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**WHISENHUNT, Jack Wayne, 1926--
SELECTED ELEMENTS OF ACCOUNTING AND
BUSINESS LAW ESSENTIAL TO THE PREPARA-
TION OF ACCOUNTANTS.**

The University of Oklahoma, Ed.D., 1963
Economics, commerce-business

University Microfilms, Inc., Ann Arbor, Michigan

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1964

THE UNIVERSITY OF OKLAHOMA
GRADUATE COLLEGE

SELECTED ELEMENTS OF ACCOUNTING AND BUSINESS LAW
ESSENTIAL TO THE PREPARATION OF ACCOUNTANTS

A DISSERTATION
SUBMITTED TO THE GRADUATE FACULTY
in partial fulfillment of the requirements for the
degree of
DOCTOR OF EDUCATION

BY
JACK WHISENHUNT
Norman, Oklahoma

1963

SELECTED ELEMENTS OF ACCOUNTING AND BUSINESS LAW
ESSENTIAL TO THE PREPARATION OF ACCOUNTANTS

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ACKNOWLEDGMENT

The author wishes to express sincere appreciation to Dr. Gerald A. Porter for his continual guidance and assistance as director of this study; and to Professor Dewey L. Barnes, Dr. Anthony S. Lis, Dr. Raymond R. White, and Dr. Lloyd P. Williams for reading and criticizing the manuscript.

The author also wishes to express appreciation to the chairmen of the business education departments in the six state colleges and to the chairman of the accounting department in each of the four state and private universities, who cooperated in supplying information for this study.

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SELECTED ELEMENTS OF ACCOUNTING AND BUSINESS LAW
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CHAPTER I

THE PROBLEM

Introduction

The importance of accounting is constantly being emphasized by those who are familiar with the complex economic system of the United States of America. The higher echelons of business enterprises are relying more and more upon accountants to furnish information on which the making of financial decisions may be based.

Skillful interpretation of financial data requires extensive preparation and experience. Thus, it becomes the responsibility of colleges and universities to equip prospective accountants with the tools essential for the task. It is generally recognized that the preparation of an accountant must include: (1) a broad background to develop an awareness of the role of business in the changing world, (2) a specialized technical skill founded upon problem-solving abilities, and (3) a behavioral relationship that motivates acceptance of the ethical responsibilities of the accounting profession.

There are three common ways in which individuals may secure professional competency in accounting. Bedford has indicated these as follows:

1. Collegiate postgraduate professional work in accounting.
2. Transitional education for individuals beginning their practice of accounting.
3. Continuing education for the mature practitioner, educated in an earlier time, who needs to become aware of the technological requirements of current practice.¹

If accountants are to acquire adequate preparation for today's accounting positions, cooperative effort must be exerted by colleges and universities, business firms, and professional accounting organizations. College preparation should be enriched, staff training should be extended in business firms, and professional accounting organizations should enhance their research efforts.

The educational responsibilities are magnified when it is recognized that there are over 375,000 auditors and accountants in the United States and more than 725,000 bookkeepers.² Of significance here is the expansion of the role of the accountant in recent years. In addition to the traditional records-maintenance role, the accountant is now

¹Norton M. Bedford, "Education for Accounting as a Learned Profession," The Journal of Accountancy, CXII (December, 1961), p. 37.

²U. S. Bureau of the Census, Statistical Abstracts of the United States: 1959 (Washington: Government Printing Office, 1959), pp. 220-21.

generally expected to assist management in special policy making decisions.

At the present time, there is considerable confusion with regard to what the educational program for accountants should emphasize. The differences of opinion are expressed by three groups and the views of each group reflect certain prejudices.

The professional accountant, much impressed by his responsibilities to business and the American public, supports the view that a five-year course of study for the preparation of accountants is needed. In his opinion, only in this way the accountant's responsibility to society can be met without sacrificing of technical skill. Carey makes a statement that is representative of this position:

Perhaps the ideal combination of formal and post-collegiate education would be one in which the universities through, say, a five-year curriculum, provided the aspiring accountant with a broad base in the liberal arts, and the basic tools of business management, and also a firm groundwork in theory and principles of accounting and auditing, taxation, and management services; and in which the Institute's professional development program provided CPA's and their staff assistants with exposure to specialized subject matter and techniques.¹

The managerial view of accounting is that accounting serves as a tool of management and should be oriented to the managerial way of looking at problems. This position is reinforced by Bach:

¹John L. Carey, "Higher Accreditation for CPA's," The Journal of Accountancy, CXI (March, 1961), p. 49.

If industrial accountants do not understand the problems faced by management and the managerial way of looking at them, they are not going to be worth much to the business manager of tomorrow. If their training has been narrowly focused on accounting techniques, with many hours of specialized courses in all branches of accounting and auditing, they are going to be too narrow; they are going to be too much focused on techniques; they are not going to be able to move flexibly to understand the basic problems of decision-making and control with which management is faced.¹

A third and broader concept of accounting has gained popularity in recent years. This view encompasses the responsibility of accountants to the American way of life and is indicated by Tiffany in his charge to the profession:

The accountant is in his own element in matters of finance. He is versed in separating the statistical wheat from the chaff, and in interpreting the results. He has learned to simplify, without oversimplifying, the conclusions so they can be understood by persons with less specialized knowledge. He can spot trends, and relate them to overall concepts.

In addition to all this, the accountant is a professional man, respected and trusted in his community. What it all adds up to is that the accounting profession offers a cadre for the giant task of undertaking the education of the American people to the economic and financial facts of present-day life.²

To provide adequate educational opportunities for the prospective accountant, the colleges and universities must determine the employment opportunities that will be available to their students. Careers open to accounting graduates may

¹G. Leland Bach, "Accounting Education for the 1980's," The Journal of Accountancy, CXII (September, 1961), p. 53.

²Kenneth C. Tiffany, "The Future of Accounting," The Accounting Review, XXXVI (April, 1961), pp. 204-205.

be classified as follows: (1) private accounting, (2) public accounting, (3) other business positions, and (4) college teaching.

Because the goals of an educational program should not remain static, evaluations of accounting programs must be conducted regularly if responsibilities to society are to be met. In 1953 the educational goals of the American Accounting Association were represented as follows:

To meet the needs of those who seek vocational or professional training, advanced courses in accounting are offered in our colleges. Such advanced courses enable the student to discover his aptitude and interests in specific areas of accounting service. Technical training in accounting develops skill in accounting techniques, creates proper attitudes towards the purpose and the utility of accounting data, improves work habits and methods of applying mental power to the solution of problems, gives knowledge of sources and uses of informational media in accounting, and supplies motive power for continued growth of learning during employment.¹

Programs of accounting education in the colleges and universities are organized and administered to prepare students in the essential elements of accounting. Students generally enter four-year programs in the hope of obtaining employment in the accounting profession. The colleges and universities do not purport to prepare accounting specialists but rather they attempt to enable students to develop the basic abilities essential to accounting positions. It

¹American Accounting Association, Accounting Teachers' Guide (Cincinnati: South-Western Publishing Co., 1953), p. 33.

appears that an evaluative study of certain of the essential elements in the preparation of accountants might well reveal how the various programs of preparation could be made more effective at the collegiate level.

