

ACCOUNTING EDUCATION IN BRITAIN AND THE UNITED STATES: A SURVEY

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Anyone who looks at the accounting professions of the United States and of Great Britain with the eyes of an educator must be struck by the distance that now separates the systems of education and training in the two countries.

Starting from a common heritage, the two systems have diverged markedly. Many of the leaders of the American profession in the latter part of the nineteenth century had come to the U.S. from Britain to audit the accounts of enterprises financed by British capital, and had settled there. The first truly national organization of accountants, the American Association of Public Accountants, was founded in 1887, and these immigrant accountants were among its founders. They naturally brought with them the British notion of relying on apprenticeship as the principal method of preparation for entry into a profession. Yet within a few years this idea was eclipsed by a growing emphasis on formal education rather than on learning from experience. In Britain the idea of apprenticeship - a pupil learning his trade from a master - has remained the basis of the professional education of accountants. The terminology has changed somewhat, so that what was formerly a contract of apprenticeship (in Scotland)¹⁾ or articulated clerkship (in England and Wales) has now become a training contract. But this is simply a new term for an old concept.

One must be careful about using the term „system” for either America or Britain in this context, for there is great diversity on both sides of the Atlantic. In the U.S., under its federal form of government, education and the regulation of the professions is largely in the hands of the states and as a consequence variations of every kind from state to state are the rule rather than the exception. More will be said about this later. In the United Kingdom, there is a different kind of diversity. There are different systems in England and Wales and in Scotland, and the two jurisdictions in Ireland introduce a further element of complexity. Moreover, throughout the British Isles, though the Institutes of Chartered Accountants are the oldest and most prestigious bodies of accountants which conduct examinations and grant qualifications, there are several other such bodies, somewhat to the confusion of the general public which has difficulty in finding its way among the plethora of designatory letters.

No system of accounting education can be understood without understanding the profession which the student of accounting will enter. In Britain it is a profession which is regulated by private organizations, and in which the state plays a minimal role. It does not grant qualifications and it is slow to interfere with the profession's conduct of its own affairs. These matters are handled by private vol-

¹⁾ In Scotland trainees were still called apprentices until 1970.

untary bodies, under powers conferred by royal charters and by by-laws made thereunder, or under rules agreed to by the members. This is in marked contrast with the situation in the United States, as will be seen later.

The Institute of Chartered Accounts in England and Wales

The largest though not the oldest body of accountants in the British Isles is the Institute of Chartered Accountants in England and Wales, which received its royal charter in 1880 and which at the end of 1976 had 64,000 members. This comprises about one half of all the qualified accountants in Britain. The Institute's membership is divided more or less equally between those in public practice and those engaged in industry, commerce and finance, public administration, education and other activities. It is particularly noteworthy that with some 30% of its members working in industry, the English Institute has more members working in that sector than does the Institute of Cost and Management Accountants, a body which caters specifically for industrial accountants.

In spite of its large industrial membership, the English Institute is still thought of by most people outside the accounting profession as being primarily a body of practitioners, and its power structure and training requirements provide justification for this impression. The one characteristic that distinguishes a chartered accountant from other qualified accountants in Britain is that he or she must have entered into a training contract *with a chartered accountant in public practice* and have served in the practice for three years if a graduate or for four years if not a graduate. Theoretically, it is possible for the trainee to spend up to six months of this period on secondment to an industrial concern²⁾ to get first-hand experience of management accounting, but only in a minute number of cases has advantage been taken of this provision, for most practicing firms discourage their trainees from doing so. The chartered accountant's training, therefore, whatever work he may subsequently take up, is obtained in public practice, which for most trainees means predominantly in the field of auditing.

The English Institute's Educational Arrangements

Historically, the preparation of an English chartered accountant for his professional career has placed more emphasis on training than on education, and this emphasis is changing only slowly.

