

Module 1 – Employment opportunities

During the last half-century, accounting has gained the same professional status as the medical and legal professions. Today, the accountants in the United States number well over a million. In addition, several million people hold accounting-related positions. Typically, accountants provide services in various branches of accounting. These include public accounting, management (industrial) accounting, governmental or other not-for-profit accounting, and higher education. The demand for accountants will likely increase dramatically in the future. This increase is greater than for any other profession. You may want to consider accounting as a career.

Public accounting firms offer professional accounting and related services for a fee to companies, other organizations, and individuals. An accountant may become a **Certified Public Accountant (CPA)** by passing an examination prepared and graded by the American Institute of Certified Public Accountants (AICPA). The exam is administered by computer. In addition to passing the exam, CPA candidates must meet other requirements, which include obtaining a state license. These requirements vary by state. A number of states require a CPA candidate to have completed specific accounting courses and earned a certain number of college credits (five years of study in many states); worked a certain number of years in public accounting, industry, or government; and lived in that state a certain length of time before taking the CPA examination. As of the year 2000, five years of course work were required to become a member of the AICPA.

After a candidate passes the CPA examination, some states (called one-tier states) insist that the candidate meet all requirements before the state grants the CPA certificate and license to practice. Other states (called two-tier states) issue the CPA certificate immediately after the candidate passes the exam. However, these states issue the license to practice only after all other requirements have been met. CPAs who want to renew their licenses to practice must stay current through continuing professional education programs and must prove that they have done so. No one can claim to be a CPA and offer the services normally provided by a CPA unless that person holds an active license to practice.

The public accounting profession in the United States consists of the Big-Four international CPA firms, several national firms, many regional firms, and numerous local firms. The Big-Four firms include Deloitte & Touche, Ernst & Young, KPMG, and Pricewaterhouse Coopers. At all levels, these public accounting firms provide auditing, tax, and, for nonaudit clients, management advisory (or consultants) services.

Auditing A business seeking a loan or attempting to have its securities traded on a stock exchange usually must provide financial statements to support its request. Users of a company's financial statements are more confident that the company is presenting its statements fairly when a CPA has audited the statements. For this reason, companies hire CPA firms to conduct examinations (**independent audits**) of their accounting and related records. **Independent auditors** of the CPA firm check some of the company's records by contacting external sources. For example, the accountant may contact a bank to verify the cash balances of the client. After completing a company audit, independent auditors give an **independent auditor's opinion or report**. This report states whether the company's financial statements fairly (equitably) report the economic performance and financial condition of the business. As you will learn in the next section, auditors within a business also conduct audits, which are not independent audits. Currently auditing standards are established by the Public Company Accounting Oversight Board.

In 2002 The Sarbanes-Oxley Act was passed. The Act was passed as one result of the large losses to the employees and investors from accounting fraud situations involving companies such as Enron and WorldCom. The Act created the Public Company Accounting Oversight Board. The Board consists of five members appointed and overseen by the Securities and Exchange Commission. The Board oversees and investigates the audits and auditors of public companies

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and can sanction both firms and individuals for violations of laws, regulations, and rules. The Chief Executive Officer and Chief Financial Officer of a public company must now certify the company's financial statements. Corporate audit committees, rather than the corporate management, are now responsible for hiring, compensating, and overseeing the external auditors.

Tax services CPAs often provide expert advice on tax planning and preparing federal, state, and local tax returns. The objective in preparing tax returns is to use legal means to minimize the taxes paid. Almost every major business decision has a tax impact. Tax planning helps clients know the tax effects of each financial decision.

Management advisory (or consulting) services Before Sarbanes-Oxley management advisory services were the fastest growing service area for most large and many smaller CPA firms. Management frequently identifies projects for which it decides to retain the services of a CPA. However, the Sarbanes-Oxley Act specifically prohibits providing certain types of consulting services to a publicly-held company by its external auditor. These services include bookkeeping, information systems design and implementation, appraisals or valuation services, actuarial services, internal audits, management and human resources services, broker/dealer and investment services, and legal or expert services related to audit services. Accounting firms can perform many of these services for publicly held companies they do not audit. Other services not specifically banned are allowed if pre-approved by the company's audit committee.

In contrast to public accountants, who provide accounting services for many clients, management accountants provide accounting services for a single business. In a company with several management accountants, the person in charge of the accounting activity is often the **controller** or **chief financial officer**.

Management accountants may or may not be CPAs. If management accountants pass an examination prepared and graded by the Institute of Certified Management Accountants (ICMA) and meet certain other requirements, they become **Certified Management Accountants (CMAs)**. The ICMA is an affiliate of the Institute of Management Accountants, an organization primarily consisting of management accountants employed in private industry.

A career in management accounting can be very challenging and rewarding. Many management accountants specialize in one particular area of accounting. For example, some may specialize in measuring and controlling costs, others in budgeting (the development of plans for future operations), and still others in financial accounting and reporting. Many management accountants become specialists in the design and installation of computerized accounting systems. Other management accountants are **internal auditors** who conduct **internal audits**. They ensure that the company's divisions and departments follow the policies and procedures of management. This last group of management accountants may earn the designation of **Certified Internal Auditor (CIA)**. The Institute of Internal Auditors (IIA) grants the CIA certificate to accountants after they have successfully completed the IIA examination and met certain other requirements.

Many accountants, including CPAs, work in **governmental and other not-for-profit accounting**. They have essentially the same educational background and training as accountants in public accounting and management accounting.

Governmental agencies at the federal, state, and local levels employ governmental accountants. Often the duties of these accountants relate to tax revenues and expenditures. For example, Internal Revenue Service employees use their accounting backgrounds in reviewing tax returns and investigating tax fraud. Government agencies that regulate business activity, such as a state public service commission that regulates public utilities (e.g. telephone company, electric

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company), usually employ governmental accountants. These agencies often employ governmental accountants who can review and evaluate the utilities' financial statements and rate increase requests. Also, FBI agents trained as accountants find their accounting backgrounds useful in investigating criminals involved in illegal business activities, such as drugs or gambling.

Not-for-profit organizations, such as churches, charities, fraternities, and universities, need accountants to record and account for funds received and disbursed. Even though these agencies do not have a profit motive, they should operate efficiently and use resources effectively.

Approximately 10,000 accountants are employed in higher education. The activities of these **academic accountants** include teaching accounting courses, conducting scholarly and applied research and publishing the results, and performing service for the institution and the community. Faculty positions exist in two-year colleges, four-year colleges, and universities with graduate programs. A significant shortage of accounting faculty has developed due to the retirement beginning in the late 1990s of many faculty members. Starting salaries will continue to rise significantly because of the shortage. You may want to talk with some of your professors about the advantages and disadvantages of pursuing an accounting career in higher education.

A section preceding each module, entitled "Careers in accounting", describes various accounting careers. You might find one that you would like to pursue.