It is reasonable to assume that a nation-wide study of all aspects of education for accounting would be beneficial to accounting teachers and prospective accountants. Such an investigation, however, would be too extensive for one individual to undertake. It is hoped that this study of accounting programs in colleges and universities in Oklahoma, in which accounting and business law elements are emphasized, will be conducive to improvement of the preparation of accountants.

Statement of the Problem

The problem of this study was to determine analytically the extent of correlation between the instructional pattern in the preparation of accountants and the pattern of examining on which their certification is based.

The problem has three significant subproblems:

1. To isolate and define the major facets of the preparation of accountants.
2. To determine the elements of accounting and business law in the preparation of accountants that are considered important by the Board of Examiners of the American Institute of Certified Public Accountants.

3. To determine how the topic coverage in accounting and business law textbooks compares with the testing pattern of CPA examinations.

Delimitations of the Study

This study is limited to consideration only of the content of textbooks used in the instruction provided in accounting and business law classes and to the content of CPA examinations as elements in the preparation of accountants. Only that content provided in college classes in Oklahoma, as revealed through analysis of the textbooks used, is considered in this study.

No attempt was made to determine the effectiveness of either the specific teaching methods and techniques or the total effectiveness of the instruction as indicated by student achievement.

Definition of Terms

The following technical terms in the field of accounting will be used in this study:

Accounting--the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the results thereof.¹

¹American Institute of Accountants, Review and Resume I (New York: American Institute of Accountants, 1953), p. 9.

Auditing--an examination of an accounting document and of supporting evidence for the purpose of reaching an informed opinion concerning its propriety.¹

Certified public accountant--an accountant who, having met the statutory requirements of a state or other political subdivision of the United States of America as to age, education, residence, moral character, and ability, has been registered or licensed to practice public accounting and is permitted to call himself "certified public accountant" and use the initials "CPA" after his name.²

Licensed public accountant--one who has registered under state law to practice as a public accountant.³

Business (commercial) law--that branch of law relating to business enterprise and commercial transactions generally: contracts, partnerships, negotiable instruments, estates and trusts, sales, debtor and creditor, corporations, real estate, and securities.⁴

Sources of Information and Data

The information and data contained in this study were obtained from four primary sources. One source of information was the literature pertinent to moral responsibility and ethics of accountants, standards of the profession, as well as the history and development of the profession.

Current periodicals in the field of accounting and collegiate education for business constituted the source of information relative to abilities and understandings

¹ Ibid., p. 18.

² Eric L. Kohler, A Dictionary for Accountants (New York: Prentice-Hall, Inc., 1957), p. 90.

³ Ibid., p. 292.

⁴ Ibid., p. 101.

considered by authorities as essential to the practice of accounting. Also, addresses, conference working papers, pamphlets, and bulletins proved to be of considerable benefit in this phase of the investigation.

CPA Examinations published in book form by the American Institute of Certified Public Accountants provided the data relative to the content of problems used in testing for certification purposes. Examinations for the years 1951-59 were available in three volumes and copies of the 1960-62 examinations were obtained in pamphlet form.

Data for the textbook-analysis phase of the investigation were obtained from textbooks used in colleges and universities in Oklahoma. Publishing companies provided the books for content analysis.

Procedure

The first step in this study consisted of an extensive review of the literature relative to the profession of accounting. The review served a two-fold purpose: first, it provided an extensive background of information and understandings about the accounting profession; second, it enabled the author to isolate those elements considered to be essential to the preparation of accountants.

The second step involved the analysis of CPA examination problems for the years 1951-62. The four sections--accounting practice, theory of accounts, auditing, and business law--in each of the examinations were considered

separately. A twelve-year period was selected upon the assumption that essential accounting and business law abilities and understandings would be tested at least once during that period of time. Each section of each examination was analyzed and classified in terms of the accounting and business law topics involved.

The third step consisted of the compilation of a list of accounting and business law textbooks used by colleges and universities of Oklahoma. A list of textbooks used in accounting and business law classes was acquired from a questionnaire mailed to the chairmen of the business education departments in the six state colleges. A list of textbooks used in four state and private universities was obtained by arranging a conference with the chairman of the accounting department in each institution.

The fourth step involved the analysis of accounting and business law textbooks used in the preparation and training of accountants. In addition, a topical outline was prepared from the data obtained in the analysis of CPA examinations. The outline was used to determine to what extent the instructional content of the textbooks covered the topics tested in CPA examinations. Accounting textbooks for intermediate, advanced, cost, federal tax, municipal, and auditing courses were analyzed. All business law textbooks used by colleges and universities of Oklahoma were considered.

The fifth step involved the following: (1) summary of the findings of steps three and four described above, and (2) conclusions and recommendations concerning the improvement of instruction in accounting.

The fifth step involved the following: (1) summary of the findings of steps three and four described above, and (2) conclusions and recommendations concerning the improvement of instruction in accounting.

CHAPTER II

BACKGROUND OF THIS STUDY

The information presented in this chapter was obtained from a review of the literature relative to the profession of accounting. The literature was studied for the purpose of isolating those elements considered by authorities in the field to be essential to the preparation of accountants. Current periodicals, pamphlets, bulletins, books, and educational guides were major sources of information for this phase of the study. Throughout this chapter, attempts are made to present background information about the general nature of accounting and the preparation of accountants.

General Nature of Accounting

As indicated in Chapter I, the American Institute of Certified Public Accountants has defined accounting as the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the results thereof. Thus, accountants are individuals who practice this art either through making their services available to the public as they are needed or

through full-time employment in accounting positions in business enterprises and governmental units.

The employment of accountants today is such that the general public tends to view them only as high-level specialists. The most common specializations relate to such areas as taxes, systems, costs, budgets, electronic data processing, and management services. The attributes of the accountant, however, enable him to find employment in other than specialized accounting kinds of positions and frequently make him eligible for promotion within business units. Many top-level executive positions are currently held by individuals who have used their knowledge of accounting as a means of occupational advancement. With a good general education background, understanding of economics and business operations, and special knowledges and abilities in corporation finance, an accountant may readily adapt himself to employment in an executive position.

Career Opportunities in Accounting

The opportunities open to accounting graduates are extensive. Careers in accounting include those in public accounting, private accounting, governmental accounting, teaching of accounting, and other business positions. The roles of accountants, however, in the different career patterns are interrelated. A high degree of technical ability is desirable

regardless of the field of accounting in which one finds employment.

Public accounting.--In practicing his profession, the public accountant makes his services available to the public for compensation. His work varies greatly from time to time as he is employed by many individuals, business firms, institutions, and governmental units to perform special tasks. The variety that characterizes public accounting is attractive to many young and energetic accountants who tend to shun the monotony of more routine kinds of work. The public accountant may fulfill the role of auditor, tax accountant, systems specialist, data processing specialist, and so forth.

The traditional function of the public accountant is auditing. However, he is increasingly becoming involved in work as a tax accounting specialist. He is often consulted by business concerns regarding tax problems. His duties may range from the preparation of tax returns to advisement on federal, state, and local tax problems. Accounting system design and improvement is also increasing in importance in this electronic data processing age. Installation of accounting systems and programming for high speed computers are special services now frequently offered by public accountants.

