

P A R T I I

ACCOUNTANCY EDUCATION AND TRAINING

AROUND THE WORLD



CHAPTER 3ACCOUNTANCY EDUCATION AND TRAINING IN AUSTRALASIA3.1 The Accountancy Profession in Australia — Introduction

The profession is controlled by two bodies: the Australian Society of Accountants and The Institute of Chartered Accountants in Australia. The latest statistics (at 30 June 1975 reveal that the membership of the Australian Society is in excess of 39 500 and that of The Institute of Chartered Accountants in Australia is in excess of 7 800. A breakdown of the membership of the Australian Society of Accountants reveals the following fields of employment:

	<u>%</u>	<u>%</u>
Commerce and Industry		55
Public Practice: Principals	14	
Employees	<u>7</u>	21
Government (Comonwealth and State)		21
Academic		<u>3</u>
		<u>100</u>

A breakdown of the membership of The Institute of Chartered Accountants in Australia reveals the following classification:

	<u>%</u>
Public Practice: Principals	49
Employees	25
Not in Public Practice	<u>26</u>
	<u>100</u> 1)

From the abovementioned statistics it is apparent that The Institute caters mainly for the accountant in public practice whereas the Australian Society caters mainly for those not in public practice. It is wrong, however, to assume that the latter has no interest in public accounting, as the abovementioned classification indicates that the Australian Society

1) *The Chartered Accountant in Australia*, "Structure of the Profession in Australia", October 1975, p.18. It is to be noted that approximately 3 000 members of The Institute are members of the Society.

has more members in public practice than The Institute.

The approach to accountancy education during the last decade has changed very dramatically as a result of the recommendations made by Professor William J. Vatter of the University of California at Berkely, during 1964.²⁾ There is a certain similarity of approach by the two controlling bodies in Australia as a result of both having accepted the recommendations of the Vatter Report. These recommendations caused a metamorphosis in Australian accountancy education. A survey of practising accountants in 1964 revealed that only 28,2% had completed a high-school education of university entrance standard.³⁾

3.2 Educational and Training Policy of The Institute of Chartered Accountants in Australia

Members of The Institute are classified either as Associates or as Fellows. An Associate in public practice may become a Fellow after three years. Associates not in public practice may apply for Fellowship status after ten years as a member holding a responsible position.

The underlying philosophy of The Institute is based on the premise that the first task of a university is to educate seekers of truth and to devise systems of knowledge, whereas professional education arises from the application of basic disciplines to problems. A.W. Graham refers to the Martin Report in a paper and states:

"In brief, the Martin Report attempted to define and to some extent limit the role of the university. While it made clear that the universities must have regard to the needs of major professions in an indirect sense, it was not the universities' function to provide detailed technical courses to meet the needs of professional institutes, which should make arrangements with other educational

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- 2) Vatter, William J., *Survey of Accountancy Education in Australia*, sponsored by the Australian Society of Accountants, The Institute of Chartered Accountants in Australia and the Australasian Institute of Cost Accountants. The latter joined the Australian Society in 1966.
- 3) Gynther, Reg S., "Trends in Australian Accounting Education", in *Accounting in Australia*, October 1972, p.8.

institutions to supplement suitable general university degree courses with a post-graduate course especially designed for those bodies." ⁴⁾

The requirements for membership of The Institute of Chartered Accountants in Australia are the completion of an approved tertiary course, the completion of The Institute's Professional Year of Study and the completion of the required service. The candidate, who must be at least 21 years of age, has to submit evidence of good character. ⁵⁾

The minimum entry requirement is either a university degree or a diploma from a college of advanced education. The status of the colleges of advanced education is the same as that of universities. The minimum requirements of an appropriate tertiary course are a three-year major in accounting as well as courses in auditing and commercial law (including company law and taxation). ⁶⁾ The tertiary courses are reviewed annually to determine whether the courses are acceptable and a list of acceptable courses is published annually. If a candidate's degree does not have the minimum requirements, either he must obtain a pass in the required subjects at another institution or obtain a pass in a corresponding Institute examination. ⁷⁾ Candidates who provide evidence that they cannot be admitted to a suitable tertiary educational institute may follow the Institute Alternative Examination. Teaching is not provided by The Institute. The examination syllabus which extends over five years of part-time study consists of fifteen courses. ⁸⁾

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- 4) Graham, A.W., *The Profession in Australia - Problems and Developments*, a paper presented at the New Zealand Society of Accountants' Summer School, University of Waikato, February 1972, New Zealand Society of Accountants, Wellington, p.18.
- 5) The Institute of Chartered Accountants in Australia, *Educational Handbook, Part A*, Sydney, December 1974, par.2.2.
- 6) *Ibid.*, p.5., par.3.2.
- 7) *Loc. Cit.*, par.3.3(a) and (b).
- 8) *Loc. Cit.* par.3.4.

3.3 "Professional Year"

The unique aspect of The Institute's approach is the *Professional Year*, the purpose of which is to orientate the graduate or diplomate to the needs of the profession, to extend his understanding of professional accountancy and to provide the entrant to the profession with the means of applying his knowledge to the needs of practice.⁹⁾ To be eligible for membership to the Professional Year a candidate must be a "Registered Student", that is, be on the register of examination candidates. He must have successfully completed an approved tertiary course, or if he has studied part-time, completed The Institute's Alternative Examination Syllabus. He must have been employed full-time by a chartered accountant for at least twenty-two weeks, and must have attended an approved staff training course.¹⁰⁾

The Professional Year consists of twenty-one three-hour fortnightly sessions. Attendance at these sessions as well as completion of written assignments is compulsory. A booklet for each session contains an instruction list, a list of prescribed reference books, a brief summary of the most important principles involved in the relevant topic, as well as case studies to be completed by the participants. The written assignments are to be completed two weeks prior to the relevant session at which the case study will be discussed. The answer is marked and handed back to the student at the relevant session. The regulations specifically state that successful completion of the written assignments is a requirement in determining whether a candidate has successfully completed the year.¹¹⁾ The assignments are primarily used to determine the extent of a candidate's knowledge in the various subjects and to enable the discussion leader to remedy any deficiencies. Candidates are expected to read the latest Australian accounting journals and the financial publications.

9) *Ibid.*, p.6., par.3.61.

10) *Loc. Cit.*, par.3.62.

11) The Institute of Chartered Accountants in Australia, *Educational Handbook, Part B., Professional Year*, Sydney, December 1974, p.16., par.11.33.

The final examination is an "open-book" examination and a candidate is permitted to take reference books, relevant statutes and personal notes into the examination. The questions are based on practical situations facing practitioners and not mere reproductions of theoretical approaches. It is felt that no benefit really accrues from having the reference books available and extensive use of these will be time consuming.¹²⁾ The pass requirements for the Professional Year are: satisfactory attendance at discussion sessions, satisfactory participation in group discussions, adequate standard of written assignments throughout the programme as well as the satisfactory completion of the final examination. A significant failure in any one of these pass requirements results in the failure of the whole programme.¹³⁾ It is significant to observe that a candidate will be allowed to present himself twice only for the Professional Year.¹⁴⁾

No defined course content is described as it is regarded as being the application of knowledge, and the topics for the programme will be determined from year to year depending on existing circumstances. The programme for the 1975/1976 year reveals the course contents as follows (the sequence being in order of presentation):

<u>Session No.</u>	<u>Subject</u>	<u>Assignment</u>
1.	Business Communication	
	a) Clear Writing	a) Written exercise
	b) Effective Speaking	b) 400-word paper, short address in session
2.	Professional Practice and Organisation	Written paper
3.	Audit I (Concept, objective, internal control, opinion)	Question paper
4.	Presentation of Accounts	Case study
5.	Institute Recommendations (Accounting standards)	Case study
6.	Tax I	Case study
7.	Consolidations (general concepts)	Case study

12) *Ibid.*, p.17., par.11.61.

13) *Loc. Cit.*, par.11.71.

14) *Ibid.*, p.18. par.11.8.

<u>Session No.</u>	<u>Subject</u>	<u>Assignment</u>
8.	Computing Systems	Case study
9.	E.D.P. and Audit	Case study
10.	Audit II	Case study
11.	Valuation of Shares	Case study
12.	Tax II	Case study
13.	Companies Act (Liabilities and responsibilities of auditors, directors and secretaries)	Question paper
14.	Equity Accounting and Advanced Consolidation	Case study
15.	Investigations, including Prospectus and Takeovers	Case study
16.	Farm Management Accounting	Case study
17.	Executorship, Bankruptcy and Liquidations	Case study
18.	Institute Recommendations II	Case study
19.	Accounting Problems in times of Inflation	2 000-word paper
20.	Estate Planning	Case study
21.	Financial Management, Budgeting, Management Accounts and Report	Case study 15)

An analysis of the abovementioned subjects reveals that the course is directed to the needs of the practitioner.

Each group has a discussion leader and a supervisor. The former is responsible for the marking of assignments and leads discussions, whereas the latter assesses the continuity of a candidate's progress. A discussion leader should have had at least five years practical experience as a member, or employee of a member, in public practice. The use of academics is not encouraged as the course is intended to be a programme of practical applications.¹⁶⁾ The number of discussion leaders per group is to be restricted to as few as possible, which should foster the development of a special interest by

15) "The Institute of Chartered Accountants in Australia - The Professional Year 1975/1976", supplement to *The Chartered Accountant in Australia*, February 1975.

16) The Institute of Chartered Accountants in Australia, *Professional Year 1975/1976 - Organisation and Administration*, p.3.

discussion leaders in candidates, which also facilitates the overall assessment of candidates at the termination of the programme.

The assignments of candidates are not given a percentage, but remarks such as "Very Satisfactory", "Satisfactory", "Doubtful" or "Inadequate". The discussion leader is expected to submit two reports, after the completion of each session, to the State Educational Officer, namely a "Discussion Leader's Report" and a "Session Attendance Record", which is signed by the candidates. Within twenty-eight days of the last session a Record of Performance is returned to the Education Officer of The Institute by the State Registrar. A final Assessment report is completed by the discussion leaders or supervisors reflecting the candidate's attitude, effort and knowledge displayed during the year.¹⁷⁾

An examination consisting of two three-hour papers is written after the successful completion of the Professional Year. The examination is not intended to be a hurdle for the candidate, but rather to ensure that nobody is allowed to practise who does not have the necessary competence. The examinations are assessed as "Pass" or "Fail". 87% of the 845 candidates who completed the 1974/5 Professional Year were successful in the examinations.¹⁸⁾ The statistics for the 1973/4 Professional Year reveal that 871 of 1013 completed the year. 84% of the 871 passed the Final Examination.¹⁹⁾

The benefits of the programme are seen to be threefold. The first benefit is the vast improvement on traditional methods of assessing a candidate's suitability for membership.

17) *Ibid.*, p.7., par.14.4.

18) The Institute of Chartered Accountants in Australia, *Annual Report and Accounts 1974-1975* p.6.

19) The Institute of Chartered Accountants in Australia, letter from the Education Officer, M. North, dated 22 December 1975.

"There should be no frustrations arising from the exposure to the vagaries of chance, for the assessment of the candidate's performance will be made by The Institute on the basis of the work actually undertaken." ²⁰⁾

The second benefit is the involvement of Institute members in the educational process. The third benefit is relieving the tertiary institutions of their concern that some of the products of their teaching may not be adequately prepared for practice.²¹⁾

At the inception of the course many problems were expected but it appears that the experience gained from each presentation is improving the standard of the presentations. The reaction of the members of The Institute is one of utmost satisfaction, and the leaders of the profession in Australia feel that they are leading the world with their concept of the Professional Year. An interview with Mr. A.W. Graham, the National Registrar of The Institute of Chartered Accountants in Australia, revealed that no material changes to the Professional year are envisaged. A method of establishing consistency of standards between different centres must still be found.

The underlying philosophy of the Professional year is discussed by A.S. Carrington and it appears that the original suggestion was made by Mr. J.R. Harriwell, a vice-president of The Institute, in an unpublished paper. Carrington states in this regard:

"There is considerable precedent for carefully controlled and on-the-job training in other professions such as medicine or engineering. It would not be impracticable to introduce a similar approach into accounting. ... This proposal would require each candidate to be employed in an approved position. ... This would represent only a section of the practical experience requirement. In addition the professional body itself would arrange a series of demonstrations, sessions

20) Graham, A.W., *Op. Cit.*, p.20.

21) *Loc. Cit.*

of simulated work assignments and so forth, appropriate to the field of interests of the entrant and participation by the candidate would be compulsory. Furthermore, the final admission examination would not be a mere repetition of the academic tests passed by the candidate in his formal educational programme, but would be geared to testing his ability to apply his knowledge to specific professional assignments of the type dealt with in his practical experience programme. Since this professional experience follows logically after completion of the academic preparation, and because it is sufficiently structured to permit reasonably rapid and comprehensive coverage it need not be unduly protracted. ... A one year period offers sufficient time without being long enough to discourage professional membership on the part of graduates who might otherwise remain independently outside the profession or be attracted to one of the newer and potentially competitive professions such as management consulting, operations research or systems analysis." 22)

The Professional Year is indeed a novel approach and the members of The Institute in Australia have not simply subrogated their educational duties to other institutions. There may be certain reservations as to how long the members of The Institute will maintain their enthusiasm to be discussion leaders and supervisors. The pressure of practice must ultimately affect them. However if this assessment is proved wrong, the Professional Year has a lot to commend it. The National Registrar, Mr. A.W. Graham, expressed one concern and that was how long the members will be prepared to assist as discussion leaders at sub-economic rates. Another problem is that long distances in a state make it impossible to have fortnightly sessions. The problem is overcome by having either three sessions in one, or two-day sessions.

The practical-experience requirement for graduates and diplomates of approved universities and colleges of

22) Carrington, A.S., *Education for the Profession*, in a paper contributed at the New Zealand Society of Accountants' 1970 Convention, Auckland, March 1970, published by the New Zealand Society of Accountants, Wellington, pp.30/31.

advanced education is three years' employment with a chartered accountant in public practice, within a period of five years immediately prior to application for membership. Of the three years, not less than two years shall have been spent in continuous full-time employment.²³⁾

Other applicants must have five years' employment with a chartered accountant within a period of eight years immediately prior to application. Of the five years, two shall be in continuous full-time employment.²⁴⁾

It is significant to observe that The Institute has very little effective control over the quality of the experience gained by employees. The Registrar of The Institute states in this regard:

"While control is undoubtedly desirable, the practical problems of supervising it would be immense and we have not yet faced up to the problem, although we may do so if full integration of the profession is achieved ..." ²⁵⁾

Each partner is entitled to have ten students working for him. The control over the quality is rather ineffectual, but there are certain limitations on acceptability of service. One limitation is that the student must be under the direct control of a partner for more than six months of the year (this is to cover cases in which a student may be sent to outlying offices and receive unsatisfactory supervision). The Examination officer must be satisfied that satisfactory supervision over students is being maintained.

3.4 Educational Policy of the Australian Society of Accountants

The Australian Society has four classes of members:
Provisional, Associate, Senior Associate and Fellow.

23) *Educational Handbook, Part A., Policy, Op. Cit.*, p.8. par.4.1.

24) *Loc. Cit.*, par.4.2.

25) The Australian Institute of Chartered Accountants, letter from the National Registrar, A.W. Graham, dated 18 December 1975.

The Provisional Member has the necessary qualification, but lacks the necessary practical experience. On completion of the practical-experience period he becomes an Associate Member.²⁶⁾ The classification Senior Associate arose when the Australasian Institute of Cost Accountants joined the Australian Society. An examination may be taken to qualify as a Senior Associate or alternatively a member must demonstrate that he has successfully completed a post graduate examination in a specialised subject with at least a 50% accounting content. The specialist directions are cost and management accounting, financial accounting, government accounting or accounting for public practice. The non-accounting content to make up the balance will include relevant studies in organisation theory, quantitative methods, business policy and philosophy, electronic data processing techniques, economic analysis and law.²⁷⁾

The practical-experience requirement for a Provisional Member is three years in accountancy and/or finance under the supervision of a member of the Society of at least Associate status. There is no service contract, but on registration for Associate membership, the applicant must furnish documentary evidence of satisfactory experience of a specific nature certified by a member.²⁸⁾

It is to be noted that the Australian Society of Accountants is phasing out its own examinations and is relying on recognised tertiary institutions to determine who has the necessary academic qualifications.

The Australian Society of Accountants has decided to introduce a Professional Orientation Year similar to the one introduced by The Institute of Chartered Accountants

26) Australian Society of Accountants, *Memorandum and Articles of Association*, Melbourne, pp.11-14, clauses 7-10.

27) Australian Society of Accountants, *1974 Annual Report of the General Council*, p.1.

28) *Memorandum and Articles of Association, Op. Cit.*, p.8., clause 8.

in Australia. The aims of the Professional Orientation Year are:

- "a) To cultivate an awareness of the work situation of a professional accountant.
- b) To inculcate a professional outlook.
- c) To create an awareness of the Society's objectives.
- d) To engender a desire to participate fully in the activities of the Society, particularly in professional development."²⁹⁾

The programme will cover discussions both on ethical behaviour, and on professional development, and participants will be involved in practical applications of the work situation. Other topics to be covered will include communication, conference leadership, practical company secretarial practice, office organisation and internal audit, and discussion of problems in the application of accounting standards. The rules for attendance have not been finalised yet, but it is anticipated that there will be twenty sessions of two to three hours each, or alternatively, a concentrated six-day residential course for candidates staying in outlying areas.

The intended approach to the Professional Orientation Year of the Australian Society differs substantially from The Institute's approach because of the diverse nature of The Society's membership. Half of the discussion sessions will be devoted to common core topics, whereas the other half allows for areas of specialisation in the fields of public practice, commerce and industry and government.³⁰⁾

It is not intended to set an examination at the end of the Professional Orientation Year. A candidate's performance during the year will be taken into account; it is therefore basically an attendance course. The

29) Henderson, R.H., in an Editorial, "Introduction of the Professional Orientation Year", *The Australian Accountant*, January/February 1975, p.5.

30) Australian Society of Accountants, letter from the Director Educational Facilities, R. Salmon, dated 22 December 1975.

lectures will be presented by members from the profession, from commerce and industry and from government departments. It is envisaged that the selection of session leaders may create a major problem.

Accreditation of universities and colleges of advanced education by the Australian Society of Accountants takes the following into account. A university or college must be funded by Commonwealth, and it must offer a three-year course on a full-time basis, or six years on a part-time basis, with an accounting major. The curriculum must cover subjects such as economics, business mathematics, organisation, systems analysis and business law. The only criterion given to the university is that the courses must give the student an understanding of the business environment; otherwise the development of courses is left entirely to universities who will develop their own fields of interest and emphasis. Another optional requirement is that the curriculum should include courses on auditing, income tax and business law. If a graduate has not completed these three subjects, he may do so during the practical experience period. Graduates from unrelated disciplines such as engineering and science will be expected to complete at least two years of full-time study, or its equivalent, in an approved course with an accounting major.³¹⁾

The practical-experience requirements of the Australian Society are the same as those of The Institute. No specific guidelines are laid down with regard to the practical-experience requirement and the matter is left to the judgement of the Membership Committees. A wide range of practical-experience is acceptable in the fields of accounting and/or finance. Some guidelines have been given in the areas of teaching and banking. It is to be borne in mind that the members of the Australian Society are employed in many fields of interest with public

31) Salmon J.R., "Society Entry and Advancement Requirements and Approved List for Principals in Public Practice", *The Australian Accountant*, January/February 1975, p.15.

practice only accounting for 21% of its membership

The underlying philosophy of the educational policy of the Australian Society is basically very similar to that of The Institute of Chartered Accountants in Australia, both bodies relying to a large extent on tertiary institutions for the academic qualifications. It is wondered whether the introduction of the Professional Orientation Year by the Australian Society of Accountants is not political, as discussions are presently being held to investigate the possibility of a unified profession in Australia. The Professional Year of The Institute requires the successful completion of a final examination, which the Professional Orientation Year of the Australian Society will not require.

The Australian Society of Accountants provides for different tiers, namely: Provisional Associate (a graduate completing the experience requirement), Associate Member, a Fellow and Senior Associate. The latter qualification is attained either by examination or the completion of certain approved graduate courses at university.

The possibility is being examined of making attendance at professional development courses a condition of annual renewal as practising accountants.³²⁾

3.5 Institute of Affiliate Accountants³³⁾

The Institute of Affiliate Accountants was established in 1967, under the aegis of the Australian Society of Accountants as part of the development of a two-tier structure for accountancy education in Australia. (It is believed that seen in the context of the Australian Society

32) *Ibid.*, p.20.

33) The information in this section is based on a publication of The Institute of Affiliate Accountants, *Candidates Handbook*, Melbourne, November 1974.

of Accountants the term two-tier structure may be inappropriate bearing in mind the classification of its members as Provisional, Associate, Senior Associate and Fellows). The Institute of Affiliate Accountants is given active support by The Institute of Chartered Accountants in Australia and the Australian Society of Accountants.³⁴⁾

The underlying philosophy for the formation of The Institute of Affiliate Accountants is described as:

"The increasing complexity of business and the development of more sophisticated techniques in financial administration necessitated the introduction of higher educational standards for entry into the accountancy profession at full professional level.

Concurrent with this development, there arose a need to provide supporting qualifications for persons required to undertake a wide variety of tasks which do not demand the highly specialised knowledge of the professionally qualified accountant, but which nevertheless require a sound training in accounting procedures. ...

The main aims and objectives of the Institute are -

- (i) To co-operate with the accountancy profession and the business community generally for the purpose of fostering and maintaining a body of qualified personnel skilled in accounting and related procedures;*
- (ii) To prescribe and adopt standards of attainments of members and for such purposes to conduct examinations in theory and practice of commercial subjects;*
- (iii) To actively promote the qualification of its members throughout the entire community for the purpose of gaining appropriate recognition and status for its members;*
- (iv) To protect the general interests of members and to provide them with appropriate services and facilities." ³⁵⁾*

34) Kenley, W.J., "Effective Professionalism, *The Australian Accountant*, December 1975, p.651.

35) *Candidates Handbook, Op. Cit.*, p.3.

The Institute does not provide tutorial groups, but sets the examinations only. It is also intended to phase out its own examinations and the major technical colleges of the State Education Departments will be entirely responsible for the education of Affiliate Accountants. Certain courses of technical colleges are already recognised and these qualifications are recognised by The Institute of Affiliate Accountants.

