate the approximate percentage of your total past experience (including personal study and professional performance) which you have gained in the following areas:

- Accounting and auditing
- Management services
- Taxation
- Other (Please specify)

100 / Total

8. Estimate the percentage of your experience (including personal study and professional performance) In the past three years which you have devoted to the following areas:

- Accounting and auditing
- Management services
- Taxation
- Other (Please specify)

100 / Total

9. If, in the past three years, you have engaged in any formal coursework in accounting or in subjects related to accounting such as those types specified below, please estimate the number of "in class" hours which you attended in each of the past three years:
9. (Continued)

<table>
<thead>
<tr>
<th>Approximate Number of Classroom Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>This Year</td>
</tr>
<tr>
<td>Last Year</td>
</tr>
<tr>
<td>Year Prior To Last Year</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>College Coursework</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

| Professional Development Coursework: |
| AICPA                                 |
|                                      |
| NAA                                   |
| State Society                         |
| Other (Please specify):               |
|                                      |
|                                      |
|                                      |
|                                      |
| Total Hours                           |

10. Estimate the average number of hours per week you are involved, either in the practice of public accountancy or in other occupational pursuits.

11. In light of your work schedule and aside from the reading necessary to solve the day-to-day problems with which you are confronted, please subjectively consider the following question. Are you personally satisfied with the amount of time and energy you have available for personal study in terms of maintaining or improving proficiency and keeping abreast of changes in all of the following areas: Taxation, Management Services, Accounting and Auditing?

  ☐ Yes  ☐ No

12. Estimate, on a weekly basis, the average amount of personal study time you feel would be necessary for you to be satisfied in the above pursuits:

  _________ Hours

13. Also, please estimate the average amount of time you actually engage in such personal study pursuits:

  _________ Hours
14. With what estimated frequency do you have other practitioners make referrals to you (other than for minor engagements regarding inventory observation):

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almost never</td>
<td></td>
</tr>
<tr>
<td>1 to 5 times per year</td>
<td></td>
</tr>
<tr>
<td>6 to 10 times per year</td>
<td></td>
</tr>
<tr>
<td>11 to 20 times per year</td>
<td></td>
</tr>
<tr>
<td>Over 20 times per year</td>
<td></td>
</tr>
</tbody>
</table>

15. What percent of your work is referred to you by:

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other accountants</td>
<td></td>
</tr>
<tr>
<td>Clients</td>
<td></td>
</tr>
<tr>
<td>Other professional persons</td>
<td></td>
</tr>
<tr>
<td>General reputation</td>
<td></td>
</tr>
</tbody>
</table>

16. With what estimated frequency do you refer clients to other CPA's (other than for minor engagements regarding inventory observation):

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almost never</td>
<td></td>
</tr>
<tr>
<td>1 to 5 times per year</td>
<td></td>
</tr>
<tr>
<td>6 to 10 times per year</td>
<td></td>
</tr>
<tr>
<td>11 to 20 times per year</td>
<td></td>
</tr>
<tr>
<td>Over 20 times per year</td>
<td></td>
</tr>
</tbody>
</table>

17. If you have referred clients to other CPA's outside your firm, what means did you use in selecting the CPA to whom to make the referral?

<table>
<thead>
<tr>
<th>Method</th>
<th>Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal observation of that CPA's work in the problem area involved.</td>
<td></td>
</tr>
<tr>
<td>Personal discussions with the CPA as to his proficiency in that area.</td>
<td></td>
</tr>
<tr>
<td>Conversations with others regarding the CPA's proficiency.</td>
<td></td>
</tr>
<tr>
<td>All of the above.</td>
<td></td>
</tr>
<tr>
<td>Other (Please specify)</td>
<td></td>
</tr>
</tbody>
</table>

18. Are you professionally satisfied with the means available to CPA's in general to determine the best fellow practitioner with whom to consult or refer?

<table>
<thead>
<tr>
<th>Satisfaction</th>
<th>Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>
19. If you were called upon to handle a matter in any of the following areas of accounting practice, would you:

(In checking the items in the following list, assume that:

a. you have the time available to handle the matter, and
b. it presents a relatively complex problem in the particular area of accounting practice.

(Both practitioners and nonpractitioners are requested to answer No. 19. However, nonpracticing CPA's should see the footnote at the bottom of this page.)