Opportunities for advancement are great for public accountants who can meet the high standards required of those who seek entrance into the profession. The public accountant usually gains initial employment in a junior accountant

classification. After a few years of experience he can expect to advance to either a senior accountant or a principal classification. He may even become a partner in the accounting firm that employs him.

Private accounting.--The work of a private accountant is often similar to that of the public accountant, except that he is involved with the records of only the one company that employs him. He is concerned with internal auditing, costing, working with taxes, general ledger accounting, payroll accounting, and various other aspects of accounting. He experiences less variety in his work than does his counterpart in public accounting. He may even be assigned to the performance of only one of many functions.

Opportunities for personal success are also good for private accountants. An individual may start as a relatively low-level clerical worker and, with experience, advance through positions such as accounting clerk, accountant, cost analyst, internal auditor, chief accountant, and controller.

Governmental accounting.--The career opportunities available to accountants in federal governmental service are those in the General Accounting Office, Bureau of Internal Revenue, Federal Bureau of Investigation, Federal Reserve Board, Interstate Commerce Commission, and the Securities and Exchange Commission. Additional opportunities of a similar nature exist at the state and local levels. The accountant in the federal civil service usually starts with either a

GS-5 or a GS-7 rating and may advance to the higher supervisory levels. The qualifications required of the governmental accountant are, in general, the same as those for private and public accountants holding positions requiring comparable abilities.

The work patterns of governmental accountants are determined by the particular bureaus and commissions in which they find employment. An individual in the job classification of "auditor" in one bureau or commission might fulfill the same function as either an "accountant" or a "cost analyst" in another bureau or commission.

Teaching of accounting.--The technical qualifications of college and university teachers of accounting include rigorous academic education and some accounting experience. The Ph. D. degree and the CPA certificate are desirable but usually not mandatory qualifications. There is now a real need for teachers of accounting who have a thorough knowledge of accounting and have the ability to convey that knowledge to others. The college or university teacher usually begins his teaching career as an instructor and advances to assistant professor, associate professor, and professor.

The functions of the accounting teacher are to explain accounting, to demonstrate techniques, to select and prepare materials, and to measure students' performance. Many teachers supplement their teaching salaries and extend their knowledge through limited accounting practice and consultation work.

Control of the Practice of Accounting

The practice of accounting dates back many centuries. But it has been only since 1896 that state regulations have been enacted to control the practice of accounting in the United States. The states are permitted to use their police power to control admission to practice in any profession vital to the national interest. Through this power each state enacted its own accountancy laws.

There are three levels of practitioners in the United States today: (1) certified accountants, (2) licensed, registered, and enrolled accountants, and (3) unlicensed accountants. All three levels of practitioners are found in some states, while only two levels are found in other states. The statutes of each state determine the level at which an individual may practice accounting.

Most of the practitioners of accounting are not subject to state regulations regarding admission to practice. Any individual, however, who desires to practice as a CPA must meet the state regulations for certification.

Certified accountants.--Every state has enacted regulations concerning certification of accountants. The first state to pass such regulations was New York in 1896.¹ Since that time, all of the states and the District of Columbia have passed CPA legislation.

¹Wilmer L. Green, History and Survey of Accountancy (New York: Standard Text Press, 1930), p. 76.

Certification is usually by examination. The requirements for sitting for the examination are commonly as follows:

1. A minimum age limit, generally 21 years
2. Residence and citizenship requirements
3. Education and experience. Most states require only a high-school education or its equivalent. Experience in public accounting generally ranges from one to six years. The current trend, however, is to co-ordinate education and experience, somewhat as follows:
 - a. If college graduate with major in accounting and business, two years
 - b. If college graduate with no accounting credits, four years
 - c. If high-school graduate only, six years
4. An examination fee, generally \$25.00¹

In 1958 there were over 60,000 CPA's in the United States. It was estimated that there was a need for 150,000 CPA's at that time.²

Licensed, registered, and enrolled accountants.--Many states have enacted legislation with regard to licensed, registered, and enrolled accountants. The state regulations have permitted individuals to practice as "public accountants." An examination to determine the competency is not required of accountants who practice at this level of accounting.

The major functions of accountants at this level are bookkeeping; write-up-work; and preparation of statements,

¹LaSalle Extension University, Professional Accounting Examinations and How to Prepare for Them (Chicago: LaSalle Extension University, 1959), p. 3.

²A. J. Penz, Accountancy A Vocation and Profession (Cambridge: Bellman Publishing Company, 1958), p. 20.

payrolls, and income tax returns. There is considerable controversy about allowing accountants at this level to certify audit reports.

Unlicensed accountants.--Unlicensed accountants are allowed to practice accounting in approximately 20 permissive jurisdictions. The only state regulation of unlicensed accountants is the stipulation that they do not practice under the title "certified public accountant." The unlicensed accountants are referred to in some states simply as "accountants" and in other states as "independent accountants."

The functions of unlicensed accountants are similar to those of licensed accountants. The functions include book-keeping, preparing statements, payroll accounting, and preparing tax returns.

Ethics of Public Accounting

The standards of conduct by which members of a profession govern themselves has a direct relationship to the acceptance of the profession by society. A voluntary assumption of the obligations to society is essential for professional status. A code of ethics is a necessary guide in directing one's relationships with his fellow practitioners and society. The ethical code also serves as a reminder to society that the practitioner is dedicated to the principles of service to society.

The American Institute of Certified Public Accountants adopted its first code of ethics in 1917. The brief code consisted of eight rules of conduct. The rules were directed toward defining the relationship between the accountant and the public. The present code of ethics of the Institute emphasizes the relationship of the accountant to the public, his client, and other accountants. The code not only is concerned with quality of work but also deals with competitive bidding and advertising an accountant's services.

As patterns of conduct change, ethical concepts change. As society becomes more complex, it is reasonable to assume that codes of ethics will become more extensive. Since the enactment of the first code by the Institute, most states have adopted codes of ethics similar to that of the Institute.

Violations of the code of ethics of the Institute can result in expulsion of an accountant from the Institute. The effectiveness of the code is limited, however, because unlicensed practitioners and many of the licensed accountants are not members of the Institute. The effectiveness of a state code of ethics is greater because that state has the power to revoke certificates for violation of rules.

Personal Qualifications Required of Accountants

The personal qualifications desirable for accountants are similar to those considered essential for success in

other professions. The American Institute of Certified Public Accountants considers the following personal characteristics and aptitudes as indispensable:

1. High moral character
2. Imagination, initiative, and perseverance
3. Pleasing personality
4. General cleanliness and smartness of appearance
5. Self-assurance and willingness to accept responsibility
6. Ability to talk and to write effectively
7. Tact in dealing with others
8. Qualities of leadership
9. Professional sense of service¹

The Institute's list of qualifications is reinforced by Penz in his statement of attributes that a person must have to achieve ultimate success:

1. Honesty
2. Loyalty to employer, to other employees, and to clients
3. Confidentiality in all the relationships of the accountant
4. Persistence
5. Friendliness
6. Command of the fundamental processes
7. Proper private conduct
8. Desirable personal appearance²

In quite different terminology, Holmes indicates essential personal qualifications as follows:

1. Idealism
2. Culture
3. Leadership
4. Personality
5. Character

¹American Institute of Accountants, Public Accounting As a Career (New York: American Institute of Accountants, 1945), p. 20.