It is suggested that as The Institute functions as an adjunct to the accountancy profession, this ensures that high standards will be maintained and that the status of The Institute is enhanced, resulting in widespread employer acceptance of the membership qualification.

The main requirements for membership are passing prescribed examinations set or recognised by The Institute, being at least eighteen years of age, producing original testimonials as to character and attaining the necessary prescribed practical experience as determined by the General Council from time to time.³⁶⁾ There are two classes of membership: Members (M.I.A.A.) and Honorary Members (Hon. M.I.A.A.). The distinction of Honorary Membership is conferred upon a person at the directive of the General Council in recognition of special services.³⁷⁾ It is interesting to note that the General Council has the right to take disciplinary action against any member guilty of commercial misconduct or, in the opinion of the General Council, commits any action or carries on any business that may be inconsistent with his position as a member of The Institute.³⁸⁾

The entrance requirement is basically Matriculation with a pass in English. In some states the equivalent of Junior Matriculation would be acceptable. The courses

36) *Ibid.*, p.7.

37) *Loc. Cit.*

38) *Ibid.*, p.8.

required for the qualification are:

Stage 1 - Group A - Bookkeeping

Commercial Mathematics and Statistics

Business Communication

Group B - Accounting Procedures I

Business Law A

Social and Economic Structure

Stage 11 - Group C - Accounting Procedures IIA

Business Law B

Accounting Procedures IIB

Business Economics

Group D - Taxation Law

Supervision

Management Systems and Information
Systems

Costing Procedures.³⁹⁾

It may appear that the above-mentioned outline contains too much detail, but as interest has been expressed in the formation of a lower tier, it has been thought desirable to elucidate somewhat.

39) *Ibid.*, pp.12/13.

3.6 Accountancy Education and Training in New Zealand

The accountancy profession in New Zealand is possibly one of the few, if not the only one, that is a unified profession in the true sense, and has been so almost from its inception. The controlling body of the profession in New Zealand is the New Zealand Society of Accountants incorporated under an Act of Parliament in 1908 and presently incorporated under the New Zealand Society of Accountants Act, 1958.⁴⁰⁾

Membership of the society is attained by a candidate successfully completing an examination and by fulfilling a practical-experience requirement. Co-operation between the New Zealand universities and the New Zealand Society of Accountants is very good and university courses are recognised for cross credits of the New Zealand Society of Accountants' examinations. A candidate who has completed a degree in commerce, or commerce and administration, or business studies, or management studies is entitled to cross credits from the degree course to the society's professional examination. Another way of obtaining the Society's qualification is by passing the ten subjects in the Society's professional examination. It could occur that a combination of the former two methods could be utilised to satisfy the examination requirement.⁴¹⁾

The entry requirement is basically the equivalent of a University Matriculation Pass and graduate entry is not a pre-requisite at this particular point in time. During 1971 a postal ballot was held to determine whether a graduate profession should be created, with the New Zealand Society of Accountants administering only a final examination for candidates who have already gained an approved degree. The proposal was rejected with 60% voting against it and 40% voting in favour of it.⁴²⁾ A change in the present policy is being discussed and

40) New Zealand Society of Accountants, 1975. *Syllabus of Examinations*, Wellington, 1975, p.5.

41) *Loc. Cit.*

42) Harrison B.G., "Accountancy in New Zealand", *Accountancy*, December 1973, p.16.

the proposed changes are discussed below.

The professional examination of the New Zealand Society of Accountants consists of ten subjects and they are:

Accounting I
 Commercial Law Part I
 Economics
 Quantitative methods
 Accounting II
 Commercial Law Part II
 Advanced Financial Accounting
 Taxation, Trustee Law and
 Accounts
 Cost and Management Accounting
 Auditing.

Examinations in all subjects consist of two papers with the exception of quantitative methods which consists of one paper.⁴³⁾ Detailed syllabi are prescribed for each subject. A pass in a single subject in any examination is credited.⁴⁴⁾ With regard to the final examination it is interesting to observe that when two papers are written the sub-minimum for one paper is 37%, whereas the aggregate for both papers must be 50% before a pass can be registered. Candidates are permitted, subject to certain conditions, to take approved copies of relevant statutes into the examination rooms with them. This is allowed for the examinations in certain subjects such as commercial law, accounting, auditing and papers in taxation, trustee law and accounts. The main condition is that certain approved statutes only (namely bound by government printer) may be taken into the examination room. No comments may be written in the book, but passages may be underlined. A student may apply for a re-examination of his scripts at a prescribed fee. The practical-experience requirements of the New Zealand Society of Accountants are different from those in many other countries, in that practical experience may be

43) "1975 Syllabus of Examinations", *Op. Cit.*, p.10.

44) *Ibid.*, p.22.

gained with a chartered accountant in public practice, a government department, a bank, an insurance company or any other undertaking approved by the society.⁴⁵⁾ Graduates are expected to complete a period of three years practical experience whereas matriculants must complete a period of five years.

The approach of the universities was generally very much professionally oriented, but radical changes have occurred at a few New Zealand universities and the approach is possibly more conceptually oriented. Interviews with academics in New Zealand indicate that they would prefer a more conceptually oriented approach to the teaching of accountancy students. They have expressed disappointment with the reaction of students to degrees based on a broader education and this is attributed to the fact that students enroll for subjects with will give them the greatest number of cross credit exemptions from the Society's examination. In an article on accountancy in New Zealand, B.G. Harrison refers to the question of the final qualifying examination and states in this regard:

*"Hence, while academics wish to maintain and improve their contribution to the education of accountants, many of them would welcome a scheme under which the Society conducted its own final examination from which no exemptions would be granted. Scope would then exist for the development of more broadly-based courses of study in the universities."*⁴⁶⁾

It appears that the academics in New Zealand do have a certain amount of influence as the New Zealand Society is contemplating a change to its educational policy. The educational requirements for admission to membership of the Society are presently being reviewed and if the proposed policy is accepted, future members will be required either to have completed an approved university degree or

45) *Ibid.*, p.31.

46) Harrison, B.G., *Op. Cit.*, p.16.

an approved course of study at a technical institute and a uniform final examination controlled by the Society. If this policy is adopted it will result in the New Zealand Society of Accountants reducing its examination because instead of setting papers in ten subjects it will no doubt now set only three or possibly four examination papers for the qualifying examination.

There are no formal articles of clerkship or service contract and persons admitted to membership of the Society after 1971, who wish to offer accounting services to the public must have been members of the Society for not less than two years and completed not less than two and a half years acceptable experience in the office of a chartered accountant in public practice. The experience need not necessarily be gained after admission to the Society.⁴⁷⁾

Continuing education in New Zealand is not mandatory but an extensive continuing education programme is offered.

47) The New Zealand Society of Accountants, letter from the Assistant Secretary, dated 8 January 1976.

CHAPTER 4

ACCOUNTANCY EDUCATION AND TRAINING IN THE
UNITED STATES OF AMERICA

4.1 Introduction

Endeavours to generalise about accountancy education in the United States of America could best be described as an exercise in futility. The only uniformity one observes in the case of the American Institute of Certified Public Accountants is its Uniform CPA Examination. An examination of the requirements of the various states indicates considerable diversity in methods of education and training. The CPA - designation is granted by State Boards of Accountancy. The number of CPAs in all jurisdictions of the United States of America has been estimated at 150 000.¹⁾ Actual membership is presently estimated at 113 000.²⁾ There is also a second public accountancy group known as "Public Accountants, PAs", whose licences are not dependent on the successful completion of professional examinations or specified education, but are based on broad requirements regarding the extent of an applicant's practice of accountancy.³⁾ Many states no longer issue new licences for Public Accountants and of the forty states having legislation on Public Accountants, only fifteen still permit new registrations.⁴⁾ There are numerous organisations of accountants in the United States of America and these are listed as: American Institute of Certified Public Accountants, The National Society of Public Accountants, American Accounting Association (consists mainly of accounting educators), The Institute of Internal Auditors, Financial Executives Institute, National Association of Accountants (mainly accountants with industrial and commercial companies)

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- 1) American Institute of Certified Public Accountants, *Professional Accounting in 30 Countries*, New York, 1975, p.638.
 - 2) American Institute of Certified Public Accountants, letter from the Director International Practice, R. Sempier, dated 20 January 1976.
 - 3) *Professional Accounting in 30 Countries*, *Op. Cit.*, p.639.
 - 4) *Ibid.*, pp.639/640.

and Federal Government Accountants Association.⁵⁾ A trite observation, no doubt, is that the major accountancy body in the United States of America is the American Institute of Certified Public Accountants and discussions that follow will detail and examine the underlying philosophies of the educational and practical-experience policies of this Institute.

4.2 Educational Philosophy of the American Institute of Certified Public Accountants

In most states the present requirement for entry is a baccalaureate degree. Post-graduate education in public accounting is encouraged, devoted principally to accountancy and business administration, so that it will ultimately become a requirement for a CPA Certificate.⁶⁾

The present American philosophy of accountancy education is reflected in *Horizons for a Profession*⁷⁾ which is now known as the *Horizons* study, as well as the *Report of the Committee on Education and Experience Requirements for CPAs* (Beamer Report).⁸⁾ These studies have been labelled as "*Landmark studies of accounting education*".⁹⁾

The Beamer Committee recommended resolutions for adoption by the American Institute of Certified Public Accountants as a substitute for the existing resolutions and the recommendations were adopted to become statements of Institute Policy.¹⁰⁾ The full text of their

5) *Ibid.*, p.641.

6) In terms of a 1962 resolution of the American Institute of Certified Public Accountants as Quoted in *Report of the Committee on Education and Experience Requirements for CPAs*, American Institute of Certified Public Accountants, New York, March 1969, p.19.

7) Roy, Robert H. and MacNeill, James H., *Horizons for a Profession*, American Institute of Certified Public Accountants, New York, 1967.

8) American Institute of Certified Public Accountants, *Report of the Committee on Education and Experience Requirements for CPAs*, New York, March 1969. The chairman of the Committee was Elmer G. Beamer and the report is often referred to as the Beamer Report.

9) Buckley, John W. and Buckley Marlene H., *The Accounting Profession*, Melville Publishing Company, Los Angeles, 1974, p.55.

10) *Beamer Report, Op. Cit.*, Preface.

recommendations reads:

1. *The CPA certificate is evidence of basic competence of professional quality in the discipline of accounting. This basic competence is demonstrated by acquiring the body of knowledge common to the profession and passing the CPA examination.*
2. *HORIZONS FOR A PROFESSION is authoritative for the purpose of delineating the common body of knowledge to be possessed by those about to begin their professional careers as CPAs.¹¹⁾*
3. *At least five years of college study are needed to obtain the common body of knowledge for CPAs and should be the education requirement. For those who meet this standard, no qualifying experience should be required.*
4. *The states should adopt this five-year requirement by 1975. Until it becomes effective, a transitional alternative is four years of college study and one year of qualifying experience.*
5. *The college study should be in programs comparable to those described in ACADEMIC PREPARATION FOR PROFESSIONAL ACCOUNTING CAREERS.¹²⁾ The transitional qualifying experience should be in public practice or equivalent experience in industry, government, or college teaching acceptable to state boards of accountancy.*
6. *Candidates should be encouraged to take the CPA examination as soon as they have fulfilled education requirements and as close to their college graduation dates as possible. For those graduating in June, this may involve taking the May examination on a provisional basis.*
7. *Student internships are desirable and are encouraged as part of the educational program.*
8. *The REPORT OF THE STANDING COMMITTEE ON ACCOUNTING EDUCATION,¹³⁾ which provides that the accreditation of academic programs is the responsibility of the academic community, is endorsed.*

11) Roy and MacNeill, *Op. Cit.*

12) American Institute of Certified Public Accountants Committee on Education and Experience Requirements for CPAs, "Academic Preparation for Professional Accounting Careers", *The Journal of Accountancy*, December 1968, reproduced in *Beamer Report*, *Op. Cit.*, pp.41/59.

13) American Institute of Certified Public Accountants, Standing Committee on Education, "Report of the Standing Committee on Accountancy Education", reproduced in the *Beamer Report*, *Ibid.*, pp.6

9. *Educational programs must be flexible and adaptive and this is best achieved by entrusting their specific content to the academic community. However, the knowledge to be acquired and abilities to be developed through formal education for professional accounting are proper and continuing concerns of the AICPA.*
10. *The AICPA should review periodically the standards of admission requirements for CPAs."* ¹⁴⁾

The motivation for regarding the CPA Certificate as evidence of basic competence of professional quality in the discipline of accounting is based on the following definition of the "discipline of Accounting":

"Accounting is a discipline which provides financial and other information essential to the efficient conduct and evaluation of the activities of any organization.

The information which accounting provides is essential for (1) effective planning, control and decision making by management, and (2) discharging the accountability of organizations to investors, creditors, government agencies, taxing authorities, association members, contributors to welfare institutions, and others.

*Accounting includes the development and analysis of data, the testing of their validity and relevance, and the interpretation and communication of the resulting information to intended users. The data may be expressed in monetary or other quantitative terms, or in symbolic or verbal forms."*¹⁵⁾

From the abovementioned definition we see that the CPA certificate recognises not only the Certified Public Accountants in public practice, but also those outside public practice. The statistics of the American Institute of Certified Public Accountants show that there is a growing trend of Certified Public Accountants not in public practice. Statistics of membership of the American Institute of

14) *Ibid.*, pp.6/7.

15) American Institute of Certified Public Accountants, "A Description of the Professional Practice of Certified Public Accountants", *The Journal of Accountancy*, December 1966, reproduced in the *Beamer Report*, *Ibid.*, p.20. This was approved by the Council on 1 October 1966 as an official statement of the policy of the American Institute of Certified Public Accountants.

Certified Public Accountants at the end of 1972 reveal that 40,2% of members were not engaged in public practice. In 1960 and 1970 the figures were 31,2% and 38,4% respectively.¹⁶⁾ It is presently estimated that 40% of members are not in public practice.¹⁷⁾ Bearing in mind that many accountants, who have successfully completed the CPA examination, are not in public practice and have not registered as Certified Public Accountants, then the proportion of all Certified Public Accountants not in public practice is substantially greater.¹⁸⁾

4.3 Common Body of Knowledge

The common body of knowledge as delineated in *Horizons for a Profession*¹⁹⁾ is regarded as being authoritative. A detailed common body of knowledge is not given in *Horizons* and reasons given by the authors are:

*"Like others who have carried out studies of this kind, we do hope to stimulate progress. But we most assuredly do not wish to place upper bounds upon the possession or pursuit of knowledge by beginning CPAs, and prescriptive syllabi would be likely to do just that, to permit topical compliance at the possible cost of intellectual sterility. Too often floors become ceilings, too often learning lacks the depth we seek to portray here."*²⁰⁾

Great emphasis has been placed on a conceptual understanding in lieu of procedural skills. It is repeatedly stressed that it is more important for the prospective accountants to know why (that is understanding) he is doing something than how to do it. The latter can be accomplished fairly easily, but the former is much more difficult to impart and ascertain.²¹⁾ In a summary of the common body of

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- 16) Solomons, David with Berridge, T.M., *Prospectus for a Profession - The Report of the Long-Range Enquiry into Education and Training for the Accountancy Profession*, Gee & Co., (Publishers), Ltd., London, 1974, p.73.
- 17) American Institute of Certified Public Accountants, letter from the Director International Practice, R.N. Sempier, dated 20 January 1976.
- 18) *Beamer Report*, *Op. Cit.*, p.10.
- 19) Roy and MacNeill, *Op. Cit.*
- 20) *Ibid.*, p.2.
- 21) *Loc. Cit.*

knowledge the authors again stress the importance of a conceptual approach and see accounting within a broad socio-economic environment, resulting in the common body of knowledge being of an interdisciplinary nature.²²⁾

The authors see the qualities of the auditor as technical competence, independence and personal standards, knowledge that the rules of professional conduct are a philosophy and not a collection of rules.²³⁾

Audit methodology should not be seen as programmes that can be committed to memory, but rather as a body of ideas that must be comprehended, so that the auditor is in a position to compile his own programme as and when the needs exist.²⁴⁾

Much greater emphasis is placed on mathematics and statistics, as well as a basic knowledge of at least one computer system and at least one computer language.²⁵⁾ A more intensive approach to the education of the future Certified Public Accountant will be required.

The authors of *Horizons* state in this regard:

"Preparation for practice as a CPA has been characterized by rigor for many years; nevertheless this traditional rigor must be increased still further if CPAs are to provide the services to society which are likely to be expected of them. The advent of the computer, the development of sophisticated mathematical and statistical tools now applicable to problems in the world of affairs, and the promise of research in behavioral science make increased rigor mandatory if CPAs are to maintain a place in the sun." ²⁶⁾

The recommendations made by Roy and MacNeill were exposed to the viewpoints of leading accounting educators and Certified Public Accountants at various seminars. The

22) *Ibid.*, pp.11/12.

23) *Ibid.*, p.12.

24) *Ibid.*, p.13.

25) *Loc. Cit.*

26) *Ibid.*, p.3.

findings of *Horizons* were generally favourably accepted, and four important themes, fundamental to *Horizons* emanated from the discussions.²⁷⁾ The four themes high-lighted by the seminars were:

1. *For the CPA to be a professional, he must possess a number of inherent attributes plus requisite knowledge.*
2. *For the pre-professional, it is essential that continual emphasis be directed to conceptual understanding in preference to procedural skill.*
3. *Flexibility of mind must be developed to enable the individual to readily adapt to change.*
4. *Interdisciplinary knowledge is essential."*²⁸⁾

Not all participants at seminars agreed with the de-emphasis of procedural skills and it appears that it is the degree of emphasis, rather than the substance which is questioned. The advocates of the conceptual approach affirm that it requires less time than the procedural approach, pointing out that skills are subject to rapid change whereas conceptual understanding is more enduring.

The role of the educationalist is to equip the student with a flexible mind and the ability to adapt to a changing environment. This role is necessary because of the uncertainty resulting from change. Discussions revealed that a general accounting education was preferable to a specialised accounting education. It was generally felt that specialisation in these fields could be left for post-qualification endeavours.²⁹⁾ Uniformity of approach to accounting education at universities and colleges is quite rightly discouraged. If all accountants had the same educational background, the profession would be most uninteresting and discussions among colleagues would no doubt reveal a dearth of ideas. Diversity of approach by universities can lead only to favourable cross-fertilisation of ideas, which must be beneficial to the profession in the long run.

27) Williams, Doyle Z., "Reactions to 'Horizons for a Profession' ", *The Journal of Accountancy*, June 1969, p.82.

28) *Loc. Cit.*

29) *Loc. Cit.*

Horizons requires a broad education, as the common body of knowledge refers to Humanities and Behavioural Science. The discussions at seminars on *Horizons* generally endorsed this view, the justification being the broadening scope of engagements undertaken by accountants. Thus the accountant must be able to understand the languages of the psychologist, personnel manager, systems analyst and other professionals. Another reason for this approach is that, as a member of a profession, an accountant must be able to get along and communicate with people. He must also be able to explain technical accounting terms to the layman. It is asserted a general education will assist the Certified Public Accountant to adapt more readily to environmental and technical changes during his lifetime.³⁰⁾

Seminar discussions generally revealed that an educated Certified Public Accountant should be able to communicate effectively in writing and in speaking, should be equipped with tools and methods of analysis, and should be familiar with fundamental logic and rational thinking.³¹⁾

Horizons has stressed business education, and an analytical approach using case studies was suggested by participants at seminars. With regard to the teaching of accounting, participants generally expressed disappointment with text books.³²⁾

An important aspect discussed at seminars was who was going to impart the necessary knowledge. On the one hand there are universities and colleges, and on the other the firms and professional organisations. How should the responsibilities be divided? At these seminars it was felt that if something could be taught more effectively outside the classroom it should obviously not be taught in the classroom. Subjects entailing detailed procedures such as auditing and taxation could be taught more effectively by firms.

30) *Ibid.*, p.83.

31) *Loc. Cit.*

32) *Loc. Cit.*

Doyle Williams continues as follows:

"The role of the colleges and universities was seen as providing the tools for a student's becoming a professional accountant. That is, formal education should have as its responsibility the imbuing of a general education, imparting of a general knowledge of business and its environment, and instilling basic accounting theory and concepts ..., this view was not wholly accepted. The principal objection was that the emphasis on accounting was far too limited.

The essence of these discussions about the responsibility for the educational preparation of accountants seemed to be that much serious thought must be given to determining in a definitive manner the respective roles of the colleges and universities and the profession in sharing the responsibility for the initial education and training of professional accountants." ³³⁾

Horizons has suggested much greater exposure to computers, at universities. This view was wholeheartedly endorsed by participants at seminars, and an integrated approach was suggested. Integrating computers into accounting courses would remove the fear that students and many accountants, for that matter, have of the computer. This greater emphasis on the computer will also no doubt stress the importance of the computer and its bearing on the accountant and its audit in the future.³⁴⁾

Horizons has been described as a "fountainhead of progress" for the education of accountants, and has assisted in stressing the joint responsibilities of educators and practitioners in preparing the future professional accountants. Many participants at these seminars indicated that because of the expanding technical body of knowledge, the firms will have to assume a greater share of the future training.³⁵⁾

33) *Ibid.*, pp.83/84.

34) *Ibid.*, p.84.

35) *Loc. Cit.*

4.4 Five Years of College Study - No Experience Requirement

The abovementioned recommendation made in the suggested resolutions of the *Beamer Report*, must have caused an uproar in professional circles. The Report indicates that 1975 was the target year for acceptance of this provision by most jurisdictions. 1976 witnesses no such achievement.

Various reasons are advanced for the recommendation of five years of college study and no experience requirements. These may be summarised as follows:³⁶⁾ Study at college is regarded as the best means of obtaining the common body of knowledge as delineated by *Horizons for a Profession*.³⁷⁾ The committee accepts the value of present-day (1969) experience requirements, because uniform standards cannot be set and policed. A stigma is attached to an experience requirement, because it implies apprenticeship, which is regarded as inappropriate for a learned profession. The Committee states further that the reduction and elimination of experience requirements is positive evidence of their ineffectiveness. There is no evidence that Certified Public Accountants in jurisdictions without the experience requirement have been guilty more often of contravening the rules of professional conduct for sub-standard practice than those with extensive experience. It is further felt that the fifth year of study would be very much more beneficial than one or two years experience as a junior staff member of a Certified Public Accountants firm. Although it is admitted that appropriate experience may enhance certain qualities such as professionalism and technical competence, the attainment of breadth and depth of knowledge in a five-year college programme could not be obtained from a four-year programme and an experience requirement of one or two years. Two practical considerations are also mentioned: a Certified Public Accountant who wishes to practise independently will most probably

36) The discussion in this paragraph is based on the summary given in the *Beamer Report*, *Op. Cit.*, pp.11/14.