<table>
<thead>
<tr>
<th>Handling of or Accounting for:</th>
<th>Handle matter yourself</th>
<th>Refer to member of your firm</th>
<th>Associate with a CPA who is not within your firm</th>
<th>Refer client to a CPA who is not within your firm</th>
<th>Decline without referral</th>
<th>If you spend more than 25% of your time in that area so indicate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings &amp; Loan Associations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Firms</td>
<td></td>
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</tr>
<tr>
<td>Utility Companies</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Oil &amp; Gas Refineries</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Insurance Companies</td>
<td></td>
<td></td>
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<tr>
<td>Pension Funds</td>
<td></td>
<td></td>
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<tr>
<td>Air Lines</td>
<td></td>
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<tr>
<td>Governmental Entity</td>
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</tr>
<tr>
<td>Consolidated Entities</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firms Using On-Line, Real-Time Systems</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Special note to the nonpracticing CPA's: Please answer this section hypothetically. If you would handle the matter yourself, mark the first column. If you would refer it, assume that you have capable personnel associated with you and mark the second column.
19. (Continued)

<table>
<thead>
<tr>
<th>Management Services</th>
<th>Handle matter yourself</th>
<th>Refer to member of your firm</th>
<th>Associate with a CPA who is not within your firm</th>
<th>Refer client to a CPA who is not within your firm</th>
<th>Decline without referral</th>
<th>If you spend more than 25% of your time in that area so indicate</th>
</tr>
</thead>
<tbody>
<tr>
<td>EDP Systems Installations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Simulation Techniques</td>
<td></td>
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<tr>
<td>Queueing Probs.</td>
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</tr>
<tr>
<td>Linear Programming</td>
<td></td>
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</tr>
<tr>
<td>Long-Range Forecasting</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Intermediate &amp; Long-Term Financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cap. Budgeting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEC Registration &amp; Filing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory Mgt.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pricing &amp; Product-Mix</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost-Volume-Profit Analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Development of Production Stds.</td>
<td></td>
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</tr>
<tr>
<td>Predicting With Bayesian Statistics</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Forecasting With Regression Anal.</td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Consumer Opinion Surveys</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
19. (Continued)

<table>
<thead>
<tr>
<th>Taxation</th>
<th>Handle matter yourself</th>
<th>Refer to member of your firm</th>
<th>Associate with a CPA who is not within your firm</th>
<th>Refer client to a CPA who is not within your firm</th>
<th>Decline without referral</th>
<th>If you spend more than 25% of your time in that area so indicate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estate &amp; Gift Planning &amp; Problems</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Stock Options</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Purchase or Sale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Liquidations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Reorganizations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension &amp; Profit-Sharing Plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Tax Problems</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partnership Sale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

20. If you indicated that you spend more than 25 percent of your time in a particular field, give your estimate of the percentage of your time spent in each such field.

[Table entries filled in with data]

[Table entries filled in with data]
21. To the right of the subject area indicate your estimation of the degree of proficiency you have gained in the area by checking the appropriate column. In your evaluation, assess your proficiency relative to that of CPA's in general.

<table>
<thead>
<tr>
<th>Accounting and Auditing:</th>
<th>Not Proficient</th>
<th>Slightly Proficient</th>
<th>Moderately Proficient</th>
<th>Very Proficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings &amp; Loan Associations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance Companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government &amp; Non-Profit Entities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estates and Trusts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statistical Techniques in Auditing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting of a General Nature and Auditing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Specific Areas (Please specify)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Management Services:</th>
<th>Not Proficient</th>
<th>Slightly Proficient</th>
<th>Moderately Proficient</th>
<th>Very Proficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEC Registration &amp; Filing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EDP Systems Installations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Linear Programming</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Queueing Problems</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intermediate &amp; Long-Term Financing Problems</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Budgeting</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Specific Areas (Please specify)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
21. (Continued)

<table>
<thead>
<tr>
<th>Taxation:</th>
<th>Not Proficient</th>
<th>Slightly Proficient</th>
<th>Moderately Proficient</th>
<th>Very Proficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estate &amp; Gift Planning &amp; Taxation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Stock Options</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Purchase, Sale, Liquidation, and Reorganization</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension &amp; Profit-Sharing Plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Tax Problems</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Specific Areas (Please specify)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

22. In your professional judgment, please estimate on the scale provided the degree of difficulty in maintaining an equal level of extensive proficiency in all of the following: accounting, auditing, management services, and taxation.

   Possible but hardly probable | Difficult | Moderately Difficult | Easy

23. Do you think a plan whereby CPA's would be certified as specialists is necessary to enable accountants in your community to identify a CPA who specializes in a particular field?

   Yes [ ] No [ ]

24. Do you think a plan whereby CPA's would be certified as specialists is necessary to enable the public in your community to identify a CPA who specializes in a particular field?

   Yes [ ] No [ ]
25. Do you think that the average CPA has:

[ ] Equal expertise in the areas of taxation, accounting, auditing, and management services, or

[ ] More expertise in one or more areas than in others.

26. Do you feel that the CPA should be permitted to narrow the scope of his practice to one or several areas, provided that ethical and legal barriers can be removed, if he feels that he could better serve his clients by so doing?