²Penz, op. cit., pp. 26-28.

6. Mental capacity and alertness
7. Constructive ability¹

Members of the accounting profession generally hold the view that success in the profession is directly related to personal qualifications, as well as education and experience. This view is substantiated by the endeavors made to attract high school and college students who show outstanding personal characteristics. National and state accounting societies reach outstanding students by means of films relating to the accounting profession, by the use of testing programs for evaluating accounting aptitude, and by an active recruitment program in high schools and colleges across the nation.

Preparation of Accountants

Consideration in the literature of the preparation of accountants is limited and appears primarily in the form of short articles that usually deal with only one aspect of preparation for accountants. The most extensive material distributed in recent years is the Carnegie² study of university and college programs in business administration that includes a chapter on education for accountants. In general, this report is highly critical of contemporary education for accounting.

¹ Arthur W. Holmes, Auditing Principles and Procedure (Homewood: Richard D. Irwin, Inc., 1959), p. 43.

² Frank C. Pierson et al., The Education of American Businessmen, The Carnegie Series in American Education (New York: McGraw-Hill Book Company, Inc., 1959).

The material in this section is a brief resume of the current literature concerning the control of the curriculum for the preparation of accountants. An attempt is made to organize that material in terms of the general preparation for accountants, the core of business and economic understandings, and the specialized accounting offering.

Fundamental Objectives of the Preparation

A search of the current literature in accounting education failed to reveal a single adequate statement of the objectives of accounting education. However, after utilizing ideas in various isolated presentations relative to certain purposes and goals, the investigator compiled the following composite list of objectives for education of accountants:

1. To enable the student to review, extend, and refine his ability in the fundamental processes, such as English usage and mathematics.
2. To enable the student to acquire an understanding of the social forces and human relationships essential for modern living.
3. To enable the student to gain a functional understanding of economics and business operations, along with an awareness of the responsibility of business to society.
4. To enable the student to acquire knowledges, understandings, abilities, and concepts pertinent to the technical aspects of accounting and business law.
5. To enable the student to comprehend the significance of the role that he will fulfill in society as a professional accountant.

The above objectives suggest the sequence of subject matter content that is commonly considered to be appropriate in many of the college and university programs of education

for the accounting professions. It is also important to note that these are not the objectives for specific courses in college but are applicable to the total four and five-year education programs.

The Accounting Curriculum

The consensus of leaders in the accounting profession is that a high school education is insufficient for the practice of public accounting. However, the states usually permit applicants with only high school education to sit for the CPA examination. It is generally believed that the prospective accountant is unlikely to acquire those understandings desirable in accounting unless he has completed a well-balanced program at either a collegiate school of business or a school of accountancy.

The four-year college program in accounting is the most common means of preparation for public accountancy. According to the Commission on Standards of Education and Experience for Certified Public Accountants, 95 per cent of those passing CPA examinations in Oklahoma during the period, 1946-53, had some college preparation and 89 per cent were college graduates.¹ Colleges are able to provide economical, effective, and stimulating instruction in accounting. There is no substitute for the broadly based kind of preparation afforded

¹ Donald P. Perry et al., Standards of Education and Experience for Certified Public Accountants (Ann Arbor: University of Michigan, 1956), p. 58.

by the colleges. Also, the colleges are the only institutions that can supply the large demand for public accountants.

The past few years have witnessed an increased demand upon the colleges and universities for better qualified accountants. Controversy concerning education for accountants has not dealt with the desirability of technical abilities, but how technical abilities can best be developed. Because the standard pattern of education for accountants is a four-year program, technical abilities must be acquired in the four years of preparation at the university.

This phase of the study is concerned with two important questions with regard to the preparation of accountants. The first question is, "When to begin the study of the core of business and economic courses and specialization in accounting?"; and the second, "What is considered to be the most adequate program of general preparation, business and economic core, and specialized accounting in the preparation of accountants?"

Various programs provide well-balanced general education, business and economic understandings, and technical abilities in accounting. Three common arrangements are (1) a two-year course of study in business administration, (2) a one-year course of study in the liberal arts and a three-year course of study in business administration, and (3) a four-year course of study in business administration that includes integrated subjects in the liberal arts. It is difficult, if

not impossible, to determine which course of study is the most adequate without first considering the accounting curriculum.

The accounting curriculum is generally considered to contain three specific elements: (1) general preparation, (2) core of business and economics, and (3) accounting specialization. A great deal has been said and written since the Carnegie study in 1959 about the amount of time devoted to each of these elements.

General preparation.--The general preparation for accountants should enable them to acquire those abilities and understandings outlined in the first and second objectives of accounting education. The Carnegie study presented the following program of general preparation as being typical of a large number of institutions accredited by the American Association of Collegiate Schools of Business:

<u>General Preparation</u>	<u>Semester Credits</u>
Composition	6
Economic principles	6
English literature.	6
Social science, other than economics	6
History	3 - 6
Mathematics	3 - 6
Science	3 - 6
Other humanities.	3 - 6
Required electives.	0 - 9
	<hr/>
Total semester credits . . .	36 - 51 ¹

¹Pierson et al., op. cit., p. 367.

The accounting curriculum is usually organized to provide fundamental skills and not to teach one to become a specialist. The first two years should embrace liberal arts subjects such as English, history, language, mathematics, geography, basic economics, social and natural sciences, and art and music.¹ Holmes states that a mastery of the English language is essential as general preparation for accountants.²

The Carnegie study includes a proposed curriculum that devotes from 60 to 66 semester hours to courses related to the general preparation for accountants. The following courses are included:

<u>General Preparation</u>	<u>Semester Credits</u>
English literature and composition.	9
Foreign language or philosophy.	6
Advanced elective in humanities	3 - 6
College algebra-trigonometry-geometry.	6
Calculus and finite mathematics	6
Laboratory science (physics, chemistry, etc.)	6
Advanced elective in mathematics and science.	3 - 6
History	6
Political science	6
Behavioral science (psychology, sociology, etc.)	6
Advanced elective in social science	3 - 6
<hr/>	
Total semester credits60 - 66 ³

¹William P. Carr, Careers in Professional Accounting (Cincinnati: South-Western Publishing Company, 1953), p. 3.

²Holmes, loc. cit.

³Pierson et al., op. cit., p. 227.

The typical program of institutions accredited by the American Association of Collegiate Schools of Business includes between 36-51 semester credits of general preparation. The program proposed in the Carnegie study includes between 60-66 semester credits of general preparation. The difference between the two programs does not lie in the subjects studied but in the number of semester credits devoted to general preparation.