37) Roy, Robert H. and MacNeill, James H., *Op. Cit.*

take a position with an established firm for a few years, and the time needed to pass all parts of the CPA examination will provide candidates with a period of practical experience.

4.5 Nature of College Study and Experience

A model curriculum³⁸⁾ is given but not with the intention of being prescriptive or as a rigid curriculum for colleges, and definitely not as the basis of statutory regulation.³⁹⁾

A flexible and adaptive business and accounting education programme is required so that changes in business and in the accounting profession can be anticipated. These flexible and adaptive programmes it is averred:

"... is best achieved by entrusting their content to the academic community." 40)

Notwithstanding, the committee believes that the scope, purpose and general content of the formal education for professional accounting are proper concerns of the Institute.⁴¹⁾

The one-year-experience requirement during the transitional period until acceptance of the five-year college, can be in public practice or in industry, government or college teaching of accounting. The latter is mentioned specifically as the teachers of accounting should be members of the profession.⁴²⁾

38) Committee on Education and Experience Requirements for Certified Public Accountants, *Op. Cit.*, pp.41/59. (A brief description and outline of the curriculum is given).

39) *Ibid.*, pp.13/14.

40) *Ibid.*, p.7.

41) *Loc. Cit.*

42) *Ibid.*, p.14.

The model alternative five- and four-year programmes are detailed below.⁴³⁾

SUGGESTED PROGRAMMES IN ACCOUNTING

	Five-Year Programme	Four-Year Programme	Educators Response to 5 Year Programme - % of responses indicating that content is about right. 44)
	<u>Semester Hours</u>		<u>%</u>
General Education (First Two Years)			
Communication	6 - 9	6 - 9	80
Behavioral Sciences	6	6	88
Economics	6	6	89
Elementary Accounting	3 - 6	3 - 6	96
Introduction to the Computer	2 - 3	2 - 3	93
Mathematics (modern algebra, calculus statistics and probability)	12	12	78
Other general education	25 -18	25 -18	82
	<u>60</u>	<u>60</u>	88
General Business			
Economics (intermediate theory and the monetary system)	6	6	76
The Social environment of business	6	3	46
Business Law	6	4	79
Production or operational systems	3	2	91
Marketing	3	2	96
Finance	6	4	84
Organization, group and individual behaviour	9	6	43
Quantitative applications in business (optimization models, statistics, sampling, Markov chains, statistical decision theory queueing, PERT, simulation)	9	6	58
Written communication	3	2	70
Business policy	3	3	90
	<u>54</u>	<u>38</u>	79

43) *Ibid.*, p.58.

44) "Committee to Examine the 1969 Report of AICPA Committee on Education and Experience Requirements for CPAs", supplement to Vol.47 of *Accounting Review*, 1972, p.257. The respondents were requested to indicate whether recommendations were: "Not enough", "About right" or "Too much". In view of the general acceptance, only the responses to "About right" were considered. The number of responses varied between 104 a

	Five-Year Programme	Four-Year Programme	Educators Response to 5 Year Programme % of responses indicating that content is about right
	<u>Semester Hours</u>		<u>%</u>
Accounting			
Financial reporting theory	9	6	81
Applied financial accounting problems			
Contemporary financial accounting issues			
Cost determination and analysis	6	3	87
Cost control			
Cost-based decision making			
Tax theory and considerations	3	3	56
Tax problems			
Audit theory and philosophy	6	3	60
Audit problems			
Computers and information systems in business	6	4	73
	<u>30</u>	<u>19</u>	86
Electives	6	3	74
	<u>150</u>	<u>120</u>	86

Fifty-three percent and fifty-seven percent of the respondents indicated that six and nine semester hours for "The social environment of business" and "Organization, group and individual behaviour" respectively is too much. Forty-three percent of the respondents indicated that three semester hours for Tax theory and considerations and problems is too little.

A percental summary analysis of the two suggested programmes reflects the following:

	<u>FIVE-YEAR PROGRAMME</u>		<u>FOUR-YEAR PROGRAMME</u>	
	<u>Semester hours</u>	<u>%</u>	<u>Semester hours</u>	<u>%</u>
Communication	12	8,0	11	9,2
Economics	12	8,0	12	10,0
Elementary and financial accounting	15	10,0	12	10,0
Management accounting	6	4,0	3	2,5
Audit theory, philosophy and problems	6	4,0	3	2,5
Tax theory, considerations and problems	3	2,0	3	2,5
Computers and information systems	9	6,0	7	5,8
Mathematics and quantitative applications in business	21	14,0	18	15,0
Business law	6	4,0	4	3,3
General Business - production, marketing, finance and business policy and social environment of business	21	14,0	14	11,7
Behavioral sciences	15	10,0	12	10,0
Other general education	18	12,0	18	15,0
Electives	6	4,0	3	2,5
	<u>150</u>	<u>100,0</u>	<u>120</u>	<u>100,0</u>

As the five-year programme has not yet been widely accepted, and taking present economic considerations into account it is not likely to be accepted in the immediate short or medium term, a closer scrutiny of the four-year programme reveals that the professionally oriented subjects, including accounting, account for only 17,5% of the programme, with computers and mathematics totalling 20,8%. If the elective is utilized for auditing then professionally oriented subjects will account for only 20% of the programme. The abovementioned figures underline the importance of computer education and mathematics, statistics and quantitative techniques in the education of the American accountant of the future.

Although the Committee on Education and Experience Requirements for CPAs felt that a five-year programme is required to provide the optimal preparation for careers in accounting, they acknowledged that most students would settle for a four-year degree. The four-year programme should be the same in scope as the five-year programme but topics should not be treated in the same depth, and once again in the design of courses the preference of a conceptual understanding over manipulative skills is emphasized.⁴⁵⁾

45) *Beamer Report, Op. Cit* 57/50

"If a trade-off is necessary, knowledge is to be preferred to technique." ⁴⁶⁾

4.6 Time of Taking CPA Examination

Candidates are encouraged to sit for their CPA examinations as soon as they have fulfilled their educational requirements. It is stated that those candidates who pass the examination promptly, gain additional self-confidence and professional stature and they are in a position to concentrate on their professional progress as well as to continue their education. A candidate graduating in June is provisionally permitted to write in May when his academic knowledge is freshest and his talents to write examination papers at a peak. Results of these candidates are released only after presentation of evidence that they have completed the educational requirements.⁴⁷⁾

Scrutinization of the Uniform CPA Examination reveals that it is designed mainly to test a candidate's conceptual understanding. Under these circumstances the timing of the examination may be appropriate, but the question arises whether a final professional examination of a professional institute should be conceptual. If it is believed that a final professional examination should test a candidate's knowledge of practical professional applications, then it is submitted that the timing would be incorrect. A discussion of the format of a final professional qualification examination is discussed elsewhere.⁴⁸⁾

4.7 Student Internships

Student internships are regarded as very desirable and they should be encouraged as part of an educational

46) *Ibid.*, p.59.

47) *Ibid.*, p.14.

48) For a detailed discussion see pp.353/357.

programme as long as they are carefully planned. The internships make subsequent college study more meaningful.⁴⁹⁾

4.8 Accreditation of Academic Programmes

Accreditation of academic programmes is done by the American Association of College School of Business (AACSB). In a report by the Standing Committee on Accounting Education of the American Institute of Certified Public Accountants, the accreditation of academic programmes was recognised as the responsibility of the academic community and it provides the means for evaluating accounting programmes.⁵⁰⁾ The necessity for a formal accreditation programme arises from the legal requirements of the various states that CPA examination candidates must have an acceptable degree with a major in accounting. The state boards of Accountancy do not have the staff, and universities would object to an uncontrolled growth of accreditation agencies.

The standards set for the accreditation of programmes in business administration (which includes accounting) by the American Association of College Schools of Business may be summarised as follows: To ensure sufficient breadth, 40% of a four-year programme must be outside the field of business and at least 40% must be in business, with the proviso that economics may be classified as fitting into either category. Adequate coverage of business is assured by the requirement that the field of business administration must include instruction in accounting, commercial law or legal environment of business, finance, management, marketing and statistics. The standards set do not refer only to academic content, but also deal with preparation of faculty, teaching loads, library and physical facilities.⁵¹⁾ No rigid specifications or requirements are made for accreditation and are not based

49) *Loc. Cit.*

50) "Report on Accreditation of Accounting Programs by Standing Committee on Accounting Education", as appendix E of the *Beamer Report, Op. Cit.*, p.61.

51) *Loc. Cit.*

on specification of course titles and hours because
*"explicit standards tend to become a ceiling for excellence
 rather than the floor it is intended to be."* ⁵²⁾

4.9 Review of Educational and Experience Requirements of a few States in the United States of America. ⁵³⁾

As stated in the introductory paragraph generalisations about accountancy education in the United States of America would be an exercise in futility. It may however be fruitful to review the requirements of a few of the most populous states as well as one or two others.

The practical-experience requirement varies from no experience in the State of West Virginia to as much as six years in the State of Texas. A one-year experience requirement in the State of Florida may be replaced by the successful completion of an additional one-year course at an accredited college or university. The entry requirement in Florida is the completion of a four-year degree at an accredited college or university with a major in accounting being mandatory. ⁵⁴⁾

In the State of Texas a Bachelor's degree, conferred by an accredited college or university with a major in accounting as well as two years accounting experience approved by the State Accountancy Board is required. Provision is made for the graduate without the relevant courses. An alternative is provided where sixty semester hours (two years) in any field of study at a recognised college or university, and six years of experience

"under the supervision of a Certified Public Accountant in work of a non-routine nature, which continually requires independent thought and judgement on important accounting matters." ⁵⁵⁾

A candidate with a Master's degree majoring in accounting or business administration need only complete one year's

52) *Ibid.*, p.62.

53) The information in this section is based on a booklet, *Provisions in CPA Laws and Regulations*, prepared by U.S. Army Audit Agency, in co-operation with the American Institute of Certified Public Accountants, Washington, July 1, 1972.

54) *Ibid.*, pp.10/11.

55) *Ibid.*, p.33.

practical experience.

In the State of New York the entry requirement is a four-year recognised degree with a two-year experience requirement or the completion of fifteen years' experience in an approved practice of public accounting. A Master's graduate need comply with only a one-year practical-experience requirement.⁵⁶⁾ In the State of Illinois a four-year degree or a course with a correspondence school specialising in business training is acceptable, if at least half the accounting courses are taught by Certified Public Accountants. A four-year university graduate need do only one year's practical experience. The successful completion of two years at a recognised college reduces the normal experience requirement of three years by one year.⁵⁷⁾ In the State of California the experience may be gained by doing government accounting or audit work, subject to approval by the State Accountancy Board.⁵⁸⁾ In the State of West Virginia no practical experience is required for applicants possessing a degree or certificate with a major in accounting, from an approved university or college.⁵⁹⁾

All states referred to above require accounting study after high school, and all the states, with the exception of Illinois, require general education after high school. In all the states academic education may be a substitute for experience in varying degrees, depending on the academic qualification of the student.

The experience requirements are indicated in summary form below:

56) *Ibid.*, pp.26/27.

57) *Ibid.*, p.13.

58) *Ibid.*, p.8.

59) *Ibid.*, p.36.

<u>STATE</u>	<u>Mandatory</u>		<u>Years or Range of Years</u>	<u>Only Public Accounting Experience Acceptable</u>	<u>Accounting In Private Employment Acceptable</u>	<u>Government Experience Acceptable</u>
	<u>Before Exami- nation</u>	<u>Only Before Certi- ficate</u>				
California	No	Yes	2 - 4	No	Yes	Yes
Florida	No	Yes	0 - 1	No	-	Yes
Illinois	No	No ^(a)	1 - 3	No	No	Yes
New York	Yes ^(b)	No	1 - 2	No	Yes	Yes
Texas	No ^(c)	Yes	1 - 6	-	-	Not barred by statute
West Virginia	No Experience Requirement					

- (a) A holder of a CPA certificate is not entitled to practise public accounting until he is registered as a public accountant
- (b) Candidates in the State of New York need no accounting experience to write the examinations in theory, law and problems, but before being allowed to write the auditing examination, two years' experience involving the diversified application of accounting principles and auditing procedures is required.
- (c) A candidate in the State of Texas who has completed sixty hours at a recognised college, must complete the six-year practical-experience requirement before he may write the accounting practice examination. A candidate with a Bachelor's degree may write his examination without completing the experience requirement.⁶⁰⁾

4.10 Uniform CPA Examination

A brief discussion of the purpose and general objectives is detailed below.

The purpose of the examination is described as:

"The Uniform CPA Examination is the primary means used by boards of accountancy to measure the technical competence of CPA candidates. To understand the importance of the examination as a prerequisite for the CPA certificate, one must

60) "Provisions in CPA Laws and Regulations", *Op. Cit.*

recognize the significance of the CPA certificate. It is awarded in the public interest to qualified candidates in accordance with the accountancy statutes of a given jurisdiction. ... The certificate is granted to assure the professional competence of individuals offering or intending to offer their services to the public as professional accountants; it is not granted for the benefit of those who possess the certificates or for any special group. The need for safeguarding the public interest, therefore, causes the boards of accountancy to investigate with meticulous care the qualifications of candidates for the CPA designation." ⁶¹⁾

The general objectives of the examination are stated as follows:

"The primary objective of the Uniform CPA Examination is to test the professional quality of the candidates' competence in the discipline of accounting. Such professional quality includes adequate technical knowledge, the ability to apply such knowledge skillfully and with good judgment, and an understanding of professional responsibility. Boards of accountancy may also rely upon means other than the CPA examination to assure that candidates possess the necessary technical and character attributes. Other sources include interviews, letters of reference, investigation of educational background, and affidavits of employment. In addition, many boards also test knowledge of their rules of professional conduct by administering an ethics examination." ⁶²⁾

The booklet, *Information for CPA Candidates* contains invaluable information for the examination candidate. The examination time-table is indeed an arduous one as the sequence and times of the examination indicate below.

Accounting Practice, Part I	Wednesday	1:30- 6:00P.M.
Auditing	Thursday	8:30-12:00Noon
Accounting Practice, Part II	Thursday	1:30- 6:00P.M.
Business (Commercial) Law	Friday	8:30-12:00Noon
Accounting Theory	Friday	1:30- 6:00P.M. ⁶³⁾

61) American Institute of Certified Public Accountants, *Information for CPA Candidates*, New York, 1975, pp.1/2.

62) *Ibid.*, p.2.

63) *Ibid.*, p.32.

A brief indication of what candidates may expect in the examination is:

- "1. Accounting standards, concepts, postulates, and principles.
2. Generally accepted auditing standards, audit programs, and auditors' reports.
3. Business organization and operation, including a knowledge of basic laws governing such organization and operation.
4. Use of accounting data for managerial purposes.
5. Quantitative methods and techniques as they apply to financial and managerial accounting and auditing.
6. Cost behavior, systems, and computer fundamentals.
7. Federal income taxation.
8. Accounting for governmental and not-for-profit organizations and related concepts, procedures, and reports.
9. Professional ethics.
10. Current professional literature and accounting issues receiving special attention at the time of the examination." 64)

Specialised and new topics for the examination may be tested by alternative or optional questions. An analysis of the examination papers reveals extensive use of multiple-choice questions. The use of multiple-choice questions is quite obvious when it is endeavoured to solve the logistical problem of approximately 38 000 candidates writing the examination.

Candidates are given an indication of the degrees of emphasis in each area and the candidates' knowledge of generally accepted auditing standards and procedures as they relate to the Certified Public Accountant's function in his examination of financial statements is tested. The paper covers the following: Statements on auditing standards, ethics and professional responsibilities, planning and control of the audit engagement, internal control concepts and procedures, auditing evidence,

64) *Ibid.*, pp.2/3.

audit programmes and procedures, reviews of subsequent events, statistical sampling, auditor's report, current developments (controversies) in the profession and electronic data processing systems and computers.⁶⁵⁾

Testing in the area of electronic data processing and computers concentrates on the basic knowledge of the computer systems - its functions, general capabilities of the system, universal terms associated with computer. The candidate must be able to design, analyse and flowchart a system of modest complexity. He is also expected to have a general knowledge of the common commands used in computer languages sufficient to programme, debug and test a simple problem and he must have an understanding of the control and audit procedures and ability to use the computer in auditing.⁶⁶⁾

In the Accounting Theory Paper multiple-choice questions testing conceptual knowledge of accounting, and questions requiring essay answers will be set. The importance of reading current accounting journals is stressed. The Accounting Practice papers test the application of conceptual knowledge of accounting, by multiple-choice questions, and problems which may require preparation of various accounting entries, statements et al. This section includes Federal Income Taxes as well as applications of quantitative techniques. It is envisaged that the quantitative questions will become progressively more difficult and eventually they will test the knowledge of their applications for business in the following areas: Modern algebra (linear and nonlinear), calculus (differential and integral), probability and statistics and other mathematical techniques.⁶⁷⁾ A detailed list of the accounting topics appears below:

65) *Ibid.*, pp.5/8

66) *Ibid.*, p.7.

67) *Ibid.*, pp.7/8.

"Allocation of income taxes
 Analysis of financial statements
 Budgeting, forecasting and capital budgeting
 Business combinations - mergers and acquisitions
 Consolidated statements
 Corrections of accounts and financial statements
 Cost accounting - job order, process, standard, distribution,
 direct, etc.
 Federal income taxes
 Computation of estimated expenses and liability
 Difference between accounting principles and income tax
 rules
 Financial statements (including footnotes) for the going
 concern
 Statement of Financial Position (Balance Sheet)
 Earnings (Income) Statement and Statement of Retained Earnings
 Statement of Changes in Financial Position
 Fund accounting - municipal and other not-for-profit organizations
 Insurance
 Intangibles - valuation and amortization
 Inventories
 Investments
 Leases
 Liabilities
 Long-term contracts
 Multinational operations
 Owners' equity
 Individuals
 Partnerships
 Corporations
 Pension costs
 Price-level adjustments
 Property, plant, and equipment - acquisition, valuation, depreciation,
 depletion, and disposal
 Quantitative methods and techniques, mathematics, statistics,
 and probability (applied to appropriate situations)
 Valuations - replacement costs, realizable values, market values." 68)

68) *Ibid.*, pp.9/10.

The objective of the examination in Business (Commercial) law is to test a candidate's application of textbook knowledge to problems inherent in business transactions and the audit thereof. The examination is conceptual in approach, and candidates must be able to recognise the existence of a legal problem, be able to apply basic legal principles and be able to indicate the possible outcome of these applications. The topics covered by this section are: Accountants' legal responsibilities, antitrust, bankruptcy, commercial paper, contracts, Estates and trusts, Federal securities regulation, forms of business organisation, insurance, property, regulation of the employer and employee relationship, sales, secured transactions, suretyship.⁶⁹⁾

4.11 Grading of the CPA Examination

Grading bases are defined from an examination of a large sample of candidates' responses and not from the examiners' pre-conceived ideas as to what the responses should be. Uniformity of grading is attained by applying the defined grading bases as well as statistical controls. Marginal candidates' papers are reviewed four times.⁷⁰⁾ The development of the grading bases is based on an analysis of the drafts of the unofficial answers, which results in grading concepts. A grading concept is defined as *"... the expression of an idea, thought, or opinion that can be clearly defined and identified."*⁷¹⁾

These grading bases are now used as a point of departure in the initial grading process. A large sample of candidates' answers is now examined and if these reveal additional acceptable concepts, they are incorporated as part of the answers. These revised grading bases are then applied to a sample of candidates' papers and the results are subjected to statistical analyses, which include item analyses and studies of grade correlations and grade distributions.⁷²⁾

69) *Ibid.*, pp.10/13.

70) *Ibid.*, p.17.

71) *Loc. Cit.*

72) *Loc. Cit.*

The grading bases are revised again, taking into account the findings of the statistical analyses and these revised bases are applied to another sample, and subjected to further statistical analyses to determine that the bases are fair. Some minor modifications may be made to the grading bases. The papers used as part of the various samples are now included as part of the general population and will be graded in the normal sequence. There is no indication that the papers have been used as part of the original sample.⁷³⁾

Intensive analyses are also applied to the multiple-choice questions for the purpose of developing grading scales to convert candidates' raw scores to final grades. The validity of a multiple-choice question is reviewed if an alternative has been selected by a substantial proportion of the candidates. If the alternative is accepted, full credit is given.⁷⁴⁾

No marks are indicated on the paper. A minimum and maximum completion time appears on the paper, and the point values assigned are approximately proportional to the minutes allotted for a question. The total points that can be attained in an answer exceed the point value and a ten-point question may be graded out of fifteen points.⁷⁵⁾ This factor, no doubt, influences the passing grade of seventy-five, which at first observation appears high, but a candidate need not provide all the concepts in an answer to attain a near maximum score.

Anonymity of candidates is preserved throughout the marking process. There is a grader for each question and in the Accounting Theory which may consist of five or six essays, there will therefore be five or six graders.

73) *Ibid.*, p.18

74) *Loc. Cit.*

75) *Loc. Cit.*

The grading session lasts between six and seven weeks. Using one grader ensures uniformity of approach. The purpose of the first grading is to classify the papers into obvious passes, marginal and obvious failures.⁷⁶⁾ The second grading is done by reviewers and obvious passes and failures are subjected to a cursory review. After the second grading the grades are listed for each subject and compared with other subjects for consistency. If a graduate who passed two subjects attained a grade of sixty-nine in a third paper, this paper will be reviewed in the light of his possessing considerable competence and the grade may be raised to seventy-five. When a third grading does not result in the attainment of a pass, a fourth grading is applied by the director of examinations.⁷⁷⁾ The review of the whole paper is made bearing in mind whether the candidate has the competence to function effectively as a Certified Public Accountant. If the director feels the candidate has the competence, he passes. Only a very small number of candidates pass in this manner.⁷⁸⁾

Examination statistics are not published by the American Institute of Certified Public Accountants as it is regarded as being a matter for the State Boards of Accountancy. A grade of seventy-five⁷⁹⁾ is required to pass a subject, but the provisions of the CPA examination vary from state to state. An examination of some of these provisions may be appropriate.