[ ] Yes [ ] No

For the purpose of answering the balance of this questionnaire, please consider a specialist as an accountant who concentrates his practice in one or relatively few areas of accountancy or its practice.

27. In the light of the foregoing definition, do you have a specialty?

[ ] Yes [ ] No

28. If your answer is "yes," please specify your primary specialty.

______________________________

29. Estimate the number of CPA's in your organization who specialize according to the following areas and indicate such estimates in the spaces provided. (Nonpracticing CPA's may wish to omit this question.)

[ ] Accounting and Auditing

[ ] Management Services

[ ] Taxation

[ ] Other (Please specify)

______________________________

______________________________

______________________________

______________________________

[ ] Total
30. How long have you practiced such specialty?

- Less than one year
- 1 to 2 years
- 3 to 5 years
- 6 to 10 years
- Over 10 years

31. If you do not now specialize, but would like to, in what field or fields would you like to specialize?

________________________________________________________________________
________________________________________________________________________

In answering questions 32 through 37, assume that what is being contemplated involves voluntary specialization and formal accreditation for those CPA's who wish to pursue such accreditation. This means that the generalist would continue to practice in all areas presently practiced by CPA's and that specialists would be permitted also to practice beyond their specialty in all areas of accountancy. Thus, formal specialization should be taken to mean voluntary individual accreditation beyond the CPA exam.

32. Do you feel that certification of specialists will: (Answer all three.)

Yes          No

- Improve standards of accounting practice
- Improve the level of proficiency of CPA's generally
- Improve the public image of the Accounting Profession

33. Do you think there will be a benefit from certification of specialists: (Answer all three.)

Yes          No

- To you personally
- To other accountants
- To the public
34. Do you think a certification plan would adversely affect the general practitioner?

☐ Yes  ☐ No

35. In the future, would you individually like to: (Select only one.)

☐ Engage in general practice
☐ Specialize in one field
☐ Specialize in more than one field

36. Do you think that formal specialization would be good for the profession? (See note in center of page 11.)

☐ Yes  ☐ No

Please give the most important reason for your answer.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

37. If you answered yes to question 36 above, would you favor the use of a grandfather clause (i.e., permitting current holders of the CPA certificate to claim one or more specialties) to implement specialization in the profession?

☐ Yes  ☐ No
Exhibit C

Standard Statistical Tests for Significance of Differences in Sample Results

In the analysis of the questionnaire data, it was frequently desirable to test whether responses of two sub-groups of the sample (e.g., large firm practitioners and small firm practitioners) were significantly different. The test performed is a standard one which compares the value of a computed statistic $t$ with critical values of the $t$-distribution.\(^6\)

The formula used for testing the difference between sample means is:

$$t = \frac{|\bar{x}_1 - \bar{x}_2|}{\sqrt{\frac{(n_1-1)s_1^2 + (n_2-1)s_2^2}{(n_1+n_2-2)} \left(\frac{n_1+n_2}{n_1n_2}\right)}}$$

where $t$ has $(n_1+n_2-2)$ degrees of freedom. Symbol $\bar{x}$ refers to mean, $s$ to standard deviation and $n$ is the sample size; subscripts 1 and 2 reference the sample.

For sample proportions, the formula is:

$$t = \frac{|p_1 - p_2|}{\sqrt{\frac{p(1-p)}{n_1} + \frac{p(1-p)}{n_2}}}$$

where

$$\sigma_{p_1 - p_2} = \sqrt{\frac{\bar{p}(1-\bar{p})}{n_1} + \frac{\bar{p}(1-\bar{p})}{n_2}}$$

and $\bar{p} = \frac{x_1 + x_2}{n_1 + n_2}$

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VITA

Jesse T. Barfield was born on November 17, 1938 in Pensacola, Florida, where he received his education through the junior college level. After graduating with honors from both Pensacola High School and Pensacola Junior College, he attended Florida State University where he received the Bachelor of Science degree in 1961 and the Master of Accountancy degree in 1962.

From that time until 1965 he engaged in the practice of public accounting. He received his Florida certified Public Accounting license in 1963. From 1965 to 1967 he was the director of financial services at Florida Keys Junior College.

He resumed his formal education in September, 1967 at Louisiana State University, Baton Rouge, where he is now a candidate for the degree of Doctor of Philosophy in Accounting. He is currently Assistant Professor of Accounting at the University of West Florida and plans to continue in college teaching.
Candidate: Jesse T. Barfield

Major Field: Accounting

Title of Thesis: An Inquiry into Specialization for Certified Public Accountants

Approved:

[Signatures of Major Professor and Chairman, Dean of the Graduate School, and EXAMINING COMMITTEE members]

Date of Examination: July 15, 1971