For a non-graduate, the minimum period of full-time study of accounting and related subjects (specifically law, economics and statistics) is one academic year of nine months. This is the period required for the so-called Foundation Course, which is typically taken at a polytechnic or college of further education before the start of the training contract. No further *full-time* study is required, although in the course of preparing for the two professional examinations which must be passed on the way to qualifying as a chartered accountant, short periods of full-time study may be pursued. Preparation for these examinations normally proceeds concurrently with the training contract, and under the terms of the contract, leave for full-time study may not exceed 26 weeks. Part-time study by correspondence or evening classes, still plays an important part in the profes-

²⁾ Consideration is now being given by the Institute to the possibility of extending this period to twelve months.

sional education of chartered accountants.

It was not till 1970 that the English Institute's intake of graduates into the ranks of new trainees reached the 20% level. Since then the percentage has increased rapidly. By 1972 it had reached 30% and by 1974 it was over 50%. This does not mean, however, that over half of the new recruits into the Institute now devote a considerable amount of time at the university to the study of accounting and related disciplines. In 1972, only 16% of the total graduate entry and only 5% of entrants of all kinds into training contracts held „approved” degrees, corresponding roughly to what in America would be called accounting majors. Since 1972, these percentages are thought to have remained fairly stable. The picture is confused somewhat by the substantial number of overseas graduates who may have studied accounting but whose degrees are not recognized as „approved” degrees for the purposes of the Institute's statistics. But even taking these into account, it is probably safe to say that well over half of the graduates now entering the profession have degrees which include little or no accounting, though many of them will have degrees in economics or business studies. There will also be many with degrees in arts and science subjects. It should be remembered that neither Oxford nor Cambridge, whose graduates are held in the highest esteem, offer degrees in accounting or even in business administration. In setting the tone for the relations between higher education and the accounting profession in Britain, this fact has an importance which goes beyond the numbers of graduates involved. It is also important to remember that it is much less common in Britain than in the United States for arts and science graduates who seek a career in accounting or business to go on to a second (master's) degree in those fields after completing their undergraduate studies.

Graduates holding degrees with enough profession-related study to be classified as „approved” degrees (in the technical sense only, for this does not mean that the Institute disapproves of other degrees) follow a slightly different path into the profession from other graduates, though considering that the „approved” graduate may have spent three years or more studying accounting, law and economics and other business-related subjects while the „non-approved” graduate may have spent no time at all on any subject related to business, the difference in treatment is not great, being limited to the Foundation or pre-professional stage. The graduate who holds an „approved” or „relevant” degree is given exemption from this stage and can proceed directly to preparation for the two professional examinations. The graduate with a non-business degree normally takes a „graduate conversion course” which, when satisfactorily completed, gives exemption from the Foundation examination. Conversion courses are offered by a number of polytechnics and by several private tutorial establishments. They usually consist either of full-time study of accounting, economics, law and statistics for a period of three months or two short periods of full-time study (typically one of 2·3 weeks and one of five weeks) with part-time study in between.

Most candidates prepare for the two professional examinations which all would-be chartered accountants have to pass, after the completion of or exemption from the Foundation stage, by taking courses with private tutorial establishments. These courses again are organized into short blocks of full-time study interspersed with guided reading and other part-time studies. A minority of candidates look to public-sector institutions, such as the polytechnics, in preparing for

these examinations. There, the instruction is generally given in the evenings or by day-release spread out over a period of eighteen months for each examination. Incidentally, no exemptions from these examinations are given in recognition of prior study at a university or elsewhere.

The Scottish Institute

The oldest body of professional accountants in the British Isles is the Institute of Chartered Accountants of Scotland, the Edinburgh component of which received its Royal Charter in 1854, twenty-six years before the English Institute. It has over the years provided a somewhat more congenial climate for the academic study of accounting than has been found south of the border, and the Scottish Institute has always had closer links with the universities than its English counterpart. This led in 1960 to the introduction of a prescribed „academic year” in Scotland, whereby all non-graduate trainees were required to interrupt their practical training to devote one academic year to the full-time study of accounting, law and economics at a Scottish university.³⁾ The importance of this development lay in the fact that this was the first time that any British body of accountants had required all of its trainees to have spent some period of full-time study at a university (though, ironically, it was only trainees not studying for a degree who were required to pursue profession-related studies while there).