Business and economic preparation.--The preparation of accountants should include a functional understanding of economics and business operations. The purpose of the core of business and economic subjects is to provide the understandings and concepts related to accounting which are desirable for accountants. The Carnegie study presented the following program of business and economic subjects as being typical of a large number of institutions accredited by the American Association of Collegiate Schools of Business:

<u>Business and Economic Preparation</u>	<u>Semester Credits</u>
Corporation finance	3
Industrial management or production	3 - 6
Principles of marketing	3 - 6
Money and banking	3 - 6
Statistics.	3 - 6
Others (insurance, survey of business, mathematics of finance, and/or industrial relations)	0 - 6
Total semester credits.	24 - 30 ¹

¹Ibid., p. 367.

There is considerable agreement in the literature regarding what foundation courses are most desirable in the preparation of accountants. The American Institute of Certified Public Accountants would build the technical program in accounting upon a foundation of understandings in economic, finance, management, insurance, investments, and the operation of office machines.¹ The Commission on Standards of Education and Experience proposes a program similar to that of the Institute and includes economic principles, production, marketing, finance, and statistics.² One textbook in auditing states that business and economic understandings should include: (1) a sound knowledge of business organizations and operations; (2) a thorough knowledge of finance; and (3) a good acquaintance with principles of economics.³

The proposed curriculum in the Carnegie study provides for an extensive background in business and economic understandings. The following courses are included:

¹ American Institute of Accountants, loc. cit.

² Donald P. Perry, et al., op. cit., p. 46.

³ Holmes, op. cit., pp. 43-44.

<u>Business and Economic Preparation</u>	<u>Semester Credits</u>
Principles of economics	6
Economics of the firm (microanalysis) . .	3
Economics of money and income (macroanalysis)	6
Organization and human behavior	3
Personnel management	3
Production management	3
Marketing management	3
Business policy and social responsibilities	6
Electives in business subjects	0 - 6
<hr/>	
Total semester credits	33 - 39 ¹

The proposed curriculum would devote from 27 to 33 per cent of the undergraduate studies to foundation courses. A review of the literature revealed that about 25 per cent was generally considered to be adequate preparation in foundation courses. The total of semester hours devoted to foundation courses is the primary difference between the above programs of preparation in business and economic understandings.

Accounting preparation.--There is general agreement regarding the accounting and business law courses that should be included in the preparation of accountants. The accounting and business law courses generally considered desirable in the preparation of accountants are elementary, intermediate, advanced, cost, and tax accounting, auditing, and business law. The Carnegie study presented the following program of accounting and business law studies as being typical of a

¹Pierson et al., op. cit., p. 227.

large number of institutions accredited by the American Association of Collegiate Schools of Business:

<u>Accounting and Business Law Studies</u>	<u>Semester Credits</u>
Business law.	6
Elementary accounting principles.	6
Intermediate accounting principles.	6
Advanced accounting principles.	0 - 6
Cost accounting	3 - 6
Auditing principles and procedures.	3 - 6
Income tax accounting	6

Total semester credits	30 - 36 ¹
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The above program devoted from 25 to 30 per cent of the total program to the study of accounting and business law. The program proposed in the Carnegie study as being desirable in the preparation of accountants devotes from 15 to 17.5 per cent to the study of accounting and business law.

The accounting and business law courses included in the proposed accounting curriculum presented in the Carnegie study contained the following courses:

<u>Accounting and Business Law Studies</u>	<u>Semester Credits</u>
Political and legal factors in business.	3
Quantitative methods (accounting and statistics).	6
Studies in major subject.	9
Advanced elective in major subject.	0 - 3

Total semester credits	18 - 21 ²
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¹Ibid., p. 367.

²Ibid., p. 227.

To reduce the semester credits in accounting and business law from 30-36 to a program that includes from 18-21 semester credits, the following revisions are necessary in the accounting curriculum:

1. More attention in the basic courses to uses and limitations of accounting and less attention to techniques and procedures.
2. Less concentration in intermediate accounting textbooks upon exercises because they are most useful to students looking forward to CPA examinations.
3. Elimination in intermediate accounting of unnecessary duplication and of overemphasis upon technical aspects.
4. Transfer of certain materials from the advanced accounting course to the intermediate course.
5. Correlation of cost accounting with principles and intermediate accounting to avoid duplication.
6. Elimination of practice sets that require a long time to solve because they have questionable value.
7. Removal of technical aspects from auditing and a broadening of the course.
8. Inclusion of auditing among the elective courses because it is designed primarily for the student who intends to become a CPA.
9. Reduction of content in income tax accounting to the basic principles that pertain to individuals and corporations.¹

It is significant to note that many of the deficiencies mentioned in the Carnegie study are generally considered by others to be strengths of the accounting programs. The proposed accounting curriculum in the Carnegie study would not be designed after the traditional pattern of accounting. The understandings and abilities would be included under the following topics: (1) accounting fundamentals, (2) application

¹Ibid., pp. 368-76.

of accounting data to the administrative process, (3) concepts and procedures of financial accounting, (4) administrative controls and analyses, and (5) taxation and business policy. Such an accounting curriculum would necessitate a complete rewriting of the instructional materials now in use in accounting courses.

A widespread adoption of the proposed accounting curriculum would require a change in attitude of those responsible for establishing curriculum policy within the schools of business. Consideration will now be given to the accounting curriculum as it exists in the schools of business at the present time.

Elementary accounting principles.--Elementary accounting principles are foundational in the preparation of accountants. The courses in elementary principles emphasize recording, summarizing, and interpreting of financial data. A substantial amount of time is devoted to manipulative abilities. The elementary course should not be allowed to become a "drill-for-skill" subject but must contain problem material adequate to provide practice in the application of accounting principles.¹ The introduction of theory of accounts is important in providing an understanding of the basic accounting

¹ American Accounting Association, Accounting Teachers' Guide (Cincinnati: South-Western Publishing Company, 1953), p. 38.

concepts. It is essential that a balance between theory and procedure be maintained.

The elementary course in accounting principles fulfills the needs of the following groups of students: (1) students who plan to seek a career as professional accountants, (2) non-accounting majors who plan to enter areas of business administration and will need an understanding of accounting as the basic language of business, and (3) liberal arts students who need an understanding of economic problems of a complex society.

The specific objectives of elementary accounting principles may be outlined as follows:

1. To enable the student to acquire a knowledge of the nature and purpose of accounting and its function in business.
2. To enable the student to gain a knowledge of accounting method as an orderly means of sifting, classifying, and presenting useful information from a mass of data.
3. To enable the student to gain a knowledge of accounting as the basic language of business. This understanding must include at least some knowledge of the concepts and standards underlying the accounting procedures used in measuring the results of business efforts.
4. To enable the student to gain a knowledge of the values of accounting to management, investor, government, and the general public.
5. To enable the student to develop the ability to¹ think effectively in solving business problems.

Intermediate and advanced accounting principles.--
Theoretical support is employed in intermediate and advanced accounting principles for the procedures that are presented.

¹Ibid., pp. 36-37.

Therefore, problems of theories are more prevalent than problems of mechanics in accounting. Application of accounting principles and procedures is of major importance. The specific objectives of intermediate and advanced accounting principles may be outlined as follows:

1. To enable the student to review, extend, and refine through application the abilities that he developed in the study of elementary accounting.
2. To enable the student to acquire an understanding of the fundamentals of accounting in terms of their technical implications.
3. To enable the student to develop a working knowledge of accounting through the application of theories and techniques to actual business situations.
4. To enable the business student, who is not aiming at professional competence, to acquire the ability to use, analyze, and interpret the full product of accounting.