As observed above, the times of the examination appear to be arduous, but the regulations of most of the individual states do allow credits for the successful completion of subjects or the accounting practice papers.⁸⁰⁾ There are certain variations of this provision, such as in the case of the State of New York, where a pass in Accounting

76) *Ibid.*, p.19.

77) *Ibid.*, p.20.

78) *Loc. Cit.*

79) *Ibid.*, p.19.

80) "Provisions in CPA Laws and Regulations", *Op. Cit.*, pp.47/56.

Practice and auditing, or any two, Group 1 subjects, which are Accounting Theory, Law, and Accounting Practice, is acceptable. If the Accounting Practice is the only Group 1 subject passed, the remaining two must be passed at a single sitting.⁸¹⁾ Other provisions provide for passing either one or two subjects. Only four states provide for the passing of one subject. Other provisions include a sub-minimum which is mainly a grade of 50.

Credits are subject to limitations and these limitations reflect the disparity of the regulations pertaining to accountancy education in the United States of America. The most stringent provisions limit the life of credits to the next three successive examinations. The most liberal provision is for a period of five years.

In the State of Arizona provision is made for the candidate to furnish evidence of diligent study in failed subject/s. Certain minimum provisions are detailed. For example in the State of Alabama, a candidate who fails to attain an average grade of fifty with no grade over sixty, must wait one year before applying for re-examination.⁸²⁾ The regulations in the State of Hawaii provide for an additional open book examination on Hawaii law and rules, after the successful completion of the Uniform CPA examination. A score of ninety-five must be attained in this examination before a certificate is issued.⁸³⁾ In many states members of the bar are not required to take the Commercial law paper.

Diversity of approach emerges from the abovementioned description of the provisions applying to the various states, and endeavours to conceptualise reveal the following:

- a) Although the passing grade of seventy-five is high, this is relative as the maximum marks are

81) *Ibid.*, p.52.

82) *Ibid.*, p.47.

83) *Ibid.*, p.49.

- in excess of one hundred percent and all the subjects do not have to be passed simultaneously.
- b) Credits for subjects passed have a limited life.
 - c) If the performance of a candidate is very poor, evidence of subsequent satisfactory study is required before that candidate may sit for re-examination.
 - d) An open-book examination on regulations and ethics for the prospective practitioner is required in the State of Hawaii.

It is generally acknowledge that the Uniform CPA examination is a difficult examination to pass, and therefore various state societies organise programmes to assist candidates in their approach to the examination. In the state of Virginia one-day seminars are held as preview clinics, and some of the topics covered are: CPA Laws and regulations, when to take the examination, the changing nature of the examination, what materials to use in preparation for an examination, how the CPA examination is graded and predictions for the coming examination.⁸⁴⁾ As opposed to a one-day preview clinic, certain states organise coaching courses. In New York a four-day clinic is organised and each day is spent on a different section of the examination. These clinics refer to latest developments, suggested readings, latest examination trends, how to answer questions so as to attain maximum credit.⁸⁵⁾

It is interesting to observe that a ranking of the accounting content of various professional examinations was done by two academics in the United States of America.⁸⁶⁾ Among the criteria used for the evaluation was the review of

84) Patten, Ronald J. and Hubbard, Thomas D., "CPA Preview Clinics - An Opportunity for Accounting Educators", *The Accounting Review*, April 1972, p.386.

85) *Ibid.*, p.387.

86) Kistler, Linda H. and Guy, Joseph F., "An Evaluation of Professional Certification Programs in Accounting", *The Journal of Accountancy*, September 1975, pp.104/108.

prior examinations and solutions, (where available) as well as the levels of knowledge of accounting required by the respective institutes. The ranking according to the depth of knowledge tested, reveals the following order: Certificate in Management Accounting (CMA), Certified Internal Auditor (CIA), Certified Public Accountant (CPA), and Chartered Bank Auditor.⁸⁷⁾ The authors make the following observation:

*"The proliferation of accounting certification programs offers opportunities for mature professionals as well as for younger accountants to achieve recognition of their professional competency in a highly technical discipline. Introduction and widespread acceptance of the CMA and CIA programs have enhanced the professional status of accountants whose expertise lie outside the public accounting field. The CPA designation is no longer the sole hallmark of accounting knowledge in this country."*⁸⁸⁾

No doubt members of the American Institute of Certified Public Accountants will challenge the last statement on the grounds that the other programmes mentioned have only started their examinations quite recently. The authors point out that curricula at many universities have been designed for the requirements of public accounting only, in mind, but modifications are being implemented so that students with other interests, such as internal auditing, can be accommodated.⁸⁹⁾

4.12 Latest Developments in the United States of America

The *Horizons* study is still regarded as the common body of knowledge for Certified Public Accountants in the United States of America. It appears that the profession is having second thoughts about the conceptual approach in the generic courses, such as quantitative techniques and behavioural aspects of the suggested accounting programme. It is believed that these courses should

87) *Ibid.*, p.105.

88) *Ibid.*, p.107.

89) *Loc. Cit.*

be directed to an applied content that would be useful in practice. The Board on Standards for Programs and Schools of Professional Accounting of the American Institute of Certified Public Accountants is busy finalising a report, in which standards for identification of schools preparing students for the profession will be proposed. A task force has also been appointed to review the 1969 report of the Beamer Committee on Education and Experience Requirements. It appears that the procedural vis-a-vis conceptual approaches is causing controversy in America as well, and the task force is expected to concentrate on proposals which will result in a better balance in the educational curriculum between concepts and applications to practice in those situations where one aspect has seemed to dominate.⁹⁰⁾

One of the most recent developments in America has been the publication of a *Model Accountancy Bill* by the American Institute of Certified Public Accountants. It appears that the object of the *Model Accountancy Bill* is to obviate the problem arising from the diversity of regulations which govern accountancy practices in the various states in America.⁹¹⁾ Entry requirements are described in Section 4 of the *Model Accountancy Bill*, and, during a five-year period following the effective date of the Act, the educational requirement shall be a baccalaureate degree conferred by a recognised college or university with a concentration in accounting or a degree considered to be the equivalent of the foregoing. In the case of a non-relevant degree the accounting concentration will have to be supplemented.⁹²⁾ Section 2(2) indicates that after the expiration of the five-year period following the effective date of the Act, a baccalaureate degree conferred by a recognised college

90) American Institute of Certified Public Accountants, letter from the Director International Practice, R. Sempier, dated 20 January 1976.

91) American Institute of Certified Public Accountants, *Model Accountancy Bill*, New York, 1975.

92) *Ibid.*, pp.11/12, Section 4(1).

or university, and not less than thirty semester hours additional study, in a total education programme to include an accounting concentration or its equivalent in such related subjects as the Board, shall determine to be appropriate.⁹³⁾ An examination may be prescribed by the individual state boards that are entitled to utilise the Uniform Certified Public Accounting Examination of the American Institute of Certified Public Accountants. It appears, from comments in the draft bill, that a fifth year of study at a university is still recommended, and the curriculum as described in the *Beamer Report*, approximately 40% general education and 60% accounting, auditing, tax, computer systems, general business and similar subjects, is deemed desirable.⁹⁴⁾

It appears that required continuing education is anticipated for all states as Section 12(b) refers to furnishing evidence every three years of attendance at courses as a condition of reregistration.⁹⁵⁾

It is interesting to observe that the American Institute of Certified Public Accountants does not give a definite guideline with reference to the practical-experience requirement. Section 12(a) only states that holders of the Certified Public Accountants Certificate may be required to have practical experience, depending on the regulations of the Accountancy Board. The relevant section reads:

*"... may be required as a condition of issuance of a permit pursuant to this section to demonstrate, in accordance with regulations issued by the Board, experience not to exceed _____ years in the practice of public accountancy or such other experience or employment as the Board in its discretion shall regard as substantially equivalent thereto."*⁹⁶⁾

93) *Ibid.*, p.12.

94) *Ibid.*, p.14.

95) *Ibid.*, p.24.

96) *Ibid.*, p.23. Section 12(a)

There is very little control over the quality of experience gained by the prospective accountants in the offices of practising accountants in various states of America. It appears that State Boards only require a firm or practitioner to state that the candidate's experience has been in the auditing area for a specified period of time, depending on the legislative requirements of the individual states.⁹⁷⁾

In conclusion it may be stated that diversity of approach is the salient feature of accountancy education and training in the United States of America.

97) Letter, *Op. Cit.*, see Note 90.

CHAPTER 5ACCOUNTANCY EDUCATION AND TRAINING IN CANADA5.1 Introduction

The main accountancy body is The Canadian Institute of Chartered Accountants, which is the federal controlling body. The provincial institutes have their own entrance regulations. On completion of the educational requirements of a province, a student then writes a uniform qualifying examination set by The Canadian Institute of Chartered Accountants. The educational requirements differ from one province to the next and reference will mainly be made to the province of Ontario.

5.2 The Institute of Chartered Accountants of Ontario¹⁾

Graduate entry is a prerequisite for registration as a student and each student is required to complete forty-five semester hours of instruction at a university.²⁾ The requirement is stated in semester hours and a one-semester university class meeting approximately three hours per week is the equivalent of three semester hours.³⁾ It follows therefore that a two-semester course meeting approximately three hours per week would be the equivalent of six semester hours. The instruction required (with semester hours in brackets) is as follows: Financial Accounting (12), Management Accounting (6), Advanced Accounting Elective (3), Auditing (3), Taxation (3), Computer Science (3), Quantitative Methods (3), Finance (3), Economics (3), Law (3), and Management (3).⁴⁾

On completion of the forty-five semester-hours requirement, a student who has completed at least five months registered

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- 1) The information in this section is taken from the Member's Handbook of The Institute of Chartered Accountants of Ontario, *Regulations for Students*, pp.409/416.
 - 2) *Ibid.*, p.413.
 - 3) *Ibid.*, p.414.
 - 4) *Ibid.*, p.413.

service may then attend the school of accountancy organised by The Institute of Chartered Accountants of Ontario. A further condition is that a student must demonstrate that he will have a minimum of one year's registered service by the date of the next Uniform Final Examination. If a candidate has passed the Uniform Final Examination and completed the practical-experience requirement, the CA designation is awarded.⁵⁾

M.B.A. graduates, or other graduates of designated Canadian universities who have completed at least thirty-nine of the forty-five semester hours, are required to have two years' practical experience. Other graduates are expected to serve three years.⁶⁾ The regulations provide for the conditional registration of students without a university degree, as conditional students who are entitled to work for an approved firm full-time while studying for a degree part-time, so as to have their practical experience recognised. A further condition of such registration is provision of proof of registration at an university to take courses leading to a degree. On completion of the degree, the student completes the rest of the programme.⁷⁾ A conditional student is required to serve practical experience until a university degree is obtained, at which time an assessment of his practical experience served will be made, and a decision taken whether any further practical experience is required.⁸⁾

Provision is also made for conditional registration of students enrolled at the University of Waterloo in a four-year Honours Co-operative Mathematics Programme for chartered accountancy students who are required to serve a minimum period of three years practical experience of which at least twelve months must follow the completion of the degree programme.⁹⁾ Students who are relatively strong in mathematics may enroll for this co-operative programme with the University of Waterloo and combine studies with work in order to achieve a Mathematics degree and a CA designation. The student attends class for four months and then works for four months and

5) *Ibid.*, p.409.

6) *Ibid.*, p.412.

7) *Ibid.*, p.410.

8) *Ibid.*, p.412.

9) *Loc. Cit.*

this cycle continues until completion of the degree. On completion of the degree a student would have completed two years practical experience, and he is entitled to attend the school of accountancy and write the final examinations during his last year of practical experience.¹⁰⁾

Similar provisions apply to the McMaster Co-operative M.B.A. Programme, on completion of which a student would have completed twelve months of experience and would still have to complete a further eighteen months.¹¹⁾

All registered students are expected to pass the examinations of the Ontario Institute School of Accountancy prior to writing the Uniform Final Examination. Lectures on advanced auditing and professional practice, advanced and specialised accounting and taxation are given at the school. Emphasis is on areas which a student would not have covered at university, as well as updating prior courses in regard to current developments. Emphasis is also placed on aspects of the professional practice of accounting which a student would be expected to have mastered by the time he qualifies as a chartered accountant. These include instilling a sense of professionalism and providing exposure to practical applications of theory and current developments.¹²⁾ Students write tests and examinations at the school and if a student's performance is unsatisfactory he is not permitted to write the Uniform Final Examination. The failure rate during 1974 was 17%.¹³⁾

It is interesting to note that the school is not regarded as a "cram course" for examination preparation, nor a review programme for the Uniform Final Examination.¹⁴⁾

10) *Ibid.*, p.415.

11) *Ibid.*, p.416.

12) *Ibid.*, p.415.

13) The Institute of Chartered Accountants of Ontario, Letter to students, dated 15 January 1975.

14) *Loc. Cit.*

5.3 Co-operative Mathematics Programme at the University of Waterloo

The Waterloo programme is designed so that a graduate will have a degree in mathematics as well as having complied with the Ontario Institute's 45 semester hours of credits. At the completion of his degree the student will graduate either with a B.Maths. (Hons.) or B.Maths (General) and would have completed two of the three years of practical experience required in the province of Ontario. On completion of the Waterloo Co-operative Programme, the student is eligible to attend the Ontario Institute's School of Accountancy, and on completion of that school, he is entitled to sit for the Uniform Final Examination, which is within one year of graduation. The total time spent on the Waterloo programme from its commencement until receiving the CA designation is five years and eight months.

The underlying philosophy of the programme is based on the premise that the computer age has resulted in many sophisticated mathematical techniques being in common use in the business world as the fact is recognised that the chartered accountant in his daily routine also requires basic mathematical skills. It is stated in the brochure that in the future there will be many more complex business systems, and the CA mathematician will have a very important role to fulfill. It is stated that the student who can master a rigorous mathematics degree programme, will be in great demand because he will possess analytical capabilities coupled with the ability to use modern tools of business - the computer and other sophisticated aids to solve future complex problems of business. One of the advantages of the Waterloo programme is that the student is exposed to the practical environment at a very early







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- 15) The information appearing in this section is based on an information brochure entitled, *University of Waterloo - Co-operative Mathematics Program for Chartered Accountancy Candidates.*


stage and it is stated that:

*"This lends reality to the academic/work sequence and generally results in better career decisions by the student. As well, students have a better opportunity to develop an awareness of strengths and weaknesses in personal characteristics and work attitudes through continuing contact with the work environment."*¹⁶⁾

Another advantage cited is that the student attains a certain degree of financial independence because of the remuneration he receives for the four-month period he is employed by a firm of chartered accountants. It may be observed that the remuneration paid varies between \$90 and \$120 per week during the first work term and could reach \$200 per week by the sixth work term.

The diagrammatic sequence of the academic work term appears below:

Year 1			Year 2			Year 3			Year 4			Year 5	
F	W	S	F	W	S	F	W	S	F	W	S	F	W
1A		1B		2A		2B		3A		3B		4A	4B

F, W, and S denote fall, winter and spring terms respectively.
 denotes work term.

Students enroll for a four-month academic term during September and commence their first four-month work term in January. Prior to the commencement of the work-term students complete the Ontario Institute's one-week training programme for new staff. Thereafter students continue the programme by alternating terms at university (the numbered squares) with firms of chartered accountants (the dark squares).

As the course is basically a mathematics course most of the subjects taught are mathematically oriented. Other prescribed subjects are: two semester courses in economics, introduction to financial accounting, theory of management, intermediate accounting 1 and 11, commercial law, cost accounting, corporate finance, advanced accounting, personal and corporate income tax, as well as electives. The courses could be chosen in such a manner that on completion

16) *Loc. Cit.*

a student would have complied with the minimum requirements of the Institute of Chartered Accountants of Ontario. The diagrammatic sequence above is not the only option open to students. Students have been able to arrange consecutive academic and/or work terms to allow for more desirable experience packages for the student and better utilisation of staff by accountancy firms. This is possible because there is a second academic/work-term sequence, similar to the one above, but with the eight - month academic term at the outset of the sequence instead of at the end. After having completed the programme a student will have to do only one additional year's practical experience to comply with the Institute's three-year practical-experience requirement. It is interesting to observe that if a student does not complete the programme, he receives no credit for any practical experience completed until terminating the course.

The admission requirements indicate that mathematical ability is essential as the total aggregate of the student must exceed 60% in grade 13 and an average of 66% is required in three major grade 13 mathematical courses, Relations and Functions, Calculus and Algebra. Grade 13 is the last year leading towards a secondary school graduation diploma.

Not all future chartered accountants can be expected to be proficient in the field of mathematics, but by the same token, there can be no doubt that the profession will require chartered accountants who have the necessary expertise in the fields of mathematics and statistics. In this respect it is commendable that certain universities concentrate on the mathematical and statistical aspects and at the same time afford a student the opportunity of completing the requisite accountancy subjects, which should entitle him to write the final qualifying examination. It appears that the philosophy of the Co-operative Mathematics Programme is very similar to the American philosophy in which the mathematical ability of the future chartered accountant is stressed.

The work sequence of the Co-operative M.B.A. work/study programme of McMaster University is as follows:

FALL Sept - Dec Study	WINTER Jan - Apr Work	SUMMER May - Aug Study	FALL Sept - Dec Work	WINTER Jan - Apr Study	SUMMER May - Aug Work
FALL Sept - Dec Study					

A student commencing the programme in September of 1975 would complete it in December of 1977.

During the first year of study, the courses are stipulated and they are: financial accounting 1, managerial accounting 1, theory of income and employment, managerial economics, basic business finance, statistical analysis, marketing management, production management, determinants of behaviour and organisational behaviour. During the second year it is mandatory to take the courses in business policy, strategy formulation and management simulation and elective courses may be taken from the areas of accounting, economics, finance, industrial relations, marketing, international business and production and operations research, as well as business and its environment. There is a ruling that only five courses may be taken from any one section. The McMaster programme is very much more business and management oriented in its approach, and its course of study is designed for students to develop the habits and skills, the attitudes and understanding essential for the management of business and administrative affairs in the complex business world today.

Co-operative schools apparently commenced as far back as 1906, when the University of Cincinnati introduced a co-operative programme.¹⁷⁾ In a comparison between the advantages of a co-operative system and

17) Beamer, Elmer G., "The Co-operative System and Education for Public Accountancy", *The Journal of Accountancy*, May 1960, p.73.

internships, Elmer G. Beamer states:

"Education under the co-operative system, in which work experience is integrated with the curriculum, is more flexible than internship in terms of timing." ¹⁸⁾

Academics in the co-operative field believe that this approach has important advantages to the learning process and improves techniques of teaching. In the co-operative programme a student is required to observe, understand and apply theory to actual practice. This approach, it is stated, has a re-inforcing effect on the theoretical knowledge and vice versa with the result that solid learning is achieved.¹⁹⁾

5.4 Entry Requirements - Rest of Canada

The Province of British Columbia has very stringent entrance requirements in that a university degree, effectively a B.Com. with sixty semester hours of specific courses is required. The B.Com. degree takes five years to complete at the University of British Columbia.

In the Provinces of Alberta, Saskatchewan and Malatoba a university degree is a pre-requisite, but a specific degree is not required. In the Province of Quebec a B.Com. or equivalent is an entrance requirement. A working knowledge of French, which is the first language in the province of Quebec, is expected within one year of acceptance.

Diversity of approach epitomises the Canadian attitude. In British Columbia credits are given for courses completed at universities and the province runs its own programme.

18) *Ibid.*, p.72.

19) *Ibid.*, p.73.

The Province of Alberta has a combination of institute and degree credit courses, but it appears that the institute courses are being gradually phased out. The attitude of the Province of Malatoba is similar to that of Alberta. In Saskatchewan degree credits are allowed on institute courses and supplementary special professional courses are provided by the Institute. The approach to accountancy education in the Province of Quebec is very similar to that in South Africa, in that the Institute courses are basically administered by the various universities in the province.

5.5 The Uniform Final Examination of The Canadian Institute of Chartered Accountants. ²⁰⁾

One of the main purposes of the booklet, *"Information for CA candidates on the Uniform Final Examination"*, is to counter the effects of certain mystique that has grown around the final examination, and has resulted in a form of folklore with comments such as: *"Practically no-one passes the first time around"*, *"the marking procedures are weighted in favour of certain provinces"*, and *"the profession deliberately limits its growth so that CAs' earnings stay high"*.²¹⁾ The purpose of the booklet is to prove that these beliefs are fallacious, as strictly enforced anonymity of papers in the marking process ensures objectivity and excludes favouritism.

It is admitted that the Uniform Final Examination is not easy to pass and it should not be easy to pass, *"because the profession must maintain the standards of competence which the public expects"*.²²⁾

20) The information in this section is taken mainly from a booklet, *Information for CA Candidates on the Uniform Final Examination*, prepared by the Inter-Provincial Education Committee of the provincial Institutes of Chartered Accountants in Canada, February 1975.

21) *Ibid.*, p.1.

22) *Loc. Cit.*

As pointed out the admission requirements and educational standards for the provinces are controlled by the provinces and the Uniform Final Examination facilitates reciprocity between the various provinces. The justification for the Uniform Final Examination is also based on public interest as all chartered accountants in Canada have achieved a suitably high and uniform standard of competence at the time of qualification.

The syllabus of the Uniform Final Examination indicates the levels of knowledge required for various topics. Level one requires an appreciation of the nature and fundamentals involved; level two requires an understanding and application of aspects of practices and procedures, with additional research required to solve problems; level three requires an in-depth understanding of principles, practices and procedures and the application thereof without extensive recourse to technical research and assistance.²³⁾

The examination is set and marked by the Board of Examiners, which is a sub-committee of the Inter-Provincial Education Committee (IPEC). Each provincial institute nominates members for the Board of Examiners, but the chairman is appointed by IPEC.²⁴⁾ The Board of Examiners publishes an annual report analysing each year's results with comments and statistics and it is intended to assist educators in preparing future examination candidates. After the examination two booklets are published, namely "*Final Examinations*" and "*Approaches to Answering the Uniform Final Examination*".²⁵⁾

23) *Uniform Final Examination Syllabus*, adopted by the Provincial Institute of Chartered Accountants in Canada, 1975, p.2.

24) *Information for CA Candidates on the Uniform Final Examination*, *Ibid.*, p.4.

25) *Ibid.*, p.5.