The „academic year” experiment in Scotland lasted until 1973, when it was replaced by the present system. Now, entrants into the Scottish Institute must hold a degree (in any field) or an accounting diploma requiring two years of full-time study. Graduates in fields other than accounting must complete a one-year diploma course in accounting and related subjects in an institution of higher education. These arrangements correspond to the Foundation stage in the English Institute but are more rigorous in their requirements.

Unlike the English Institute, which provides no instruction itself directly for prospective chartered accountants, the Scottish Institute does provide its own classes in Edinburgh and Glasgow in preparation for its professional examinations, and attendance at them by trainees is compulsory. Instruction (full-time) is provided in blocks of two or three weeks at a time, amounting in total to about 15 weeks of instruction. Though this is less in total than English Institute candidates typically spend in preparing for their professional examinations, it must be remembered that considerably more time will have been devoted in Scotland to study at the pre-professional stage.

The Scottish Institute, like its English sister, attaches great importance to on-the-job training. Graduates must serve under a training contract with a practitioner for three years, non graduates for four. No part of these periods may be spent in industrial or commercial employment, even though a great many Scottish chartered accountants leave public practice soon after qualifying and spend the rest of their working lives in such work.

³⁾ As many trainees for the Scottish Institute work in London, special provision for comparable classes had to be made there.

Other British Qualifications

To get a complete picture of the British profession's educational arrangements, one would have to look at the requirements of the Association of Certified Accountants, the Institute of Management Accountants and the Chartered Institute of Public Finance and Accountancy. This would take more space than we can spare. Only the first of these three bodies has members in public practice as auditors. The other two are more specialized, as their names imply. Many accountants in Britain are members of more than one body. In general, these institutions give graduates exemptions from certain of their examination requirements, usually on a subject-for-subject basis. They all have experience requirements for admission to membership. Preparation for their examinations is generally by part-time study in the evening or by day-release at a polytechnic, or by means of correspondence tuition.

A concerted effort to integrate the British accounting profession was made ten years ago and failed when it was rejected by a vote of the members of the English Institute. Since then the various bodies have gone their own way educationally as in other matters. As a result educational institutions are faced with a diversity of curricula which confront professional students, and this naturally adds to the burdens placed on them. Though in the economic marketplace generally competition may be expected to lead to product improvement, there is little evidence that that has been the result of the fragmented state of the British profession. Probably most British accounting educators would agree that the educational outlook would be brighter now if the vote on integration had gone differently in 1970.

The C.P.A. Qualification in the U.S.A.

It is curious that in Britain, while post-secondary education is in the hands of the state in accounting as in other fields (except for the private tutorial establishments that have been referred to above), the conferment of professional qualifications is wholly in private hands. In the United States, on the other hand, private and public institutions share in the educational process while the principal professional qualification is granted by state bodies. This is the certified public accountants certificate (C.P.A.) which is conferred by 54 State Boards of Accountancy - one in each of the fifty states and four others covering other territories. Since each state is largely autonomous in matters of professional regulation, there is plenty of room for diversity in the requirements for becoming a C.P.A. Fortunately, this diversity has not for a good many years now extended to the C.P.A. examination, for since 1952 all the State Boards have used the uniform C.P.A. Examination administered for them by the American Institute of C.P.A.s. But there are other requirements to be satisfied by a prospective C.P.A. besides passing an examination, and it is these other requirements that exhibit considerable variation from state to state. Most states require a college degree but some do not. In some states, the degree curriculum to be followed is specified in great detail, in others it is not. Most states have an experience requirement which must be satisfied before a C.P.A. certificate will be granted, though a few do not; and there are many variations in detail among those that do. The newest area for variation in the C.P.A. regulations among the states concerns continuing professional education after the certificate has been issued. Though a similar diversity of regulations afflicts

other professions such as law and medicine, in none is it so serious as in accountancy, for large accounting firms have nation-wide practices and local variations in the right to practice can cause particular inconvenience. It is not surprising that there is considerable support for the idea that the C.P.A. certificate should be a national, not a state, qualification; but it does not seem likely that this change will come about soon.