The understandings, abilities, and concepts included in these courses are of a foundational nature. Therefore, they are generally required of all accounting majors. Intermediate and advanced accounting principles deal with the maintenance of accounts, the preparation of financial statements, and an interpretation of the technical implications involved. Limited consideration is given to the specialized areas of accounting. The inclusion of specialized areas in intermediate and advanced accounting principles serves as an exploratory device to detect student interest in the special areas of accounting.

Intermediate and advanced accounting principles are usually elective for non-accounting majors but are sometimes

required. The managerial uses of accounting data are usually emphasized when study of this subject matter is required.

Cost accounting principles--Cost accounting is a specialized area of accounting. Because of the specialized nature of cost principles, courses in cost accounting are generally limited to accounting majors. However, business administration students sometimes take a course in cost accounting principles as a business elective. The technical nature limits the application of cost principles for the non-accounting student.

The courses in cost accounting emphasize principles, procedures, techniques, and analysis. Cost principles, procedures, techniques, and analysis are included in general courses in accounting; however, coverage of these topics in the general courses is of an elementary nature.

Cost accounting is considered a specific kind of tool of management. Cost procedures are included for service and manufacturing firms. Principles and procedures in the determination of cost are presented before the introduction of special techniques. Varied techniques are included to guide management in making decisions and in shaping future policies and operations. Cost and profit analyses are of major significance to management. The specific objectives of cost accounting principles may be outlined as follows:

1. To enable the student to review, extend, and refine through application the abilities that he

developed in the study of elementary, intermediate, and advanced accounting.

2. To enable the student to acquire knowledge, understandings, abilities, and concepts pertinent to the technical aspects of cost accounting.
3. To enable the student to develop a working knowledge of cost accounting through the application of principles and procedures to actual business situations.
4. To enable the student to gain a knowledge of the values of cost accounting as a tool of management.

Federal tax accounting principles.--Federal tax accounting is a specialized area of accounting. The course is frequently required of accounting majors. The course has also received wide acceptance among business administration and non-business students.

Extensive coverage is given to basic tax regulations. The application of basic regulations to individual, partnership, and corporation returns is included. Limited coverage is given to estate, gift, and payroll taxes. If two semesters are devoted to federal tax principles, the first semester involves individual returns and the second semester is devoted to partnership and corporation returns and to estate, gift, and payroll taxes. If only one semester of federal tax is offered, the special taxes are usually covered during the semester. The purpose of the instructional material is to provide students with understandings of the major features of tax regulations and not to develop expert tax accountants. The specific objectives of federal tax accounting principles may be outlined as follows:

1. To enable the student to review, extend, and refine through application the abilities which he developed in the study of elementary, intermediate, and advanced accounting.
2. To enable the student to acquire knowledge, understandings, abilities, and concepts pertinent to the technical aspects of federal tax accounting.
3. To enable the student to develop a working knowledge of income tax procedures through the application of tax regulations.
4. To enable the student to gain a knowledge of the importance of taxation as an instrument of the government in fulfilling its obligations to society.

Municipal accounting principles.--Another specialized area of accounting involves principles of municipal accounting. A course in municipal accounting principles is generally elective for accounting majors. The understandings and concepts presented in the instructional material are desirable for students who plan to enter governmental accounting positions and for students who plan to enter the practice of public accounting.

Municipal accounting courses present principles, procedures, and concepts of accounting for local, state, and federal governmental units. Also, accounting for non-profit institutions is included. The specific objectives for municipal accounting principles may be outlined as follows:

1. To enable the student to review, extend, and refine through application the abilities which he developed in the study of elementary, intermediate, and advanced accounting.
2. To enable the student to acquire knowledge, understandings, abilities, and concepts pertinent to the technical aspects of municipal and institutional accounting.

3. To enable the student to develop a working knowledge of municipal and institutional accounting through the application of principles and procedures to actual situations.
4. To enable the student to comprehend the significance of the moral obligation imposed upon governmental officials to provide accounting and reporting of highest quality for the wealth which has been entrusted to their stewardship.

Understandings and concepts with regard to problems of taxation at the local, state, and federal levels are presented in municipal accounting principles. Techniques and procedures applicable to fund accounting are included in the instructional material. The preparation and adoption of budgets receive some coverage. The preparation of municipal reports and the audit of municipal funds have received increased attention in recent years.

Auditing principles.--Many of the basic principles included in the instructional material in auditing apply to internal as well as independent auditing. The understandings and concepts covered in auditing are applicable to both private and public accounting. However, courses in auditing were originally designed to fulfill the objectives of public accountants. The specific objectives of auditing principles may be outlined as follows:

1. To enable the student to review, extend, and refine through application the abilities which he developed in the study of elementary, intermediate, advanced, cost, federal tax, and municipal accounting.
2. To enable the student to acquire knowledge, understandings, abilities, and concepts pertinent to the technical aspects of principles, standards, and procedures of auditing.

3. To enable the student to develop a working knowledge of auditing procedures through the application of principles and adherence to auditing standards.
4. To enable the student to acquire an understanding of the ethical responsibility of a professional accountant and to fulfill his responsibility to society.

The foundation of auditing courses is in the presentation of auditing principles and procedures. In recent years professionalism in accounting has received increased attention in auditing courses. The ethical responsibilities of accountants receive significant coverage. The development of generally accepted auditing standards has contributed to the improvement of auditing courses.

The present role of auditing firms include management services. These services include systems installation, computer programming, and preparation of budgets and other forecasts. Auditing courses oriented toward technical aspects should be broadened in the future.

Business law principles.--Business law should give the student a clear understanding of our legal system and the importance of business law in the development of society. The understandings in business law should assist management in relating business activities to legal regulations. The student should develop the ability in business law to recognize and isolate issues. One of the major purposes of business law is to help coordinate the subject matter taught in

other business courses at the university. The specific objectives of business law principles may be outlined as follows:

1. To enable the student to develop the ability to apply principles of business law in resolving business and social conflicts.
2. To enable the student to acquire an understanding of the social significance of law and the part it has played in the development of our economic life.
3. To challenge the student's understanding through the use of cases that present an unfamiliar set of facts to which appropriate principles of business law must be applied.

Major emphasis in business law is given to those abilities and understandings considered essential for accounting, business administration, and non-business students. It is not possible to cover all areas of law that are desirable for the students; however, extensive coverage is given to contracts, negotiable instruments, sales, and security transactions. Some coverage is given to employment and labor, real property, agency, and business organizations.

Summary

The general nature of accounting is such that individuals practice accounting in a variety of capacities. In recent years, areas of specialization have developed in taxation, systems, costs, budgets, electronic data processing, and management services. Employment opportunities open to accounting graduates include those in public accounting, private accounting, governmental accounting, teaching of accounting, and other business positions. Three levels of

practitioners of accounting exist in the United States today. They are (1) certified accountants, (2) licensed, registered, and enrolled accountants, and (3) unlicensed accountants. States have the power to control the admission to practice accounting. However, most of the practitioners of accounting are not subject to state regulations regarding admission to practice. Ethics are important, and a significant effort is being made to maintain high standards in the practice of professional accounting.