Any chartered accountant may submit a problem with the suggested solution and marking key. The submitted questions are evaluated by a sub-committee and in determining whether a question is acceptable, care is taken to ensure that biased problems, or those problems requiring too high a degree of specialised skill or knowledge are avoided.²⁶⁾

When the Board of Examiners has set the examination papers, they are sent to provincial institutes where they are moderated. When the comments have been noted, the papers finalised and printed, the examination papers are sent to provincial institutes that organise their own centres, and invigilators for the days on which the examinations are written. After the examination has been written all papers are sent to Toronto for marking, with the exception of French answers to the comprehensive case study, which are marked in Montreal. When the marking is completed, provincial institutes receive and approve the results for distribution to their candidates.²⁷⁾

5.6 Format of the Uniform Final Examination

The format of the Uniform Final Examination has changed quite substantially. Prior to 1971, the examination

26) *Ibid.*, p.10.

27) *Ibid.*, pp.5/6.

consisted of three accounting papers of four hours each and three auditing papers of four hours each; a total of six papers and twenty-four hours of examinations. A pass in each subject was necessary to pass the examination, but if only one subject was passed, a supplementary examination could be written during the succeeding annual examination sittings.²⁸⁾ The format of the new examination has changed and it is now split into four categories: comprehensive problem situations; multi-subject matter, single-subject matter and current literature. There is no longer a distinction between the accounting and auditing papers and the papers are now styled I, II, III and IV, with each one usually lasting four hours and making a total varying from fourteen to sixteen examination hours. The pass mark is 60%. No supplementary examinations are allowed and the whole examination has to be rewritten.²⁹⁾

A brief description of the four categories of problems follows below:

The comprehensive problem situation category embracing from two to five sections of the syllabus, requires candidates to recognise specific application of accounting concepts and information to solve business problems. Candidates are required to identify the central issues in the problems from information given, which contains irrelevancies. The candidate must be able to evaluate the legitimacy of the information. The wording indicating the requirements of the question is less directive than in other categories, but in this manner the candidate must be able to prove that he can solve a problem without being led.³⁰⁾

The multi-subject matter problems embracing four or five sections of the syllabus, do not contain irrelevant information and the requirements are more specific. Candidates must recognise the specific application/s

28) *Ibid.*, p.7.

29) *Loc. Cit.*

30) *Ibid.*, pp.7/8.

of accounting concepts and information in solving business problems. Single-subject problems, as the name indicates, are generally restricted to one section of the syllabus and do not have irrelevant information and have highly directed requirements.³¹⁾

The rationale of including questions on current literature is to determine whether the candidate realises that education is a life-long process, and whether he displays a reasonable willingness to stay up-to-date with latest developments. Candidates are expected to read journals published within the two years prior to the examination date. The sources from which the questions may be drawn are the following:

- (i) CA Magazine;
- (ii) CICA Research Studies;
- (iii) CICA Audit Technique Studies;
- (iv) CICA Accounting Research Committee Exposure Drafts;
- (v) CICA Auditing Standards Committee Exposure Drafts;
- (vi) The Journal of Accountancy.

A choice of questions is offered where the topic is considered to be of a specialised nature.³²⁾

In a discussion on the Uniform Final Examination, Michael Gibbins reveals why the changes were necessary.

"In former and perhaps simpler days, CA students studied according to programmes that were very similar from province to province and from year to year. Now, however, they follow many different educational programmes: there are differences in the number of courses, periods of practical experience, the order in which various subjects are taken, the actual content of subject area courses and the way the subject matter is taught. The changes in educational pattern meant that the Uniform Final

31) *Ibid.*, p.8.

32) *Loc. Cit.*

Examination also had to be changed, or it would get badly out of step with the knowledge students were acquiring.

The Examination did not change much from year to year, and so was perceived by some as actually having a negative effect on the profession's educational programmes. Because of human nature, educational programmes may tend to contain what is thought to be required to prepare students for the short-range objective of passing examinations rather than equipping them for a lifelong professional career." ³³⁾

No doubt many South African academics will agree with these sentiments.

The comprehensive problem situation (known also as the case study approach) has caused some controversy in Canada. The opponents of this approach state that it is too difficult to set, the time and effort it takes to mark do not justify its inclusion in the examination, and it has caused the examination fees to escalate unduly.

A protagonist of the case study approach, L.S. Rosen, states:

"CA training must prepare a person to solve broad, financial problems. To do this he must be able to sort out the important from the unimportant in the context of a particular company, and know where to obtain answers to specific legal, accounting, auditing and ethical matters. Appropriate educational methods must therefore be adopted as early as possible because (1) such ability is not acquired overnight (as one writer stated: 'Because wisdom can't be told'), and (2) the initial educational approach should reflect for prospective accountants the nature of the work they will later perform."

He counters the argument about the difficulties involved in marking the answers as follows:

"The grading system just described is of necessity more subjective than the grading of questions asking for, say, journal entries. However, before criticizing the procedure, it is important to keep in mind the goal of the examinations and the degree of

33) Gibbins, Michael, "Focusing on the Finals", *Canadian Chartered Accountant*, July 1971, in *Student Guide to the 1973 CICA Final Examinations*, published by the Chartered Accountants Students' Association of Ontario, pp.35/36.

subjectivity under discussion. To choose an extreme example, would you pay thousands of dollars for a course knowing that the final examination is going to ask you only to count a pile of dollar bills? The final examination would be very objectively graded. You either arrived at the same number as the examiners or you did not.

Like accounting, examinations have to be tailored - to fit the educational philosophy. A ten cent examination would be out of place at the end of a thousand dollar course. It is unlikely that you would readily accept the final examination which involved counting dollars. Nor would you be pleased if only one person read your response to a comprehensive case question and could pass or fail you. However, if three qualified accountants had to read your response and they had to agree on whether or not you 'missed the boat' you would likely accept the fairness of the examination. Thus, grading systems can be more equitable than the system which has only objective examination questions in a subjective world." 34)

In another article about the grading of such questions, L.S. Rosen states:

"... examination questions have to be viewed in a broader context than the ease and mythical objectivity with which they can be marked." 35)

A committee is presently evaluating the present type of comprehensive question in the examinations and its report is to be reviewed by the Inter-Provincial Education Committee. 36)

34) Rosen L.S., "Chartered Accountancy Education and Examinations", *Canadian Chartered Accountant*, March 1972, p.56.

35) Rosen, L.S., "Accountancy Examinations : A Suggested Format", *Canadian Chartered Accountant*, July 1972, p.54. The controversy over the marking and setting of comprehensives still continues, and a discussion of some of the experiences in this regard appears on pp.345/350.

36) The Canadian Institute of Chartered Accountants, letter dated 29 January 1976.

5.7 Structure and Marking of the Uniform Final Examination

The examination is marked out of four hundred marks and the division of marks among the categories is as follows:

<u>Problem Category</u>	<u>Range of Marks allocated</u>
Comprehensive	80 - 100
Multi-Subject } Single-Subject }	240 - 260
Current Literature	60

37)

The marking procedures always give the benefit of the doubt to the examination candidate. Flexibility of approach to the marking is a feature, and valid variations to the answer are also included in the suggested solutions. Each answer is marked at least twice and as the marks are not indicated on the answers the second examiner thus does not know what the first examiner has awarded. Markers are constantly being evaluated for consistency of marking, and a supervisor maintains statistical checks on the distribution of marks for each problem. In the event of a candidate being a borderline case, that is, within a predetermined range below the pass mark, non-comprehensive papers are remarked by the original marker so as to ensure consistency.³⁸⁾

The comprehensive problem is marked on an area basis, depending on the nature of the problem set. Overmarking techniques are employed to allow for a variety of answers. The marking of these comprehensive problems requires the marker to use his own judgement, but great care is taken to avoid marker bias and subjectivity by having a learning period for test marking, with discussions and statistical monitoring of trends of each marker's mean and distribution. The comprehensive question is marked

37) *Information for CA Candidates on the Uniform Final Examination, Op. Cit., p.9.*

38) *Ibid., pp.14/15.*

by two independent markers and if not within an acceptable range of each other, the paper is remarked. When two marks are attained within an acceptable range of each other, the mean of these two marks is taken as being the final mark. It is to be borne in mind that the markers do not know what marks have been awarded by other markers. It is to be noted that comprehensive problems are not remarked in the case of borderline cases because of the multiple-marking approach used. Additions and transcription of marks are checked. An additional safeguard to ensure consistency is the marking of papers by the supervisor on a random basis.³⁹⁾

The provincial institutes do permit applications for review (appeal) of examination results. These applications are forwarded to the Board of Examiners. The review procedures entail four levels of review, by supervisors who were in charge of the original marking to ensure consistency. The number of successful appeals is insignificant because of the detailed marking and control procedures adopted when the papers are marked originally.⁴⁰⁾

Uniform Final Examination Statistics ⁴¹⁾

Finalised pass percentages:

	<u>All Writers</u>	<u>First-time writers</u>	
1969	49,5%	-	Not available
1970	50,1%	-	
1971	53,3%	58,8%	
1972	56,2%	61,6%	
1973	50,1%	59,2%	
1974	53,7%	-	
1975	55,6%	-	

39) *Ibid.*, pp.17/18.

40) *Ibid.*, pp.18/19.

41) *Report of the 1973 Uniform Final Examination*, prepared by the Board of Examiners, February 1974, p.3.
The 1974 and 1975 statistics - *CA Magazine*, February 1976, p.8.

The decline in the pass percentage for the 1973 year is attributed to a decline in the quality of the performance of candidates in the examination. The Board of Examiners states in this regard:

"This conclusion was reached after taking into consideration such matters as the changes in the nature of the examinations, level of difficulty of the examinations and the difficulty of marking. It would seem a reasonable hypothesis that the intellectual capabilities of 2500 candidates as a group should not change from year to year. If this is true, a possible conclusion might be that the programmes through which candidates are being prepared for the Uniform Final Examination are not responding to the changes in the examination." 42)

It is suggested that the introduction of the comprehensive question may have contributed to the decline. The 1974 pass percentage reflects a slight improvement as candidates were no doubt exposed to methods and techniques showing how they should approach comprehensive or case study questions. 1975 statistics reveal a further improvement.

An analysis of the statistics of the province of Ontario indicates that non-relevant graduates fared better than candidates with a Bachelor of Commerce / M.B.A. qualification.⁴³⁾

The initial assessment of the required pass mark for successful completion of the Uniform Final Examination of The Canadian Institute of Chartered Accountants is that it is a high mark to attain. An investigation of the procedures indicates that a "raw mark" is converted to a "reported mark" and these "raw marks" can be less than the actual required 60%.

42) *Report of the Board of Examiners, Op. Cit., p.3.*

43) *Analysis of the Uniform Final Examination Results with Comparative Statistics for 1973 and 1972, The Institute of Chartered Accountants of Ontario.*

5.8 Conclusion

The salient feature of accountancy education in Canada, is no doubt their final examination, which is intended to be a difficult one. It is also causing its fair share of controversy because of the comprehensive or case study questions. Another feature is the involvement of the profession in block-release courses, which concentrate on the professional aspects of accountancy education.

CHAPTER 6ACCOUNTANCY EDUCATION AND TRAINING IN EUROPE6.1 Federal Republic of Germany - Introduction

There are basically two controlling bodies of the profession in the Federal Republic of Germany. *Wirtschaftsprüferkammer* (Chamber of Public Accountants)¹⁾ and the *Institut der Wirtschaftsprüfer in Deutschland d.V.* (Institute of Public Accountants). All practising accountants are required to be members of the former organisation, whereas membership of the latter is voluntary. Although membership of the *Institut* is voluntary, 90% of *Wirtschaftsprüfers* (accountants in public practice) belong to it.²⁾ The *Wirtschaftsprüferkammer* is a federal regulatory body under the supervision of the Federal Ministry of Economics domiciled in Dusseldorf.³⁾ (Its South African equivalent is the Public Accountants' and Auditors' Board). All *Wirtschaftsprüfer* and *Wirtschaftsprüfungsgesellschaften* (firms of *Wirtschaftsprüfer*) are members of the *Wirtschaftsprüferkammer*. The responsibilities of the "Chamber" are defined in federal law to regulate the profession (*Wirtschaftsprüferordnung*) and Section 57 reveals that the "Chamber" shall be responsible for looking after and furthering the interests of its members, and for advising them on matters of professional conduct. To achieve these objectives, the *Wirtschaftsprüferkammer* has authority to issue guidelines to members of the public; it also has a duty to supervise the professional activities of its members.⁴⁾

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- 1) The English terminology in this section is as used in *Professional Accounting in 30 Countries*, American Institute of Certified Public Accountants, New York, 1975, pp.727/728.
 - 2) *Loc. Cit.*
 - 3) *Education, Training and Examination Requirements for Admission to the Profession of Wirtschaftsprüfer in the Federal Republic of Germany*, A study undertaken by the Anglo-German Liaison Committee of: The Institute of Chartered Accountants in England and Wales, *Institut der Wirtschaftsprüfer in Deutschland e.V. Wirtschaftsprüferkammer.*, 1975, p.1.
 - 4) *Ibid.*, p.2.

The *Institut der Wirtschaftsprüfer in Deutschland e.V.* has offices in Dusseldorf. (Its South African equivalent would be The National Council of Chartered Accountants (S.A.)). Its main function is to advance the technical interests of the profession and it makes recommendations to the authorities concerned with the legislation relating to taxation, company and other matters. Professional development and post-qualifying education is the responsibility of the *Institut*. Members of other associations involved in the audits of savings banks are extraordinary members of the *Institut*. Directors, managers and partners of *Wirtschaftsprüfungsgesellschaften* (firms of accountants) who are not *Wirtschaftsprüfer* are also extraordinary members.⁵⁾

The following statistics relate to the profession in the Federal Republic of Germany:

	<u>1960</u>	<u>1970</u>	<u>1974</u>
Number of <i>Wirtschaftsprüfer</i>	1517	2579	3087
<i>Wirtschaftsprüfungsgesellschaften</i> (Firms)	176	281	425

6)

Steuerberater are experts in tax law and practice, and approximately 75% of *Wirtschaftsprüfer* do this qualification first.⁷⁾

Statistics revealing professional qualifications of *Wirtschaftsprüfer* on 31 December in years 1960, 1970 and 1974 were:

	<u>1960</u>	<u>1970</u>	<u>1974</u>
WP	692	1057	1183
WP/RA	17	46	55
WP/STB	794	1449	1782
WP/RA/STB	<u>14</u>	<u>27</u>	<u>67</u>
	<u>1517</u>	<u>2579</u>	<u>3087</u>

5) *Ibid.*, p.4.

6) *Ibid.*, p.27.

7) *Ibid.*, p.12.

WP = *Wirtschaftsprüfer* (Practising accountant)

RA = *Rechtsanwalt* (Lawyer)

STB = *Steuerberater*.⁸⁾

The distribution of *Wirtschaftsprüfer* according to employment as at 31 December in the years 1960, 1970 and 1974 was:

	<u>In own</u> <u>Practice</u>	<u>Employed in</u> <u>a <i>Wirtschaft-</i></u> <u><i>sprüfungsgel-</i></u> <u><i>tschaft</i></u>	<u>Employed in a</u> <u>Firm special-</u> <u>ising in the</u> <u>audit of</u> <u>co-operatives</u>	<u>Total</u>
1960	840	608	58	1506 #
1970	1427	1072	80	2579
1974	1708	1283	96	3087

Eleven members were temporarily absent, making a total of 1517. It is observed that a member who leaves the practising side of the profession is not permitted to retain his professional qualification of *Wirtschaftsprüfer*.

The number of practising accountants for an industrialised country such as the Federal Republic of Germany is surprisingly small and this may be because the qualification period is exceptionally long and few accountants qualify before the age of thirty-five. Statutory audits by *Wirtschaftsprüfer* are only applicable to joint stock companies, banks, insurance companies and certain other statutory bodies.¹⁰⁾

6.2 Training Requirements

By statute a candidate for training in the profession is required to have a university degree in economics,

8) *Ibid.*, p.28.

9) *Ibid.*, p.30.

10) Smith, G.R., "Window of the World - German Federal Republic", *The Accountants Magazine*, August 1975, p.283.

political economy, law, engineering or agriculture. In theory all the degrees have equal status but because of the predominance of economics, taxation and commercial law in accountancy, approximately 75% have studied economics at university and the balance have degrees in political economy or law. Very few students with degrees in agriculture or engineering enter the profession.¹¹⁾ A non-graduate can be accepted as a student if he has had a minimum of ten years' experience in the profession. There are exceptions where the ten-year period may be reduced.¹²⁾ No minimum age for admission has been laid down by law, but the requirement of a degree and six years' practical experience means that theoretically the earliest age at which one can qualify as a *Wirtschaftsprüfer* is thirty years, but in practice it works out closer to thirty-five years.¹³⁾

The relevant legislation does permit training on an apprenticeship basis, but the need for this has not arisen and there is generally no special contract between student and employer.¹⁴⁾ As mentioned above the practical-experience period for a university graduate is six years, four of which must have been spent in auditing. Of the four years, a minimum of two must be spent in the office of a *Wirtschaftsprüfer* or with a firm specialising in the audits of co-operatives.¹⁵⁾ Experience as an internal auditor or as a *Steuerberater* (tax expert) is considered equivalent to two years' auditing experience. Experience as an auditor in the public service is accepted provided the student can show that he has independently carried out audits of large organisations.¹⁶⁾

General auditing experience, other than the minimum of two years must be spent in a *Wirtschaftsprüfer's* office,

11) *Education training and examination requirements ... , Op. Cit., pp.4/5.*

12) *Ibid.*, p.5.

13) *Ibid.*, p.7.

14) *Ibid.*, p.8 and p.11.

15) *Ibid.*, p.8.

16) *Ibid.*, p.9.

may be gained with members of the profession, which includes *Steuerberater* and another class of auditor, known as *vereidigte Buchprüfer*. The practical-experience period may be reduced if the student has undergone a commercial apprenticeship to become an accounting technician. Courses of study at a business school may be accorded full recognition if undertaken at the relevant time. Experience in a university department is recognised if there is a close relationship with the commercial world. The experience gained by students of the legal profession is recognised if it has a close connection with the commercial world. Thus legal experience gained in industry, government financial departments or taxation courts is also acceptable.¹⁷⁾

Candidates who have already taken the *Steuerberater* examination (and many do) are exempt from the examination in taxation law, and candidates who have had specific experience in the auditing of co-operatives can request to be examined specifically in this field. The *Wirtschaftsprüfer* qualification does not indicate the speciality and all members are entitled to do the audits of co-operatives.¹⁸⁾

It is not required to maintain a formal record of practical experience, but when a candidate applies for admission to the examination, he must submit two audit reports, as examples of his work. Legally, an employer must issue testimonials which cover the employee's work.¹⁹⁾

6.3 Theoretical Study

There are no formal guidelines or directives for a student to follow and no examinations are written during the six-year practical-experience period. The student must obviously direct his education in such a manner so that he will be able to pass the *Wirtschaftsprüfer*

17) *Ibid.*, pp.10/11.

18) *Ibid.*, p.12.

19) *Ibid.*, pp.12/13.

examination. Private organisations do offer relevant courses.²⁰⁾ The *Institut der Wirtschaftsprüfer in Deutschland e.V.* in consultation with the *Wirtschaftsprüferkammer* organises a series of courses, which are designed to complement the students' practical experience. The courses are divided into four sections of 11½ days each:

Section I : Current economic topics - 1 day
 Management consultancy - 10½ days

Section II : Aspects of civil law which relate to work of the *Wirtschaftsprüfer* - 11½ days

Section III : Auditing (part 1) - 11½ days

Section IV : Auditing (part 2) - 8 days
 Trustee work - 2 days
 Professional regulations - 1½ days²¹⁾

Ten-day courses on electronic data processing and taxation are also available. During the practical-experience period a student may attend relevant courses at universities. The approach of the universities is mainly conceptual.

6.4 The *Wirtschaftsprüfer* Examinations

The purpose of the examination is described as being:

*"to discover whether the candidate has the necessary skill and personal character to equip him to undertake the professional work of a *Wirtschaftsprüfer*, particularly as far as statutory audits are concerned. The examination should allow the candidate to show that he is able to find a solution to professional problems which a *Wirtschaftsprüfer* would be likely to face, and to demonstrate that he understands the important points involved and the professional duties which arise therefrom. This means that the examination aims not so much to discover how much a candidate knows but rather to find out whether the candidate is capable of applying his knowledge."*²²⁾

20) *Ibid.*, p.13.

21) *Ibid.*, p.15.

22) *Ibid.*, pp.16/17.

The examination consists of two parts, written and oral. The written examination consists of a thesis and three written papers. The thesis tests the ability of a candidate to do research on a specific subject. The candidate is given a choice of two subjects and has eight weeks in which to complete his thesis, the length of which varies from sixty to seventy typewritten pages. It is not limited to a prescribed number of words.²³⁾ Three, four to six-hour papers are written on three different days covering:

- Auditing and economics
- Company law
- Taxation.

24)

In the oral examination the candidate has to speak briefly on one subject having been given a choice of three relating to professional practice as a *Wirtschaftsprüfer*. The subjects are given to the candidate half an hour before the examination. The length of the oral examination may not exceed two hours per candidate.

An "unsatisfactory" grading in the written papers results in the failure of a candidate. The paper on auditing and economics is of great importance and an unsatisfactory grading in this paper as well as one other, including the thesis, also results in failure. A candidate whose knowledge is regarded as unsatisfactory in certain subjects, but adequate in others may be referred in the unsatisfactory subjects.²⁵⁾ A candidate who has failed outright must submit a new application after one year.²⁶⁾

6.5 Syllabus

As the approach to accountancy education and training in the Federal Republic of Germany differs so vastly from

23) *Ibid.*, p.17.

24) *Ibid.*, p.18.