The Role of American Universities in Accounting Education

When a British accountant refers with satisfaction to the increasing number of graduates who are entering the profession, he is not necessarily referring to graduates who have studied accounting or closely related subjects as part of their degree studies and it is probably fair to say that the British profession still does not look to the accounting departments of the country's universities and polytechnics as its major source of recruits. This fact is reflected also in the scanty representation of accounting educators on important committees within the professional bodies and the very modest financial support which accounting departments receive from the large professional firms. In all of these respects, the situation in America is very different.

In the first place, the typical C.P.A. has graduated, probably from a state university, with a degree in which accounting was a major constituent. In 1977-78 it is estimated that over 46,000 accounting graduates will leave the universities with bachelor's degrees and over 6000 more with master's degrees,¹⁾ and that 28% of these graduates will enter the public accounting profession (though of course they will not all stay there). These figures alone show what an enormous impact *accounting* graduates have on the accounting profession in the United States. It is not simply that virtually all new C.P.A.s are graduates. They are graduates whose university studies, either at the undergraduate or graduate level - and sometimes at both - have been oriented towards professionally relevant subjects.

The reference above to a „typical“ C.P.A.'s education may give an impression that the accounting programs that are available to students entering the universities and colleges are marked by a high degree of uniformity. Such an impression would be quite misleading. The fact that many accounting students will later take the C.P.A. examination and will look for a university curriculum that will help them to prepare for it does tend to impose limits on the degree of diversification to be found. Nevertheless, the choice of educational institutions which confronts the prospective student in America is a rich one indeed - richer, perhaps, than in any other country. He or she has a choice between state schools,²⁾ private non-denominational schools and church-affiliated schools; between co-educational schools or schools admitting only males or females; between universities with large graduate programs and colleges with no graduate programs at all; between schools with traditional four-year programs and „cooperative“ schools that alternate periods of study and employment; between schools that emphasize scholarship and those that emphasize athletics or narrow vocationalism. These are the more important choices. They do not exhaust the list.

¹⁾ *The Supply of Accounting Graduates and the Demand for Public Accounting Recruits*, Spring 1977, A.I.C.P.A.

²⁾ Whereas in Britain the term „school“ is generally applied to educational institutions up to but not beyond the secondary level, in the U.S. it is used for any type of educational institution.

The C.P.A. Examination and Other Qualification Requirements

For would-be accountants, the main force drawing these many strands together is the C.P.A. examination. As was explained earlier, this examination is conducted by the American Institute of C.P.A.s on behalf of the 54 state boards of accountancy. It is held twice a year in over 100 examination centers throughout the country, and each examination attracts over 40,000 candidates. The examination covers accounting theory, accounting practice (two papers), auditing and business law. Clearly an examination conducted on such a huge scale presents formidable problems of administration and of ensuring equity in grading. For this reason, the examiners make extensive use of multiple-choice questions. In this and other ways, the examination is designed to secure ease and fairness of grading. To anyone who believes that a professional examination should above all else be a test of professional competence and judgement, the C.P.A. examination leaves much to be desired.

Perhaps because of the shortcomings of the C.P.A. examination, many of the states have not been content to rely on it alone to select those who are to be granted the C.P.A. certificate, but have in addition stipulated, sometimes in great detail, the nature and extent of the professional education that the candidate must have received. Perhaps the most important example is to be found in the state of New York, the first state to have required C.P.A.s to hold a college degree. New York has for many years had rigorous standards, defined in terms of the number of hours of formal instruction that a candidate must have received in accounting, finance, economics, law and other subjects (including general educational subjects) at the collegiate level before he can take the C.P.A. examination in that state. Now New York is considering raising its educational requirements still higher in the early 1980's to a level where they can be satisfied only with a master's degree in accounting. One or two other states have already gone down this road.