Members of the accounting profession generally hold the view that success in the profession of accounting is directly related to personal qualifications, as well as to those of education and experience. There is common agreement that preparation for the practice of accounting should be both inclusive and broad. The elements of preparation should include general education, a core of business and economic understandings, and technical concepts of accounting and business law. A significant controversy exists relative to the amount of time that should be devoted to each of the three major elements of preparation. Many people believe that more time should be devoted to general education. If the general education of prospective accountants is expanded, the result would, undoubtedly, be a reduction of the time devoted to the core of business and economic understandings and to the technical concepts and abilities. Similarly, if the coverage of either business core subject matter or the technical area

were to be extended, the amount of general education would have to be reduced. Perhaps these arguments substantiate the opinion of many educators that the preparation of accountants requires five years of college work rather than the traditional four years.

There is consensus that the technical phases of accounting should include the development of understandings, abilities, and concepts in intermediate, advanced, cost, tax, municipal, and auditing aspects of accounting along with business law. Although the curriculum in the university covers the technical aspects of accounting, one might well question whether the instruction is designed to deal in depth and breadth with the various aspects of accounting. It appears that much of the emphasis is on the mechanics of problem solving in rather narrow and specific topics.

On the basis of material presented in this chapter, two very important questions should be raised concerning the preparation of accountants:

1. Is there proper balance in the four- and five-year programs among the elements of preparation?
2. Is preparation frequently directed at preparing the individual to pass the CPA examination rather than to prepare him for the varied duties and responsibilities which he may face in serving the best interest of society?

The succeeding chapters of this study are devoted to a presentation and analysis of data obtained from CPA examination problems and of accounting and business law textbooks used in colleges and universities in Oklahoma in the preparation of accountants. Perhaps the data will provide a partial solution to the above questions.

CHAPTER III

ANALYSIS OF CPA EXAMINATIONS

The data presented in this chapter were obtained by means of an analysis of CPA examinations. The examinations included in this study were those prepared by the Board of Examiners of the American Institute of Certified Public Accountants and administered during the period 1951 through 1962.

CPA examinations are administered twice a year, in May and in November, by the state boards of accountancy. All states administer the examinations on the days scheduled by the American Institute of Accountancy and during the hours designated on the examination sheets. Every examination contains the following four sections: accounting practice, theory of accounts, auditing, and business law. The time in minutes designated for each section, the number of points possible, and the recommended scores for passing are as follows:

<u>Sections</u>	<u>Time in Minutes</u>	<u>Possible Score</u>	<u>Recommended Score for Passing</u>
Accounting practice:			
Part I.	270	50	75
Part II	270	50	
Theory of accounts. . . .	210	100	75
Auditing.	210	100	75
Business Law.	210	100	75

The board of accountancy of each state has the power to designate the applicants who should be certified. However, the examination papers of the applicants are generally graded by the Board of Examiners of the American Institute.

Accounting Practice

There are various arrangements by which one might classify problems relating to accounting practice. One classification might be according to the types of accounting papers prepared, such as statements, schedules, worksheets, entries, and calculations. Also, accounting practice problems might be classified according to accounting functions performed, such as recording, summarizing, and reporting. For the purpose of this study, however, it was deemed most appropriate and feasible to classify accounting practice problems, presented in CPA examinations, according to the subject matter content involved. Thus, the CPA examination data collected could be compared directly with the subject matter content in accounting and business law textbooks.

The problems in all sections of CPA examinations are divided into two groups. One of the groups consists of required problems. The other group consists of elective problems. All applicants must solve a specified number of problems from the elective group in addition to all problems in the required group. In the twenty-four examinations studied, an average of 73.2 per cent of the accounting practices problems were in the required category. From the elective groups of problems, solutions were required to an average of 59 per cent of the problems presented. Table I reveals the nature of accounting practice problems in CPA examinations. Eight kinds of problems are indicated, and the extent to which problems were either required or elective.

Maintenance of Accounts

The topics of CPA examination problems that pertain specifically to the maintenance of accounts are indicated in the tabulation below. The amount of time in minutes devoted to each topic, and the number of accounting practice problems dealing with each topic, are also indicated in the tabulation.

<u>Accounts</u>	<u>Minutes Allowed</u>	<u>Number of Problems</u>
Inventories	788	15
Fixed assets.	589	12
Ownership equities.	515	10
Investments	454	8
Receivables	436	12
Liabilities and unearned revenue.	363	9
Cash.	195	3
Intangible assets	140	3
Prepaid expenses and deferred charges	97	3

TABLE I

NATURE OF ACCOUNTING PRACTICE PROBLEMS IN CPA EXAMINATIONS

Accounting Practice Subject Matter	1951		1952		1953		1954		1955		1956		1957		1958		1959		1960		1961		1962		Totals																										
	May	November	May	November	May	November	May	November	May	November	May	November	May	November	May	November	May	November	May	November	May	November	May	November	Required	Elective	Grand Total																								
	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective																									
Maintenance of accounts	54*	-	134	-	64	-	161	64	118	54	142	-	-	75	100	-	170	170	-	-	-	-	-	-	262	40	40	174	40	100	120	-	55	140	60	130	100	89	-	270	-	170	-	137	-	75	60	2363	1216	3579	
Cost accounting	27	-	-	135	54	108	106	-	57	-	-	-	130	-	55	65	-	100	-	50	60	12	-	67	-	140	5	-	-	40	-	40	-	100	-	60	-	55	-	50	-	60	100	-	140	-	50	-	866	1258	2124
Federal tax accounting	54	-	81	-	81	-	108	-	108	-	64	-	60	-	-	-	100	-	60	-	200	-	110	-	3	-	30	-	65	-	65	50	30	110	50	-	95	-	125	-	35	-	95	-	107	-	45	-	1878	170	2048
Financial statements	215	-	81	-	-	106	57	64	-	108	223	54	200	75	30	174	100	70	170	-	100	53	-	127	10	140	-	75	140	90	100	-	80	100	125	-	130	-	130	60	95	-	110	65	35	-	220	60	2572	1409	3981
Home and branch office accounting	-	-	-	-	135	-	-	-	47	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	257	188	385			
Municipal accounting	-	81	-	135	-	-	-	64	-	-	-	54	-	10	-	20	-	-	30	-	45	-	-	-	-	50	-	75	-	50	-	30	-	100	-	60	-	45	-	60	-	65	-	60	35	-	35	1332	1367		
Partnership accounting	-	81	-	-	37	-	-	-	-	-	54	-	-	-	-	-	104	-	-	-	-	-	-	117	10	-	40	-	100	-	65	-	40	55	45	-	-	-	40	-	50	-	-	-	60	-	55	-	802	307	1109
Miscellaneous and/or overlapping areas	108	-	105	-	-	-	-	64	-	-	-	-	-	130	-	-	-	75	-	-	-	-	-	-	120	-	-	-	-	-	-	-	-	-	-	-	85	-	35	-	-	-	-	-	60	-	-	-	717	60	777
Totals	459	162	401	270	431	216	474	192	404	162	429	162	390	200	385	310	370	340	460	160	340	412	110	174	300	410	314	200	390	200	332	540	175	320	420	180	440	200	419	180	480	120	475	130	479	120	480	120	9490	5880	15370

*Minutes allowed each kind of problem

Because of multiple topics, the number of accounting practice problems listed in the foregoing information exceeds the total number of problems devoted to the maintenance of accounts on CPA examinations included in this study.