25) *Loc. Cit.*

26) *Loc. Cit.*

the Anglo-Saxon countries, a detailed syllabus of the examination subjects is set out below:

"1. - Auditing and Economics

- (i) Auditing (including the auditing of co-operatives), principles of auditing, auditing and report-writing techniques
- (ii) Accounting and documents relating to annual accounts, including consolidated accounts, and relevant legislation
- (iii) Law regulating the profession
- (iv) Business economics
- (v) Cost accounting, accounting for annual results, statistics and budgeting
- (vi) Business finance and credit
- (vii) Capital and cash flow, and organisation of accounting systems
- (viii) Principles of economics and finance

2. - Company Law

- (i) Principles of civil law, with special reference to the law of credit and property
- (ii) Commercial law, with special consideration of the law affecting commercial companies and individuals
- (iii) Company law affecting capital and groups
- (iv) Law relating to co-operatives
- (v) Law relating to exchange and cheques
- (vi) Basic legislation relating to competition, premiums, rebates and monopolies
- (vii) Insolvency law and liquidations
- (viii) Principles of civil procedure, including distraints
- (ix) Principles of labour legislation, law relating to private insurance and social security, and the fixing of prices by public bodies

3. - Taxation

- (i) Regulation of taxes and duties, and related provisions
- (ii) Income tax and corporation tax
- (iii) Capital gains tax, property tax
- (iv) Turnover tax, tax on capital transactions
- (v) Principles of death duties and taxation of income from land. ²⁷⁾

27) *Ibid.*, pp.19/20.

Steuerberater (tax experts) who take the examination may be exempt from the written and oral examinations on taxation, if they so desire. This has a disadvantage as a good taxation result could now not be offset by less satisfactory results in other areas.

6.6 Examination Procedures

The Federal Republic of Germany consists of various *Länder* (states). Each *Länder* has its own Admissions Committee (*Zulassungsausschuss*), which consists of a representative of the Land Government (as chairman), three representatives from the business community and two *Wirtschaftsprüfer*. A reference (special report) from the student's employer and two audit reports as examples of the type of work performed by the student are submitted with the application form. The Admissions Committee normally seeks two other references as well. A candidate who has not been accepted for the examination may appeal to the courts.²⁸⁾

Each *Länder* may have its own Examination Committee (*Prüfungsausschuss*), but a few *Länder* have formed a joint committee, which consists of a representative from the Land Government (as chairman), a university professor of economics, a person qualified to serve as a judge, a representative of the Government taxation department, a representative from the business community and three *Wirtschaftsprüfer*. Responsibilities are allocated to members according to their specialities. The chairman is in charge of questions dealing with laws pertaining to the profession, the academic deals with questions on economics and political economy, the member who is qualified to serve as a judge deals with company law, management organisation questions are set by the business representative, questions on auditing and taxation are

28) *Ibid.*, p.21.

respectively set by the two *Wirtschaftsprüfer* and the representative of the taxation department. The Examination Committee may seek assistance from outside in the setting of questions, such as the *Wirtschaftsprüferkammer* who assists with the topics for the thesis.²⁹⁾

As a uniform examination is not set for all the *Länder* it tends to vary from one *Länd* to another, although there may be consultations between the various committees. The marking is done by the Examination Committee and every paper is marked independently by two members of the Education Committee. If there is a difference of not more than one grade, the average is taken. Where the difference is greater, the Examination Committee awards the final marks.³⁰⁾ The oral examination concentrates on those gaps in the knowledge of a student exposed in his examination papers. A candidate is given the opportunity to explain certain answers. The examination is written in the *Länd* where the candidate resides. Successful candidates, who number slightly in excess of two hundred per annum, are awarded a certificate.³¹⁾

It may be of interest to point out that admission to the profession may be refused notwithstanding successful completion of the examination. The refusal may result from information acquired about a student's character, which would have justified his exclusion from the examination. Professional indemnity insurance is obligatory and on admission the student is required to take an oath.

29) *Ibid.*, pp.22/23.

30) *Ibid.*, p.23.

31) *Ibid.*, p.24.

6.7 The Netherlands - Introduction

The accountancy profession in the Netherlands is controlled by the *Nederlands Instituut van Registeraccountants* which came about through the *Registeraccountants Act* which was promulgated during 1962 and took effect on 6 March 1967.³²⁾ Prior to the promulgation of this act any person could refer to himself as an accountant or auditor.³³⁾ The original controlling bodies of the profession in the Netherlands were: *Nederlands Instituut van Accountants* and the *Vereniging van Academisch Gevormde Accountants*, (Association of University-Trained Accountants) and *Nederlandse Unie van Accountants*.³⁴⁾ The first body was founded on 1 January 1895.³⁵⁾ Of the 3 361 members of the *Instituut* on 1 September 1975 approximately 52% were not employed in the profession.³⁶⁾ At the time of the formation of the *Instituut* in 1967 about 2 400 accountants were registered in terms of the new act.³⁷⁾ The number of accountants qualifying in Holland through the *Instituut* course during the last five years varied between 112 and 134.³⁸⁾

Statutory audits may be performed only by members of the *Instituut*, or by accountants who have qualified abroad, and who give proof of competency. They have to have authorisation from the Minister of Economic Affairs to carry out such audits.³⁹⁾ It is interesting to note that public companies have been required to have their financial statements audited only since 1972. This also applies to private companies whose balance

32) *Professional Accounting in 30 Countries, Op. Cit.*, p.395.

33) *The Chartered Accountant in Australia, "The Second Tier in the Netherlands"*; June 1974.

34) *Professional Accounting in 30 Countries, Op. Cit.*, p.395.

35) "The Second Tier in the Netherlands", *Op. Cit.*, p.26.

36) *Nederlands Instituut van Registeraccountants, "Jaaroverzicht" 1974-1975*, p.4.

37) *Professional Accounting in 30 Countries, Op. Cit.*, p.395.

38) NIVRA, *Studiegids 1975/76*, p.9. - The actual passes for the years were: 1969/70 :112; 1970/71 :115; 1971/72 : 134; 1972/73 : 131; 1973/74 : 115. The studiegids anticipated 120 accountants qualifying for the 1974/75 year. It is estimated that approximately 200 university graduates qualify as accountants annually.

39) *Professional Accounting*,  *Op. Cit.*, pp.396/397.

sheets aggregate at least eight million Florins and who have more than one hundred employees. Companies with an issued share capital of 500000 Florins or more, banks and insurance companies, and companies that have bearer bonds outstanding must have statutory auditors.⁴⁰⁾

There are basically two ways in which an accountant may become a member of the *Nederlands Instituut*. The one way is by passing an accountants' examination at an approved university, of which there are five in the Netherlands. The second way is by attending courses organised by the *Instituut*. There has been close co-operation between the universities and the *Instituut* since 1915.⁴¹⁾ Uniform final examinations are set by a combined committee consisting of representatives of the universities and the *Instituut*. This examination is written at the universities as well as by the *Instituut* candidates. During a visit to the Netherlands, it was stated that certain academics had objections to a uniform examination, and the situation was being examined. At the time of the visit, practical experience was not a mandatory requirement and potential members of the *Instituut* are encouraged "to acquire a broadly based university degree in conjunction with a vocational apprenticeship in order that they may be professionally grounded in both theory and practice."⁴²⁾

The formal five-year university course in the Netherlands normally takes at least six years to complete. The examinations consist of four parts: the propaedeutical section; the general section; the optional section; and the final section. The propaedeutical section takes

40) *Ibid.*, p.397.

41) Lafferty Michael, "Accountancy Education in Europe", *Accountancy*, December 1975, p.35.

42) Van Eijndhoven, A.J. Th., "Auditor's Report - Society's Expectations -vs- Realities, A Netherlands Viewpoint", a paper presented at the 2nd Jerusalem Conference on Accountancy, October 1974, as reproduced in *Critical Problems of External Financial Reporting*, The Institute of Certified Public Accountants in Israel, Tel Aviv, October 1974, CIII, p.23.

one year and is followed by two years' study for a bachelor's course. A further period of study for two or three years results in the candidates having completed their *doctorandus* (drs.) degree. Subjects studied at university are general economics, statistics, business organisation, financial accounting, bookkeeping, fiscal law, study of banking systems and two optional subjects, for example, commercial and company law, information systems. After a candidate has completed his *doctorandus* degree, post-doctoral study entailing one day a week can be taken at universities and colleges over a period of two and a half years. During this period students work for practitioners. The post-doctoral study of accountancy includes the following subjects: a detailed and practically oriented study of business economics, information systems, internal controls and data processing, auditing, commercial and company law.

The *Instituut* organises its own courses which are concentrated on Fridays and Saturdays. Besides lectures, correspondence courses are provided for overseas students. The lectures are presented in twelve different towns in the Netherlands. The programme of the *Instituut* consists of four parts:

1. Propaedeutics - two years
 2. General part - four years
 3. Optional part
 4. Final part
- } one and a half years

The propaedeutical section of the examination includes the following subjects: Law; general economics; mathematics; bookkeeping/statistics; and business economics I.⁴³⁾

The general section of the examination includes the following subjects: business economics II; tax law; organisation in general; administrative organisation including business information.⁴⁴⁾

43) "Besluit van 24 januarië 1974, uitvoering van artikel 72 van De Wet op de Registeraccountants, (Examen besluit Registeraccountants), as reproduced in *Studie gids, Op. Cit.*, p.53., Article 3.

44) *Loc. Cit.*, Article 4.

A candidate may select one subject in the optional section from the following: business economics; organisation in general; administrative organisation including business information; mathematical methods for the preparation of decisions; tax law. The examination committee known as the *Onderwijs-en examenbureau* may obtain the consent of the Board of Governors of the *Instituut* to add subjects to those outlined above.⁴⁵⁾ The final section of the examination entails a study of the theory of auditing.⁴⁶⁾

An analysis of the training schedule of the *Instituut* courses indicates that lectures totalling 1254 hours are necessary in the seven and a half years. A breakdown of the hours reveals the following percentages:

a) Law	4,4%	
b) Bookkeeping (techniques)	5,6	
c) Mathematics, applied mathematics and statistics	11,5	
d) Economics	4,8	
e) Business economics	19,8	
f) Tax law	5,2	
g) Organisation, administrative organisation including business information ..	21,5	
h) Optional subjects	11,6	
i) Auditing theory	15,6	
		<u>100,0%</u> 47)

An analysis of the above breakdown indicates that the approach of the Dutch is very much management oriented with business economics and administrative organisation (including business information) accounting for more than 40% of the total course time. Applied bookkeeping accounts for only 5,6% of the time, but in the subject, administrative organisation and business information, accounting topics are covered. It is interesting to

45) *Loc. Cit.*, Article 5.

46) *Loc. Cit.*, Article 6.

47) Nederlands Instituut van Registeraccountants, *Training Schedule NIVRA - education (New educational system)*. - Calculations made from this schedule.

observe that law accounts for only 4,4% of the total hours. This does not include taxation law which accounts for 5,2%. Auditing theory accounts for 15,6% of the total time.

An analysis of the detailed syllabus of business economics II reveals that the course is split into three sections, namely costing and cost price, with the main prescribed text book being *Kosten en Kostepijls*, by H.J. van de Skroef, the well known international work on costing. The second part of the course consists of theory of finance. The last part of the course consists of discussions on value and profit.

A review of the detailed syllabi of the NIVRA course leads to the conclusion that the *Registeraccountant* is very broadly educated, with an emphasis on management and business economics.

6.8 A Second Tier in the Netherlands

When the *Registeraccountants Act* came into force during March 1967, many accountants who were excluded from the register complained. This resulted in a parliamentary discussion which led to the undertaking that specific regulations allowing for the registration of such persons would be prepared.⁴⁸⁾ During January 1973 an act was approved creating and regulating a second tier. The act became operative on 1 February 1974 and those registered on the second register are known as *Accountant - Administratieconsulent* (Accounting consultant). These accountants will be organised in their own private organisation and the act governing the second tier lays down the professional knowledge and disciplinary rules.⁴⁹⁾ Needless to say that in drafting the relevant legislation the stumbling block was arriving at a clear definition of

48) "The Second Tier in the Netherlands", *Op. Cit.*, p.27.

49) *Loc. Cit.*

what the accounting consultants could and could not do. The final definition of what the accounting consultants may do is described as follows:

"In pursuance of a profession, involving one or more of the following activities:

- (a) designing an efficacious accounting system, judging the manner in which accounts are being kept, or keeping a set of accounts; and*
- (b) giving, in an explanatory report, an analysis or interpretation of data derived from accounting documents, or giving, either orally or in writing information about, or advice based on such data."* 50)

It is to be observed that only *Registeraccountants*, including approved foreign accountants, may express an opinion on the fairness of financial statements. A controversial aspect, whilst preparing the legislation, was whether persons working as internal auditors, not being *Register-accountants*, could be entitled to issue reports. It concluded that an internal auditor, under such circumstances, be permitted to issue a report to his employer because the latter would be responsible for determining the adequacy of his proficiency level. A restriction was placed on the distribution of such reports which could be given only to his employer so that such a report should not create the impression that it was issued by someone acting in the capacity of auditor.⁵¹⁾

6.9 Belgium

The accountancy profession in Belgium is controlled by the *Collège National des Experts Comptables de Belgique* (CNECB), which is not a statutory body. Statutory audits in Belgium can be performed only by members of the *Institut*

50) *Loc. Cit.*

51) *Loc. Cit.*

des Réviseurs d'Entreprises (IRE) which was established during 1953.⁵²⁾

To be accepted for training under the CNECB one must have a degree either in economics or finance, commerce or business, after completing four years' study at a university or institution of higher education. A degree or diploma in accountancy issued by a technical college is also sufficient.⁵³⁾ It is interesting to note that to qualify for admission to membership of the CNECB, one must be thirty years of age.⁵⁴⁾ Prior to a student being accepted for training by the CNECB, he is interviewed by a committee that has to approve his application. Testimonials are required indicating that the person is of good character and standing. The student is expected to give an undertaking that he will not only attend all lectures for students but also write all the tests set by the CNECB.⁵⁵⁾ If a person does not comply with the entry requirements, namely a degree from a university or a diploma from a technical college, he may write an entrance examination which consists of a written eliminating examination followed by an oral examination. If the candidate is successful in the former, he is given an oral examination in which he is expected to have a knowledge of law, mathematics, general economics and business administration. In the written examination the candidate is expected to prepare financial statements.⁵⁶⁾ The practical-experience period is five years, except for persons over the age of thirty, who are expected to do a three-year practical-experience period. Practical experience may be gained under a contract of employment in an industrial or commercial enterprise, by setting up as an independent accountant, or by working for his *matre de stage* (an *expert comptable* entrusted with his training). It is to be observed that the whole period of practical experience is to be under the supervision

52) Anglo-Belgian Liaison Committee, *Education, training and examination Requirements for admission to the profession of experts comptables (CNECB) in Belgium*, a study undertaken by the Anglo-Belgian Liaison Committee of the Institute of Chartered Accountants in England and Wales, College National des Experts Comptables de Belgique, and Institut des Réviseurs d'Entreprises, pp.1/2.

53) *Ibid.*, p.2.

54) *Ibid.*, p.3.

55) *Ibid.*, pp.3/4.

56) *Ibid.*, p.4.

of a *maitre de stage*, who must be a member of the CNECB.⁵⁷⁾ The student is expected to prepare a detailed report annually on his studies and practical work.⁵⁸⁾ The CNECB provides courses during the practical-experience period, and attendance at such lectures is compulsory.⁵⁹⁾

Examinations, consisting of two parts are written annually, A written paper is completed by the student at home, and a subsequent oral examination, based on the written paper, is held. It is interesting to note that the second year examination is an eliminating examination in which those candidates, who, in the opinion of the Examination Commission, do not have the necessary professional qualifications for becoming an *Expert Comptable* are eliminated.⁶⁰⁾ These students are allowed a further attempt to pass this examination. The final examination, which may be written only after completion of the practical-experience period and within three years of such period, consists of a thesis, which normally entails the analysis of the finances and accounts of a company.⁶¹⁾ There is no detailed syllabus and the subjects for examinations vary depending on the courses the student has attended.

The membership of the two institutes at 31 December 1973 totaled 227 *Reviseurs d'Entreprises* and 1523 *Experts Comptables*.⁶²⁾

6.10 Denmark

The profession in Denmark which is controlled by a voluntary body representing almost all state authorised accountants is known as the *Foreningen of Statsautoriserede Revisorer*.⁶³⁾

57) *Ibid.*, pp.5/6.

58) *Ibid.*, p.8.

59) *Ibid.*, p.10.

60) *Ibid.*, p.12.

61) *Ibid.*, p.13.

62) Lafferty, Michael, "Accountancy Education in Europe, *Accountancy*, December 1975, p.36.

63) *Professional Accounting in 30 Countries, Op. Cit.*, p.172.

According to *Professional Accounting in 30 Countries* the pre-requisites for the final examination are as follows:

- 1) a bachelor's degree in economics;
- 2) master's degree in auditing;
- 3) completion of a practical-experience period in the office of a state authorised public accountant for three years.

The candidate is expected to attend lectures during the period in the following:

- a) Propaedeutics (foreign languages, bookkeeping, mathematics)
- b) The humanities
- c) Economics, (macro- and micro-, including accountancy and information theory and so forth)
- d) Statistics
- e) Auditing theory
- f) Civil law and company law
- g) Taxation
- h) Bankruptcy.⁶⁴⁾

These courses are held on a block-release basis and six three-day presentations are held. Accountants usually qualify when they are between twenty-eight and thirty years old.⁶⁵⁾

6.11 France

The accounting profession in France is controlled by *L'Ordre des Experts Comptables et des Comptables Agréés*.⁶⁶⁾ A three-year practical-experience period is required and Lafferty states that 75% of students hold university

64) *Ibid.*, pp.170/171.

65) Lafferty, *Op. Cit.*, p.36.

66) *Professional Accounting in 30 Countries, Op. Cit.*, p.204.

degrees or college diplomas after attending four years of studies.⁶⁷⁾ Those who do not have a degree or diploma are required to take an entrance examination.

During the practical-experience period, trainee accountants (*Stagiaires*) have to write two examinations, the first of which is written after one year and in the case of graduates it could be sooner. Depending on their subjects, graduates may be exempt from this examination, which includes both written and oral examinations on financial and management accounting, mercantile, industrial and company law, and economics. The second examination, taken at the end of the practical-experience period, consists of a paper on auditing, and another on one of the following subjects: law or taxation, organisation and management, and international relations, including knowledge of an overseas language. A thesis must also be submitted.

The minimum age for entry to the profession is twenty-five but few qualify before the age of thirty.⁶⁸⁾

The value of the practical-experience period in France is questioned by Lafferty, who asserts that the auditing standards are poor. He further states that there are very few large firms practising auditing in France.⁶⁹⁾ Only *Experts Comptables* in public practice are entitled to membership of the *Ordre*. The member forfeits his membership when he enters industry or commerce. At 30 September 1973 there were 3739 *Experts Comptables*.⁷⁰⁾

67) Lafferty, *Op. Cit.*, p.34.

68) *Loc. Cit.*

69) *Loc. Cit.*

70) *Ibid.*, p.35.

6.12 Italy

It appears according to Lafferty, that the standard of education of accountants in Italy is very low.⁷¹⁾ It appears that because the Italian business environment leaves much to be desired, this has detrimentally affected the development of the accountancy profession. Accountants in Italy are preoccupied mainly with fiscal matters so that auditing does not play a very important role.⁷²⁾ There are two controlling bodies of the accountancy profession, *Ordine dei Dottori Commercialisti*, which is the senior body and the *Collegio dei Ragionieri e Periti Commerciali*. To be accepted by the *Ordine* the student requires a university degree which entails written examinations in economics, accounting, banking, public, civil and commercial law, mathematics and statistics, and two foreign languages, and an oral examination. A thesis is required and thereafter a student must pass a state examination covering accounting, banking, taxation and commercial law. There is no practical-experience requirement for this qualification.⁷³⁾

To qualify for membership of the *Collegio* the student must complete a five-year course at a technical school, obtain two years' practical experience with a *ragioniere*, and pass a professional examination in accounting, company law and taxation.

71) *Ibid.*, p.36.

72) *Loc. Cit.*

73) *Loc. Cit.*

CHAPTER 7ACCOUNTANCY EDUCATION AND TRAINING IN
ENGLAND, WALES AND SCOTLAND7.1 The Institute of Chartered Accountants in England and
Wales - Introduction

The Institute of Chartered Accountants in England and Wales is one of the largest accountancy bodies in the world. A breakdown of its membership statistics as at 14 November 1975 (including December 1975 admissions) reveals the following:

	<u>U.K.</u>	<u>Overseas</u>	<u>Retired</u>	<u>Total</u>
In practice	14 635	1 455	-	16 090
Not in practice	33 610	7 214	-	40 824
Retired	-	-	4 823	4 823
	<u>48 245</u>	<u>8 669</u>	<u>4 823</u>	<u>61 737</u>

Accountants are generally known to be very conservative, and this conservatism is no doubt reflected by the slackness in which changes have been brought about in the approaches to accountancy education. The changes to accountancy education in the United Kingdom, more specifically England and Wales, have come about very slowly. In an article, W.T. Baxter regards the fifties as the watershed in accountancy education in England and Wales.²⁾ Baxter continues that influential journals, such as *The Economist*, have made scathing criticism of accountancy education. The profession at the time enjoyed unknown prestige as many new specialised areas were opened to the profession. The demand for services increased with new developments in budgeting, with decision-making regarding capital budgeting, with the development of the computer and with statisticians developing modern techniques. Baxter regards the training received during the fifties as having a medieval flavour and being unattractive to high-school graduates.

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- 1) The Institute of Chartered Accountants in England and Wales, letter from the Assistant Secretary, B.W. Frost, dated 30 December 1975.
 - 2) Baxter, W.T., "The English Accountant's Work and Training", *C.A. Magazine*, May 1975, p.73.

The approach to accountancy education underwent radical change during 1972. Accounting as an academic discipline did not emerge in England to any great extent until the sixties, which slowly but surely saw the creation of additional chairs of accounting. Most chairs of accounting were created after 1969. The dearth of chairs in accounting could possibly be ascribed to the attitude of the Council of The Institute of Chartered Accountants in England and Wales. According to Baxter, the Council set up a committee during 1958 to consider its own education and training, and the findings showed it preferred "the office stool to the classroom desk, and declined to contemplate 'any radical change in existing arrangements'".³⁾ The major changes came with the publication during May 1972 of *A Policy for Education and Training*.

A brief outline of the educational requirements appears below. Non-graduates require the equivalent of a university pass and are required to attend a compulsory foundation course on a full-time basis for one academic year. The Council of The Institute does not contemplate making a degree a pre-requisite prior to the training period, as it recognises the importance of adequate opportunity for the non-graduate to qualify as a chartered accountant.⁴⁾

At a recent symposium it was reported that in 1974, for the first time, more than half of the service contracts registered were those of graduates.⁵⁾ At the symposium the view was expressed that graduate entry should be evolutionary and not be made compulsory by decree. It was felt that if the quality of entrants to the profession was to improve, graduate entry was desirable. Another suggestion was made that a degree could be attained part-time whilst the student was undergoing practical experience.