Side by side with this piecemeal regulation of accounting education by the separate states, a more coordinated approach is now being attempted through the joint efforts of the AICPA and the American Accounting Association. The latter body speaks for accounting educators throughout the country. A joint committee set up by the Institute and the Association, and now joined by other accounting bodies, is working on plans for a national accounting accreditation scheme. The details of the scheme have yet to be worked out, but its purpose is unambiguously to maintain and eventually to raise standards of accounting education by withholding the stamp of approval from programs which do not meet the standards. It seems possible that at some future time admission to the C.P.A. examination might be open only to candidates who have graduated from accredited programs. A set of well thought-out national standards, if the fifty-four jurisdictions would agree to accept them, would seem to be preferable to the present patchwork of regulations by the several states.

Experience Requirements for C.P.A.s and Chartered Accountants

By contrast with the situation in Britain, where the professional organizations attach great importance to a period of work experience under more or less carefully monitored conditions as a prerequisite to obtaining one of their qualifica-

tions, in the United States there has been a steady movement towards substituting education for experience in preparing for entry into the profession. In Britain, at least for chartered accountants, not only must the candidate have had at least three years experience, but he must have gained it under a formal training contract with his employer in public practice. In America many states require two years of experience for those holding bachelor's degrees and one year for those with master's degrees. But there are a few states which do not require any experience at all, and some others that allow a master's degree to be substituted for experience. However, in those states which have dispensed with an experience requirement for the C.P.A. certificate, a distinction is generally drawn between being „certified” and being „licensed to practice”, and a period of experience is still required before a license to practice as an independent practitioner will be issued.

There has been a lively debate for many years in the U.S. over the value of an experience requirements. Those who do not think it valuable - and this is the official position of the American Institute of C.P.A.s - argue that less of value can be learned from a short period of low level employment than could be learned from a corresponding period of formal education. They argue, moreover, that the quality of experience obtained by a trainee cannot be standardized and cannot be controlled by the State Board which issues the certificate. Nevertheless, most State Boards still do have an experience requirement, though the one year generally required of those holding master's degrees can have little more than symbolic value.

The effort that has been made by the English Institute in recent years to tighten its control over the quality of the experience gained by its trainees contrasts markedly with the defeatism which surrounds this subject in America. In England a detailed training record has to be submitted to the Institute by the trainee and his employer periodically, and if the experience gained does not meet the Institute's standards, the deficiencies must be made good. It must be a matter of judgement as to how effective this system is. Certainly the value of an experience requirement cannot rationally be dismissed until some such determined effort to make it work has been tried.

Professional Education as a Lifelong Activity

The most important development in the field of accounting education in recent years has been the extension of the period of education from the preparatory period preceding entry into the profession to the whole of an accountant's working life. Continuing education on a voluntary basis has been around for a long time, and all professional organizations have offered opportunities for self-improvement to their members. The new feature in the situation now is that what has been a voluntary activity by some is becoming a required activity by all. Following the lead of Iowa, the first state to make continuing education obligatory in 1969, more and more states are doing so and it seems certain to become a nationwide requirement before long in the U.S. More recently, Florida, Maryland and Michigan have gone further still in the direction of the periodic re-testing of the knowledge of its C.P.A.s. They do not yet require all C.P.A.s to submit themselves to re-examination, but an opportunity for re-examination is offered as an alter-

native to the attendance at courses which its mandatory continuing education law requires.

The British professional bodies still rely on voluntary self-improvement. The argument against voluntarism is, of course, that those most in danger of obsolescence will be least likely to rectify this situation unless they are made to do so. On the other side, those who are sceptical about compulsion, at least in its present form, point out that it concerns itself only with the number of hours devoted to professional development courses and similar activities, not to their quality nor to how much is learned from them. Periodic retesting of professional competence as a condition for the retention of a professional qualification would be one way of satisfying the sceptics. It may not be so far away.