The non-graduate attends the Foundation course at a selected college and the purpose of the course is described as follows:

"The object of this foundation course is to give the student

3) *Ibid.*, p.74.

4) The Institute of Chartered Accountants in England and Wales, *A Policy for Education and Training*, London, May 1972, p.5.

5) *Accountancy*, "Accountancy Symposium on Education and Training", December 1975, p.28.

an introduction to the fundamental principles and techniques used by all accountants and to the basic concepts of the modern audit, combined with an understanding of the economic and legal environment in which accountancy is practised, the language, concepts and methods of reasoning needed in studying the literature of modern financial management, and the principles of statistical methods used in management and accountancy. The course will terminate in an examination set by the college in consultation with an external examiner and/or assessor approved by the Institute." 6)

The practical-experience requirement for the non-graduate is four years and the time spent on the Foundation course does not count as part of the practical experience period. The regulations do permit the training contract to commence prior to the foundation course, subject to the proviso that only six months experience will be accepted as valid service towards the four-year requirement. Periods of less than two months will not be recognised.

It is of interest that no uniform syllabus or uniform examination is contemplated at the end of the course because such a requirement would stultify growth and development.⁷⁾ It further states that change and progress are more likely where there is freedom to experiment. There will still be dialogue between the Institute and the colleges, and the Institute will approve external examiners or assessors of full-time courses at colleges.

Graduates of universities in the British Isles have to complete a three-year practical-experience period and the recruitment of graduates is being encouraged. This trend is revealed by statistics, quoted by Baxter, which indicate that during 1969 of a total intake of

6) "A Policy for Education and Training", *Op. Cit.*, p.6.

7) *Ibid.*, p.8. par.IX

4232, only 814 were graduates, representing 19,2% of the total intake. The 1972 statistics reveal an intake of 1702 graduates out of a total of 5565, representing a graduate intake of 30,6%. During 1974 the graduate intake was 2261 out of a total intake of 4151, representing 54,5% of the total intake.⁸⁾

Graduates with relevant degrees will not be required to attend a foundation course, and will be exempted from one or more of the four papers in the Institute's Foundation Examinations. Those graduates who are not granted full exemption will be expected to write appropriate papers in the examination, or alternatively to attend conversion courses at universities or colleges. It appears that the provision of conversion courses is causing problems. Graduates with non-relevant degrees can prepare for the foundation examination by private study, which could include a correspondence course.

Training experience for the future accountant is regarded as essential as it provides a broad base for the future development of members. Free transferability of training contracts is regarded as being unacceptable. A member wishing to train students must seek the consent of the Council through the Board of Accreditation of Authorised Principals. It is interesting that the applicant is interviewed by a special panel which, inter alia, must satisfy itself that the student will receive an adequate range of work experience particularly in the core areas of accounting, auditing and taxation.

The Board of Accreditation has encountered certain problems, such as the lack of consistency between areas and between panels within a district. Accreditation has been required since 1963 and was changed in 1972 requiring the interviews as referred to above. Many principals held accreditation prior to 1963 and the Accreditation Board believed although the majority did a good job,

8) Baxter, W.T., *Op.Cit.* p.75.

there was a reservation that a minority would still exploit students.⁹⁾ The approval of the firms, that are regarded as suitable for the training of future accountants, has caused a great controversy.

*"It appeared that the Institute accepted that a smaller firm must be the one which suffered. Was the Institute, in fact accepting that the training was the responsibility of the larger firms?"*¹⁰⁾

It appears that the provision allowing a student a certain portion of his training period in industry, has not been very successful and has not been used to a large extent.

A training record is required to be kept, and it is the principal's role to monitor the student's progress, to complete the appropriate report at regular intervals. The principal must ensure that the training record maintained by the student is a meaningful record of his experience, both as material for review and training sessions with a principal, and for eventual appraisal by the Institute. The principal is also required to certify to the Institute, when a student applies for membership, that the student has received suitable experience in order to practise accountancy and taxation, and is regarded as a fit and proper person to become a member of the Institute.¹¹⁾

The associateship of the Institute is to be regarded as the attainment of a sound knowledge of fundamentals. The increasing complexity of the chartered accountant's work is seen as justification for extending the practical-experience required before being entitled to a practising certificate. Two years post-qualification approved experience will be required before a practising certificate is issued to an associate member.

The attainment of fellowship of the Institute of England and Wales will be attained by successfully completing an examination. The examination will consist of one

9) "In the News - Board of Accreditation gets down to Work", *Accountancy*, December 1974.

10) *Loc. Cit.*

11) Letter from the Assistant-Secretary, *Op. Cit.*

general and three specialist papers with evidence of adequate relevant experience. This arrangement applies to members to be admitted after June 1978. The fields of specialist areas to be introduced are: taxation, accounting, auditing and investigations, management information systems, data processing and management mathematics, financial management, planning and control. The tests will apply to specialist as well as general practitioners, whether in practice or in industry/commerce.¹²⁾

The Institute approves of "sandwich courses" that are professionally relevant and will allow experience obtained under such arrangements to rank as recognised practical experience.

7.2 Professional Examinations

Examinations are regarded as part of the educational process, and should be designed to test how far the process has succeeded in producing a student suitably equipped with the basic knowledge and with sufficient flexibility of mind to enable him to adapt to a changing environment throughout his career.¹³⁾ The raising of the entry standards and the provision for attendance at a foundation course should enable the student to undergo education in greater depth and challenge his intellect. The requirements for qualifying should be the common areas of basic knowledge. A post-qualification specialist examination is intended to follow the Associate qualification. It is acknowledged that because the complexity of the work of the chartered accountant, it is impossible to expect the candidate to be confident in every aspect of that work.

The Institute acknowledges that the quality of practical experience gained by students varies substantially and it states in this regard:

12) *A Policy for Education and Training, Op. Cit.*, p.18.

13) *Ibid.*, p.14.par.32.

"... It is impossible under present and immediately foreseeable training arrangements to ensure such common practical experience that it would be fair and reasonable to base final examination tests on this. The examinations must therefore be regarded primarily as tests of whether candidates have prepared themselves adequately in the principles of their work, have developed certain minimum skills, and have acquired a sufficient knowledge of such facts as chartered accountants should know. However, a student as he progresses through his training period should increasingly build up a mode of thinking, and a method of approaching problems, characteristic of a chartered accountant and to this extent questions set in the later papers can be more problem-oriented." 14)

The structure of the various examinations is as follows:

<u>FOUNDATION EXAMINATION</u>	<u>PROFESSIONAL EXAM- INATION I</u>	<u>PROFESSIONAL EXAM- INATION II</u>
(1) Accounting	(1) Financial Accounting I	(1) Financial Accounting II
(2) Law	(2) Taxation I	(2) Auditing
(3) Economics	(3) Law	(3) Taxation II
(4) Statistics	(4) Auditing, Systems and Data Process- ing	(4) Management Accounting (5) Elements of Financial Decisions.

15)

The Institute acknowledges that examination questions set prior to the introduction of the new educational requirements simply required a regurgitation of memorised facts. It is envisaged that questions in the future, will be designed to test the ability of the student to analyse, appraise and comment intelligently and clearly. The preparation for this will entail a sound understanding of the subject and its underlying concepts. It is further intended that the syllabus should be constantly reviewed to keep pace with the changes in the pattern of education

14) *Ibid.*, *Loc. Cit.*, par.35.

15) The Institute of Chartered Accountants in England and Wales, *Examination Regulations and Syllabus*, October 1975.

and training as well as the continuous changes in the environment in which the accountant finds himself.

The regulations do provide for a system of referral at examinations, and where a candidate has successfully completed all the papers except one in which he has just failed, he is entitled to rewrite the whole examination. A minimum mark is set to qualify for a referral.

A detailed syllabus has been prescribed for the examination.

Qualifying examinations of professional institutes can expect perennial criticism. Even the professional examination of the English Institute does not escape criticism, favourable or otherwise, and an education advisor in the United Kingdom, Emile Wolf, states in this regard:

"Whatever one's criticisms of the way in which the new syllabus has been launched, every credit is due to the Institute in one respect: they have devised a syllabus which more closely approximates (both in depth and in range) to the practical realities which today face the profession than any of its predecessors. What is more, they have timed its inception to coincide with more stringent specifications for the accreditation of training facilities in firms and the requirement that education should be programmed to embrace the entire training period. There will still be those who indulge in last minute cramming, and there will still be courses to cater for them - but my reading of the new syllabus both on and between the lines, is that it will not work." ¹⁶⁾

In another article Emile Wolf comments that the new examination syllabus should succeed in educating chartered accountants who should be able to handle the formidable difficulties which the industrial and business communities

16) Wolf, Emile, "A Step Closer to Reality", *Accountancy*, April 1974, p.88.

will face for many years to come.¹⁷⁾ The National Association of Chartered Accountants Student Societies has also criticised the examinations of the Institute for failing to cover important areas such as the delicate areas of auditors' liability and independence, and unlawful acts of clients and qualifications in auditor's reports.¹⁸⁾ The Institute was also criticised for not publishing "model" answers. It really appears to be in vogue to criticise qualifying examinations of the professional institutes.

An analysis of the statistics of the various examinations may be of interest:

	<u>May 1975</u>	<u>November 1974</u>
	<u>PART I</u>	
Pass	49,6%	48,8%
Fail	50,4	41,3
Referred	-	9,9
	<u>PART II</u>	
Pass	28,9%	46,6%
Fail	71,1	43,3
Referred	-	10,2
<u>Passes by Educational Category</u>		
U.K. Graduates	58,8%	61,6%
A-Level entrants	34,1	45,5
O-Level entrants	36,6	46,2
Overseas graduates	27,0	38,0
Others	25,0	45,5
Overall	46,4	48,8

19)

The abovementioned statistics refer to Part I and Part II of the old examination and the low pass rates for 1975 were expected as these were the stragglers. Examination statistics for the professional examination Part I of

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- 17) Wolf, Emile, "The New Examination Syllabus", *Accountancy*, May 1975, p.92.
- 18) *The Chartered Accountant in Australia*, "Students Criticise C.A. Exams", April 1975, p.38.
- 19) Steeds, David, "Interpreting the Pass Rates", *Accountancy*, August 1975, p.6.

May 1975 reveal that 58,8% of U.K. graduates passed and that the overall pass percentage was 46,4%. 34,1% of the A-level entrants and 36,6% of the O-level entrants passed.

A comment on the new syllabus reads as follows:

"Now that the analysed results of the new examination have been published, they present a most alarming pattern. Significantly, the number of candidates who passed the new examination at their first attempt has fallen dramatically as compared to the old Part I and II. One can only conclude that the low pass-rates indicate candidates to be insufficiently prepared to meet the new examinations." 20)

7.3 Junior Staff

The policy as outlined in 1972, envisaged that the recruitment of junior staff be facilitated as the regulations will now provide for accounting technicians. Candidates for these positions will have to gain an acceptable ordinary national certificate in business studies, and have completed three years relevant experience with a member in public practice in the United Kingdom. The ordinary national certificate in business studies can be taken either on a half-day or on an evening basis. If a student attains a pass with 60% or higher it is equated as an A-level examination so that he may enter into a training contract to qualify as a chartered accountant.²¹⁾

The possible creation of a lower tier has also caused its fair share of controversy. A well known academic in the United Kingdom, Brian Carsberg, advocates the creation of a lower tier, because although acknowledging that higher standards of education are required for those who have to do complex jobs, it is not necessary for everyone to have the same educational attainment.²²⁾

The Secretary of the Education and Training Committee, A.B. Samsbury, indicated that there was a demand for a lower tier and the situation was being investigated.

20) Hill, Michael, "Students Forum", *Accountancy*, November 1975, p.20.

21) *A Policy for Education* Cit., p.19.

22) "Accountancy Symposium" Training", *Op. Cit.*, p.30.

7.4 Prospectus for a Profession ²³⁾

A brief examination of the main proposals of *Prospectus for a Profession* may be appropriate. *Prospectus for a Profession* has been examined in some great detail recently and comments shall therefore be confined to some of the salient features. The more important recommendations are:

1. Non-graduates should devote two years to full-time study at a university or polytechnic leading to a diploma of higher education, or three academic years of study leading to a relevant degree. *Prospectus* outlines a suggested "model" curriculum for the diploma, and the curriculum provides options for ten percent of the courses to cater for the different directions of interest.
2. Solomons favours a sandwich arrangement and also indicates that a short term of practical experience should precede full-time study.
3. It is stressed that the professional examinations should not re-examine the material covered at universities or polytechnics. A test of professional competence, such as an open-book examination, to test the candidate's competence should be devised. Solomons indicates that this should not be a cram examination, and affirms further that not much study and preparation should be required for this examination. He advocates the use of case studies which would involve a number of disciplines and would require analysis and a report. Notwithstanding that it is intended to be an open-book examination, it is difficult to conceive that no preparation will be required for the examination.
4. A period of practical instruction, which is not to be confused with practical experience, is recommended. The period of practical instruction which appears to follow the Scottish principle is not to be concentrated into one period but be spread over four or five months. He suggests that instruction

23) Solomons, David with Berridge, T.M., *Prospectus for a Profession — The Report of the Long Range Enquiry for the Accountancy Profession*, Gee & Co. (Publishers), Limited, pp.12/14 and p.157.

centres be set up and operated by the profession itself, with the operating costs being financed from tuition fees.

5. Solomons advocates the retention of practical experience and indicates that three years experience be required for graduates as well as diplomates. He envisages that this practical experience could possibly be reduced to two years in the future. Solomons does not feel it is essential for training contracts between employers and trainees to be signed but it could be done. To discourage continual changing from one firm to another, he suggests that a period shorter than eight months should not be recognised as part of the practical-experience requirement.
6. Solomons agrees that two-years additional post-qualification experience is required before a student is entitled to a practising certificate.
7. *Prospectus for a Profession* refers to "recognised training establishments", which would have to meet standards laid down by the professional body. He envisages that training records would be mandatory. This has already been introduced by The Institute of Chartered Accountants in England and Wales.
8. Specialisation in the future is to be recognised by a fellowship qualification attained through an examination and relevant practical experience. This is already to be enforced in 1978 by The Institute of Chartered Accountants in England and Wales.
9. Solomons recommends further investigation into the question whether continuing education should be mandatory as a condition of registration as a qualified accountant.

Solomons sees his recommendations as evolutionary and not revolutionary and regards the proposals as one set of proposals to be seen in their entirety. In an interview with *Accountancy* Solomons is quoted as saying:

"... I see these proposals as being a fairly well-integrated whole. I think one part does depend on another, and I

should be very uneasy if I saw the thing being pulled to pieces because I think the whole thing might collapse. ... I think the increase in the amount of full-time professional education to at least two years, and the separation of the job to be done at the universities and polytechnics in connection with basic education from practical instruction which I think is best done by somebody else." ²⁴⁾

The proposals made by Solomons are possibly more relevant to the accountancy education scene in the United Kingdom than to South Africa. A few suggestions may possibly be implemented in South Africa. Although, acknowledging that some form of training contract will improve the discipline of the future chartered accountant, the same result can be obtained by not recognising periods shorter than prescribed minimums with a certain firm. Thus if the prescribed minimum period is eight months, and a student transfers after five months, this period will not be recognised. The consultative committee of accountancy bodies in the United Kingdom has endorsed many of the recommendations made by *Prospectus for a Profession* but the retention of training contracts is regarded as an essential feature of the training systems of the three institutes of chartered accountants in the United Kingdom. It is believed that it is fair to assume that if the clerk is being exposed to quality experience, he will not change from one firm to the next, especially if he is informed at the commencement of his practical experience period that the experience gained at any one firm is progressive and that by changing from one firm to another he is in effect prejudicing his own progress.

The Consultative Committee of Accountancy Bodies endorses the desirability of formal practical instruction, but its implementation may create problems because of the geographical spread of the United Kingdom. The Committee

24) *Accountancy*, "Solomons spells it out ...", July 1974, p.39.

also welcomes the distinction between the basic relevant education and practical instruction-cum-work experience, and acknowledges that formal educational establishments will provide the former.

Solomons' concept of recognised training establishments is in effect being enforced in the United Kingdom by The Accreditation Board. South Africa could possibly think of the creation of such an Accreditation Board. We have approved firms, but reservations may be expressed whether the standards applied to these firms are stringent enough. The standards laid down for approval of principals and employers should be more stringently applied in South Africa. It appears that this will be the case in future.

With regard to the conceptual - procedural controversy, Solomons states:

"Where we have gone wrong in the past is in being too little concerned that those who can do things know what are the right things to do. Performing seals can do things, but they are not too good at dealing with unfamiliar situations or in creating new tools to solve new problems." ²⁵⁾

Solomons quotes an academic from the Harvard Law School who states:

"... the minds of accounting students are trained, but by and large, they are not stretched." ²⁶⁾

7.5 Training Guide

The Institute of Chartered Accountants in England and Wales has issued a training guide for the assistance of principals and students. ²⁷⁾ The primary aim is to ensure that the training given to the student is of such a nature that the quality and standing of the

25) Solomons, David, *Op. Cit.*, p.101.

26) Griswold, Erwin, *Journal of Accountancy*, January 1958, p.34., as quoted in *Prospectus for a Profession, Ibid.*, p.100.

27) The Institute of Chartered Accountants in England and Wales, *Training Guide*, London, December 1974.

profession is maintained and enhanced.

A student's training is classified into seven categories which are:

- (a) The training relationship between the authorised principal and the student.
- (b) Registration of a training contract.
- (c) Progressive and integrated programmes of education, and training for individual students.
- (d) Maintaining records of each student's experience and professional development.
- (e) Assessing a student's performance on a continuing basis and giving guidance to each student.
- (f) Professional examinations of students.
- (g) Consideration of each student's eligibility for admission to membership of the Institute.²⁸⁾

The training guide refers to the recording of progress made by the student, and to facilitate this recording the time spent on various accountancy and auditing functions can be detailed week by week and summarised for a half-yearly period. The training report refers to training in the fields of accountancy, auditing, tax and other experience. The form provides for travelling time and details of non-client time must be given. The training contract between the principal and the student does allow the Institute to inspect the training record kept by the authorised principal in respect of each student.²⁹⁾ It is also suggested that a periodic review of the training record be made by the principal and the student in order to review the latter's work and to ensure that he is receiving suitable work experience. Six-monthly reviews are suggested. The principal is expected to call for progress reports from the college where the student is receiving his theoretical education. The training guide stresses that the principal must show substantial interest in the theoretical education of the student. It is interesting to observe that the principal

28) *Ibid.*, par. 6.

29) *Ibid.*, par. 15.

has to complete a recommendation about the suitability of the student when he wishes to become a member of the Institute. The Institute will assess the propriety of the principal's judgement as well as the effectiveness of his training. The report of the principal must be supported by a completed training record. A trite observation indeed to state that the detailed programme of the Institute causes problems not only for the small practitioner but also for the large practice. For the former it is difficult to provide the necessary audit experience that can be gained in large organisations, and the latter's problems are the supervision of students by their principals. It is interesting to observe that the Institute gives detailed training programmes for three-year and four-year periods of practical experience.

A summary of the three-year training contract indicates that the student will spend 26 weeks out of an available 156 weeks on study leave. The study leave is for the Foundation Examination and the Professional Examinations I and II. Ten weeks study leave is granted for the Professional Examination I and ten weeks for Professional Examination II. The actual work experience accounts for 79 weeks, and secondment to the profession and industry accounts for fourteen and twelve weeks respectively. This permits a student in a small firm to work for a large firm and vice versa.

The progress made by the English Institute during the last five years has been remarkable. Prior to 1972 change came about very slowly but since then certain changes have been effected which should be beneficial in the long term to the accountancy profession in England and Wales.

7.6 Accountancy Education and Training in Scotland - Introduction

Although The Institute of Chartered Accountants of Scotland is one of the smaller institutes in the United Kingdom, it is very active as indicated by its various publications.

An analysis of the membership of the Institute as at 31 October 1975 reveals:

	Total	Percentage with Practising cert- ificates	Percentage without Practising certi- ificates
Resident in Scotland	5039	28,8%	71,2%
Resident Elsewhere	4147	12,4%	87,6%
	<u>9186</u>	<u>21,4%</u>	<u>78,6%</u>

30)

An examination of the educational requirements of the Scottish Institute proves to be an interesting exercise.

Graduate entry is basically a requirement, and a degree awarded by a university in the United Kingdom or by an approved university elsewhere, with a specific content of accountancy as a major and courses in law and economics is accepted by The Institute of Chartered Accountants in Scotland.³¹⁾ A graduate with a non-relevant degree must furnish a certificate or diploma, awarded by a university, indicating that the student has successfully completed courses in professionally relevant subjects (accounting, law and economics).³²⁾

The 1975 intake consisted of 72% graduates with 28% being holders of the Higher National Diploma in Accounting.

30) The Institute of Chartered Accountants of Scotland, letter from the Assistant Secretary, E.A. Swift, dated 4 February 1976.

31) The Institute of Chartered Accountants in Scotland, *The C.A. Student Guide*, Edinburgh, March 1975, p.12. section 201(a).

32) *Ibid.*, pp.12/13. Sections 201(b) and 204(1).

The intake for 1973 and 1974 consisted wholly of graduates because of the introduction of new regulations.³³⁾ It is further interesting to observe that 35% of all graduates did not have relevant accounting degrees. The high percentage of graduates with non-relevant degrees entering the profession can possibly be attributed to the fact that they may attend a one-year full-time course prior to commencing their practical experience. Holders of non-relevant degrees will then attend the block release courses of the Scottish Institute during their practical-experience period.

Students may either enter the profession after completing a Higher Diploma in Accounting awarded by the Scottish Business Education Council, or another approved diploma with similar course content.³⁴⁾ A person who has worked in the office of a practising member of the Institute for at least five years after the age of seventeen, and who is twenty-five years of age may also be registered as a student and be exempted from the admission requirements as detailed above.³⁵⁾ Students lacking the necessary subjects may attend post-graduate courses and it is interesting to observe that such students may be eligible for grants from the Scottish Education Department.

A practical-experience requirement supervised by the principal/s under the contract is regarded as indispensable and a training contract is registered with the Institute. The period of practical experience varies from three years for a graduate to four years (which may be reduced to three years and three months) for a holder of the Scottish Higher National Diploma in Accounting. The practical experience of a person admitted as a student on the grounds of age will be determined by the Council.³⁶⁾ Generally a quota of five C.A. students per practising member is permitted.³⁷⁾

33) Letter from the Assistant Secretary, *Op. Cit.*

34) *The C.A. Student Guide, Op. Cit.*, p.12. Section 201C.

35) *Ibid.*, pp.12/13., Section 202.

36) *Ibid.*, p.16., Sections 301 and 302.

37) *Ibid.*, p.16., Section 302D.

There is no mandatory requirement for principals to submit returns to the Institute of Chartered Accountants of Scotland, with regard to the practical experience of students. It appears that nearly all firms do use a training-record form, which gives the details of the student's practical experience, and which is subject to review by the firm's training partner at regular intervals. The student is also consulted by the training partner. The Institute has produced a training-record form which has been used on a voluntary basis by a certain number of firms since September 1974 and these forms have been submitted to the Institute for inspection.³⁸⁾ The Education Committee is presently considering whether or not the Institute's record form should be used by all firms and whether or not a mandatory system of monitoring these records should be introduced. This investigation has resulted from the first year's experience of the voluntary system. It appears that it will take some time before Institute policy in this regard will be formulated. With regard to transfers, in theory the student may change his training contract at will, provided he secures the consent of his original principal and the consent of a new principal to the transfer. In practice however, it appears that the number of transfers registered in any one year is negligible. Very seldom does a student change his service contract more than once during the training period.

The Scottish Institute does not provide for lower or higher tiers and is not anticipating the formation of a higher fellowship tier.³⁹⁾

7.7 Education of C.A. Students — The Block Release System

Attendance at full-time block-release courses organised by the Institute is compulsory for all students. Attendance

38) Letter from the Assistant Secretary, *Op. Cit.*

39) Letter, *Ibid.*

may however be waived in exceptional circumstances. A condition of entry for examination of the Institute is the award of a "duly performed" certificate for a block-release course. A student who does not obtain the necessary certificate (duly performed) for a particular part of an Institute examination is required to re-attend the block-release course. A second failure precludes a student from qualifying as a member of the Institute. Compulsory re-attendance at courses does not count as part of the practical-experience requirement. The Part I course must be successfully completed during the period of service under training contract. Two academic years after passing Part I of the Institute's examination are allowed for the successful completion of the Part II course.⁴⁰⁾

The block-release courses are presented in Edinburgh and Glasgow. The Part I course is eight weeks, consisting of two sessions of three weeks each and one session of two weeks. The Part II course extends over three fortnightly sessions. The intervals between the sessions vary from two to two and a half months.⁴¹⁾

The subjects covered in Part I are as follows:

- Cost Accounting and Data Processing
- Financial Accounting
- Taxation
- Mathematics and management

No examination is written in Cost Accounting and Data Processing, but attendance is mandatory and a student must obtain a "duly performed" certificate.⁴²⁾

The subjects in Part II consist of:

- Auditing
- Interpretation of Accounts
- Management Accounting

40) *The C.A. Student Guide, Op. Cit.*, p.23., Section 401(4).

41) *Ibid.*, pp.24/25., Section 403(1)

42) *Ibid.*, p.26., Section 403(3).

Courses comprise attendance at lectures, completion of tutorials, exercises and prescribed reading. Six hours of lectures and tutorials are held daily. Assignments and reading are prescribed for the intervening period between attendance at courses.⁴³⁾ The sequence of attendance during the practical experience period is as follows:

First year: Attendance at block-release courses commence during September and terminate at the end of March the following year. During May a student is given two-weeks' study leave immediately prior to the examination. A supplementary examination is written in August.

Second Year: Block-release courses commence during September and terminate during the first half of April, followed by two-weeks' study leave and the Part II examinations. A supplementary examination is written in August.

A successful candidate can then give his full attention to the requirements of his principal during the third year.⁴⁴⁾

7.8 Examinations

The examinations of the Institute are made up as follows:

PART I

Mathematics and Management
Financial Accounting
Taxation

PART II

Auditing
Interpretation of Accounts
Management Accounting

Each subject in each part consist of two papers of two and two and a half hours duration written in the morning and afternoon respectively.⁴⁵⁾

43) *Loc. Cit.*

44) *Ibid.*, p.27., Section 405.

45) *Ibid.*, p.28., Section 501(2).

No indication is given of the pass requirements and the Rules and Regulations state:

"A candidate to be successful is required to obtain not less than a certain minimum number of marks in each paper and an aggregate mark which is substantially greater than the sum of the minimum marks in all papers. A candidate sitting one paper, ... by way of referral ... is required to obtain a higher mark than the minimum one in order to qualify for a pass." ⁴⁶⁾

The regulations do indicate that there is no limit to the number of candidates who may pass an examination and merit is the sole test in determining who passes. ⁴⁷⁾

An interesting phenomenon is that Regulations provide for a possible oral examination at the candidate's own expense before the result of the supplementary examination is known. ⁴⁸⁾

Detailed syllabi for each subject are prescribed.

The statistics of the 1975 Spring Diet of Examination reveals that 47,2% passed all three papers of Part I, that is 335 candidates out of 710. Thirty-four candidates were referred in one paper. ⁴⁹⁾

7.9 Scottish Higher National Diploma in Accounting

The Scottish Higher National Diploma in Accounting, which is a two-year full-time diploma awarded by the Scottish Council for Commercial, Administrative and Professional Education, is formally recognised by the Institute of Chartered Accountants of Scotland. The Rules and Regulations of the latter define the entry requirements to the Diploma as being four passes in the Scottish Certificate Examination, three of which must be in the higher grade (including English) and mathematics may be higher or lower grade. ⁵⁰⁾

46) *Ibid.*, pp.30/31., Section 507.

47) *Ibid.*, p.31., Section 507.

48) *Loc. Cit.* Section 508.

49) *The Accountants Magazine*, August 1975, p.292.

50) *The C.A. Student Guide, Op. Cit.*, p.14., Section 205.

The subjects taken for the diploma are:

<u>First Year</u>	<u>Second Year</u>
Accounting I	Accounting II
Costing	Auditing
Economics of Industry and Commerce	Management Accounting
Legal Principles in Accounting	Management Techniques
Mathematics and Statistics	Taxation
Occupational Psychology and Sociology	Law (Company, Trust and Bankruptcy)

60)

The introduction of Psychology and Sociology is definitely a move away from the pure procedural matters normally associated with such a diploma.

The approach to accountancy education in Scotland differs from the approach in most countries, in that the profession plays an active role through its own block-release courses. A brief review of the developments in accountancy education during the Twentieth century reveals an evolutionary trend leading to the present *modus operandi*.

7.10 Historical Review of Accountancy Education in Scotland

A unique aspect of accountancy education in Scotland is that the Scottish Institute has been providing its own tuition from as far back as 1892.⁶¹⁾ Attendance at these classes was voluntary until the introduction of the latest educational arrangements in 1973 when the Institute's tutorial classes became compulsory. The role played by the Scottish universities in accounting education is much greater than that of the English universities. Attendance at university on a part-time basis was compulsory for classes in law and another

60) *Ibid.*, pp.14/15., Section 205(4).

61) *Prospectus for a Profession, Op. Cit.*, p.17.

prerequisite was attendance at classes in economics and accountancy. A watershed in the history of accountancy education in Scotland is no doubt the year 1960, when the concept of an "academic year" was introduced.

Attendance at universities on a full-time basis was now mandatory. This resulted from the implementation of the recommendations of a special committee on the examination and training of apprentices, under the chairmanship of a past president of the Institute, Thomas Lister.

Recommendation with regard to the academic year reads:

"... an apprentice be granted leave of absence from his master's office for 'an academic year' (of, say, nine months) to be spent in whole-time study at a Scottish university, ... the academic year being counted as service under indenture." ⁶²⁾

The subjects that were to be taught during the academic year were accountancy, law and economics. This academic year was during the third year of a five-year apprenticeship.

In its justification for an academic year the Lister Committee looked at certain disadvantages of part-time study. The principal was inconvenienced if these lectures were held during office hours, and if lectures were held after office hours they placed excessive strain on the apprentice. Part-time lectures do not allow for extensive reading, with the result that the student crams and merely regurgitates the lectures. Part-time lectures also inflict hardships on apprentices outside the main centres of the population. Some of the advantages of a full-time academic year were seen as an enrichment of the apprentice's knowledge, a reduction in the interruptions to his work experience, and a reduction in the burden of part-time tutorial classes. It was felt that the recruitment to the profession would be improved if a certain portion of the study was on a full-time basis. No doubt many South African academics would agree with the findings of the Lister Committee. The Lister Committee did not favour a specialist tier or a Fellowship grade of membership, because it felt that

62) Lister Report, par.61., as quoted in *Prospectus for a Profession*, *Ibid.*, pp.17/18.

this would depreciate the value of the C.A. qualification.⁶³⁾
 The idea of secondment to industry for a period during the apprenticeship was rejected, and the motivation is states as follows:

*"... that the period of service required with a practising chartered accountant is none too long in which to gain practical experience in the fundamentals of the profession, and that specialized experience in the industrial aspects of accounting is better acquired after completion of apprenticeship. Furthermore, the Committee considers that it would be difficult to find sufficient suitable industrial and commercial organisations prepared to accept apprentices for a short period of training and able and willing to provide adequate supervision."*⁶⁴⁾

During 1962 it was announced that the general education requirement for entry into the profession would be matriculation at university entrance level, and this was introduced in 1966. Another committee on education and training, the Dewar Committee, suggested that the ultimate aim must be recruitment of university graduates. This committee also recommended that the apprenticeship year be during the second year. Secondment to industry during apprenticeship was again rejected by this committee. Another committee, the Charles Committee, recommended that graduate entry now become mandatory as the academic year did not comply with present requirements. The intake of graduates had improved from 9%, as reported by the Dewar Committee, to 15% in 1967/68, 26% in 1968/69, and 36% in 1969/70 and it was expected that this trend would continue. The Charles Committee also suggested the introduction of a one-year full-time post-graduate diploma course in accountancy and if necessary law and/or economics or graduates with non-relevant degrees. This

63) Lister Report, *Op. Cit.*, par.102, as quoted in *Prospectus for a Profession*, *Ibid.*, p.18.

64) Lister Report, par.101., in *Prospectus for a Profession*, *Loc. Cit.*

committee rejected part-time study on the grounds that it was out of line with current educational and sociological thinking, and insufficient for the breadth of education required. It stated that recruitment was detrimentally affected by part-time study.⁶⁵⁾ This committee recommended compulsory day release and/or block release courses linked to programmes of reading, and it recommended that the courses be conducted by the Institute through an accountants' college. The latter was desirable as colleges of education did not have suitable staff for the job. The recommendations were partly accepted and there are basically two avenues open to entrants in the profession; a degree or the Scottish Higher National Diploma in Accounting.

A review of the educational system in Scotland proves interesting because the developments there have been different from those in other parts of the world. Certain academics believe that attendance at these block-release courses result in intensive cramming, which cannot be advantageous to the candidate and can possibly not be justified pedagogically. It may be argued that block-release is preferable to intensive part-time study, as one presently finds in South Africa. No doubt practitioners in South Africa will not agree with this proposition as they believe that the discipline resulting from part-time study stands the future chartered accountant in good stead. The college of the Institute of Chartered Accountants of Scotland is staffed by seven full-time members and criticism is that without constant exposure to the realities of auditing practice, it is difficult to envisage how full-time members of staff can be kept up to date. It is believed that the approach of some of the provinces in Canada is better in that block-release courses are held during quieter periods of the year, and the staff-training partners and the newly-qualified audit managers of larger firms assist by lecturing at the provincial institutes. Their experience has been that no difficulty is experienced in finding suitable lecturers because all the large firms like to be represented at these courses.

65) "Charles Report", par.1001., as it appears in *Prospectus for a Profession, Ibid.*, p.20.

CHAPTER 8

A REVIEW OF EDUCATIONAL CONCEPTS IN ACCOUNTANCY

AROUND THE WORLD

8.1 Introduction

It has been stated:

"Nothing is so useless as a general maxim",

but it is necessary to summarise the concepts of accountancy education found around the world. In the previous chapters the approaches to accountancy education in various countries visited have been discussed, namely Australia, New Zealand, United States of America, Canada, Scotland, England, Germany and Holland. The approaches of France, Belgium, Denmark, France and Italy are also discussed, although they were not visited. Generalisations on such an extensive trip may prove to be an exercise in futility. The only generalisation that could be made is that the approaches to accountancy education around the world are so diverse that the impression gained was that education in different professions was being investigated.

8.2 Qualifications and Controlling Bodies

At the outset it is necessary to examine the various structures found around the world. In Australia the Australian Society of Accountants has a multi-tier structure with the following descriptions: Provisional Associate (graduate completing the practical experience requirement), Associate, Fellow and Senior Associate. The qualification, Senior Associate, is attained either by examination or through the completion of certain approved graduate courses at university. The membership of The Institute of Chartered Accountants in Australia is divided into Fellows and Associates. The lower tier is provided by the Institute of Affiliate Accountants. The entrance requirement is basically matriculation with a pass in English. It is to be noted that both the Australian Society and the Institute approve of the lower tier.

In New Zealand one of the few truly unified accountancy professions is found. This unity has been present virtually since its inception. Accountants who wish to practise as public accountants, need to pass the relevant examinations and register as practising accountants.

In the United States of America, the only tier is the Certified Public Accountant. The profession has examined the possibility of creating a specialist tier, and the matter has been deferred to a special committee to investigate the problems involved.

It is interesting to note that Scotland has approved the creation of a lower tier. Those students who have completed a Higher National Diploma in Accounting Studies and who have attained a mark higher than 60% in their examination for the diploma, may register a service contract, which will enable them to qualify as chartered accountants. Present indications in England are that the Institute is also contemplating the creation of a junior tier. A recent symposium on accountancy indicated that there is a demand for a junior tier. The justification for a junior tier is that not all future accountants will have to solve complex problems, and that there is room for accountants with a lower level of competence.

Diversity of approach is symptomatic of the structures in the various countries around the world. There is a growing belief that the great amount of specialisation which permeates the accounting profession, will have to be recognised in the future. On the other hand it is also recognised that there is possibly room for a lower tier, an accounting technician.

8.3 Entry-Requirements

Once again generalisations may prove to be an exercise in futility but it can be stated that graduate entry is gaining universal acceptance fairly rapidly. However, there are certain countries that do have provisional entry, subject

to the attainment of a degree at a later stage. An example of this is in Canada, where, in the Province of Ontario, a student may register as a provisional student and on the attainment of his degree, will be registered as an accounting student. He does receive credit for practical experience gained prior to the attainment of his degree. In most states of the United States of America, graduate entry is a pre-requisite, and if the American Institute has its way the future accountant will undergo five years' academic education with no practical experience.

In Scotland graduate entry is preferred, but as mentioned above, a person may enter the profession after having completed the Higher National Diploma in Accounting Studies.

8.4 Teaching by Accounting Institutes

Certain accounting institutes in the world can proudly state that they have not abdicated their duties regarding the training of their students. The approach to accountancy education is controversial, and many academics have stated that it is impossible to simulate the practical cases in the classroom situation. Another problem facing the academic is that it is difficult to keep up with the latest professional developments, and, especially in the field of auditing, it is necessary for the lecturer to be exposed to the practical experience. It is easy to talk about exercising one's judgement, but it is difficult to apply it in the practical environment. This judgement can only come about through the necessary approved practical experience.

Because of the abovementioned factors, certain accountancy institutes have decided to mount their own final-year courses. Once again, diversity of approach is found. The approach of the Australian Institute, namely the "professional year", is indeed very interesting. The fact that students attend fortnightly three-hour sessions, conducted by members of the

profession, ensures that the students are not being exposed to cram courses. The groups are limited to approximately 25 students, and practitioners act as lecturers and supervisors. The only serious reservation there may be about the Professional Year is how long the young practitioners will be able to maintain their enthusiasm and motivation for the presentation of these courses. The Australian Society is also going to commence with its Professional Orientation Year. This year differs in approach from that of the Institute because of its different structure.

The Professional Year does not have a detailed prescribed syllabus as this varies from year to year, depending on the prevailing circumstances of the accountancy profession. This does allow for flexibility of approach, and the final qualifying examination, which is not regarded as a hurdle, depends on what has been discussed during that particular year. An advantage of the Professional Year is that the tutors are in constant contact with the latest developments within the profession. As long as pressures of work do not deplete the enthusiasm of the lecturers and supervisors, the Professional Year, it is submitted, is a very sound approach to the final year of accountancy education.

In Canada certain provincial institutes run their own block-release courses. In the Province of Ontario the courses are organised during the slack time of the profession, and as the lecturers are on the staff of the larger firms, it means that they are in contact with the latest developments in the profession. One objection to the block-release course is that it may be a cram course. This, however, is denied by the organisers. Between the block-release courses the registered students are expected to submit written assignments to the institutes. This may rule out the idea that they are cram courses. Pedagogically speaking, there may be reservations about students being exposed to intensive lectures for a period of four to eight weeks. It is believed that the students will benefit more from lectures over a longer period. The block-release course of the Scottish Institute is similar in approach to that of the Ontario Institute. The main difference is that most of the tutors of the Scottish Institute are full-time employees

of the Institute. This could imply that the tutors are not in contact with the practical environment, and the same reservations about university academics could apply to the tutors of the Scottish Institute.

A dichotomy of interests between large firms, on the one hand, and the medium-sized and smaller firms, on the other hand, manifests itself throughout the world. The larger firms want the universities to teach concepts, and the firms themselves to teach their trainee accountants the practical application of the concepts. The smaller firms do not have the facilities to mount their own courses, and would thus prefer that the teaching institutions provide a more technique-oriented approach.

8.5 Universities

Throughout the world there is a growing tendency for academics to question their role in accountancy education. University academics believe that they are there to teach the underlying philosophy of subjects and not the techniques. They maintain that the techniques should be taught by the firms and/or professional institutes. The academics are there to enquire as to the "why's" and not so much the "how". It is also their function to transmit the knowledge from one generation to the next. It may be stated that the university academics are seekers of truth.

Larger universities in the United States of America tend to be very conceptual in approach, but the academics at these universities maintain that their graduates can pick up the techniques in a relatively short time once they enter the offices of professional accountants. On the other hand, a trend in America is the growth of Professional Schools of Accounting. Certain universities endeavour to develop the image of Professional Schools of Accounting, where the approach to accountancy education is very much profession-oriented.

In certain countries, universities are accredited by the professional institutes on an annual basis. This

accreditation is also done by accreditation bodies in the United States of America.

A different approach to university education is the co-operative movement, whereby students have an alternating scheme of attending lectures for a certain period followed by a certain period of work experience and this cycle continues until a degree has been completed. This approach has the advantage of ensuring that the student is able to match his academic theory with practical applications throughout his academic career.

8.6 Practical-Experience Requirements

Another aspect which has caused its fair share of controversy is the practical-experience requirement. The value of the practical experience is not questioned, but the value of the practical-experience requirement is suspect, because it cannot be properly controlled. It is virtually impossible to have control over the quality of experience that a trainee accountant will receive. On the one side of the scale we have the archaic system of articulated clerkship with limited transferability or service contracts, and on the other side of the scale we have the liberal approach of no service contracts with a practical-experience requirement, or no practical-experience requirement whatsoever. Articles of clerkship, or service contracts seem to be disappearing. It is contended that if the quality of experience that a trainee accountant is exposed to, is the right type of experience, no articles of clerkship or service contract will be required to keep him with a specific employer or principal. It is argued that the market-place will determine which firms give quality experience and which firms do not. Thus a prerequisite for the market-place argument is that free transferability should be allowed. Many countries have no service contract, but the approved employer issues a certificate stating not only that the trainee accountant has received relevant experience, but also the period spent with the firm. Experience has shown that trainee accountants do not jump from firm to firm, because training is a

progressive process, and by changing from one firm to another they impede their development.

Diversity in the practical-experience requirements appears in the United States of America. In certain states no practical experience is required, depending on the academic qualifications of the person involved. The nature of the practical-experience requirement differs in the various states. Practical experience in governmental offices, commerce and industry, finance or a practitioner's office is accepted in many states.

A review of the educational requirements of a few of the European countries indicates that in Germany, Holland and Denmark the accountant has a broad education. In Holland the approach is very much management-oriented and no practical experience is required. It is encouraged, but presently it is not a mandatory requirement. In Germany, after completion of a four-year degree, the accountant must undergo a practical-experience requirement of six years. A minimum period of four years must be spent with an accounting firm.

8.7 Final Qualifying Examinations

Another bone of contention is the final qualifying examinations set by professional accounting bodies. Many academics believe that the universities should have the right to determine who should be the entrants to a profession. Other academics differ, believing that the professional institutes do have a right to determine who may become a member of their institutes. An analysis of the position overseas, once again reflects diversity. Certain institutes opt out of the examining role by delegating this function to approved universities. Other institutes set their own examinations, which are intended to be difficult. Another group of institutes regard their examinations rather as a "back-stop" so as to ensure that the profession will not embarrass itself, by letting somebody loose on the public, who may be insufficiently qualified.

The approaches to the actual examinations also differ quite substantially. Certain institutes prefer shorter questions and utilise the multiple-choice examinations. In the United States of America, with the logistical problem of 38 000 candidates writing the examination, it may be expediency that dictates the use of the multiple-choice examination. This examination can be marked by a computer, which is a major time-saving device. An innovation of late, is the introduction of a comprehensive or case study question. This question which has caused its fair share of controversy, enables the examiners to place the candidates in an in-office situation. Certain institutes require oral examinations as well as a thesis. Other institutes allow open-book examinations, stating that having text books in the examination room is no major advantage because if the candidate does not know the necessary theory and application before the examination, the use of text books is very time consuming.

8.8 Conclusion

From the abovementioned summary of structures of the profession, entry requirements, practical-experience requirements, the role of universities, the role of professional institutes and the final qualifying examinations, it is apparent that consensus of opinion is a virtual impossibility. It must be borne in mind that circumstances prevailing in various countries will no doubt dictate different approaches to accountancy education. There can be no doubt that diversity of approach is desirable, as conformity of approach can only result in stultification. Diversity of approach results in a cross-fertilisation of ideas which, with the growing international character of the accountancy profession, can only be beneficial in the long run.