Inventories.--This study reveals that 14 of the 24 examinations contained problems in regard to inventories. In the 14 examinations, eight problems were in the required category. The specific topics dealt with in the broader classification of inventories and the test(s) in which they appeared were: (1) valuation of inventories by the retail method--M-51, N-52, N-53, N-56, N-58, N-59, M-61, N-61; (2) valuation of inventories under the LIFO method--M-55, N-57, N-61; (3) valuation of inventories by the lower of cost or market--N-58, N-60; (4) valuation of repossessed and traded-in merchandise--N-53, N-59; (5) valuation of waste materials and inventory shortage--N-57, M-62; (6) preparation of adjustments to ending inventories--M-57, N-59; and (7) conversion of inventories to receivables--N-60.

Fixed assets.--Nine of the 24 examinations included accounting practice problems pertaining to fixed assets. In the nine examinations, nine problems were in the required category and three were in the elective category. The specific topics included in this area and the test(s) in which they appeared were: (1) assignment of cost to assets--M-53, N-56, N-57; (2) recording purchase and sale of assets--N-54,

N-55, N-58, M-61, N-61; and (3) computation of depreciation--N-55, N-56, N-58.

Ownership equities.--Accounting practice problems that pertained to the maintenance of ownership equity accounts appeared in nine of the 24 CPA examinations. In the nine examinations ten problems appeared in which eight problems were included in the required category and two were included in the elective category. The specific topics under the classification of ownership equities and the test(s) in which they appeared were: (1) valuation of stock and stock rights--N-51, N-57, M-62, N-62; (2) recording of a reorganization--N-52; (3) treatment of stock dividends--N-56, N-60; (4) presentation of equity accounts in financial statements--N-57; and (5) corrections in retained earnings--N-58, M-62, N-62.

Investments.--Eight of the 24 CPA examinations included in this study presented accounting practice problems which dealt with the maintenance of investment accounts. Of the eight accounting practice problems presented, four were included in the required category and four were included in the elective category. The specific topics dealt with in this area and the test(s) in which they appeared were:

(1) determination of required deposits to funds--N-52, M-54, N-59; (2) determination of maturity values of notes and annuities--M-55; and (3) determination of gains, losses, and income on investments--N-54, N-57, N-61, N-62.

Receivables.--This study reveals that nine of the 24 examinations included treatment of this item. In the nine CPA examinations, nine problems were in the required category and three appeared in the elective category. The specific topics dealt with in the broader classification of receivables and the test(s) in which they appeared were: (1) determination of amounts receivable on fire loss--M-51, M-55, M-61; (2) determination of amounts receivable on installment contracts--M-54, M-61, N-61; (3) determination of unbilled revenues under cycle billing--N-56; (4) determination of unbilled revenues on work-in-process contracts--M-57; (5) determination of unbilled revenues on job service contracts--M-58; (6) conversion of inventories to receivables--N-60; (7) treatment of assignment of accounts--M-55; and (8) determination of allowance for bad debts--M-61.

Liabilities and unearned revenue.--This investigation reveals that nine of the 24 examinations included in this study presented problems in regard to liabilities and unearned revenue. Eight problems were included in the required category and one was included in the elective category. The specific topics dealt with in the broader classification of liabilities and unearned revenue and the test(s) in which they appeared were: (1) computation of current liabilities--N-51, N-60; (2) recording the sale and the retirement of bonds--M-52, M-57; (3) determination of estimated liabilities--M-55, M-62; (4) determination of liabilities on deferred compensation

plan-M-60; and (5) computation of unearned revenue on real estate and installment sales--N-57, N-59.

Cash.--Each of three of the 24 examinations included in this study contained a problem dealing specifically with the accounting treatment of cash. In one case--N-58, the problem involved preparation of a schedule of cash collections. In the other two examinations--M-60 and M-61, the emphasis was upon preparation of a bank reconciliation with adjusting entries. All problems were in the required category.

Intangible assets.--Accounting practice problems that pertained to the maintenance of intangible asset accounts have appeared in two of the 24 examinations. Two of the three problems dealt with goodwill and were included in the required category. The other problem dealt with leasehold improvements and was included in the elective category. The specific topics involved the computation of goodwill--N-53, M-58; and the valuation of leasehold improvements--M-58.

Prepaid expenses and deferred charges.--Three of the 24 CPA examinations presented problems which dealt with the treatment of prepaid expenses and deferred charges. Two problems were included in the required category and the other one in the elective category. The specific topics dealt with in these areas and the test(s) in which they appeared were: (1) amortization of bond expenses--M-53; (2) computation of

deferred royalties--N-60; and (3) determination of coverage under co-insurance policy--M-59.

Cost Accounting

The subject matter content of CPA examination problems included in this study, that pertains specifically to cost accounting, is classified into three groups dealing with: (1) determination of costs, (2) cost techniques, and (3) miscellaneous. Cost problems have appeared in 23 of the 24 CPA examinations analyzed.

Determination of costs.--This investigation reveals that 16 of the 24 examinations included problems that dealt with the determination of costs. In the 16 examinations, nine problems were included in the required category and nine were in the elective category. The specific topics under the broader classification of determination of cost and the test(s) in which they appeared were: (1) determination of cost under a process system--N-51, N-52, M-53, M-54, N-55, M-56, N-56, N-58, M-59, N-60, N-61, M-62, N-62; (2) determination of cost under standard cost techniques--M-56, M-58; (3) determination of cost under direct cost techniques--M-62; and (4) determination of cost of cutting timber under Sec. 631 (a) IRC--N-54.

Cost techniques.--Eight of the 24 CPA examinations included in this study contained problems which pertained to cost techniques. Two problems were included in the required

category and six were included in the elective category. The specific topics presented in this area and the test(s) in which they appeared were: (1) analysis of variances under estimated cost techniques--M-52; (2) analysis of variances under standard cost techniques--N-54, M-56, M-57, M-58, M-61; and (3) analysis of gross profit--N-57, N-61.

Miscellaneous.--Accounting practice problems which were classified in the miscellaneous area appeared in six of the 24 examinations covered in this study. Three problems were included in the required category and three were included in the elective category. The specific topics presented under the classification of miscellaneous problems and the test(s) in which they appeared were: (1) treatment of elements of cost--M-51, M-55; (2) preparation of standard cost budget--M-60; and (3) determination of break-even point--M-52, M-57, M-62.

Federal Tax Accounting

The subject matter content of CPA examination problems included in this study, that pertains specifically to federal tax accounting, is classified into three groups dealing with: (1) individual tax returns, (2) partnership tax returns, and (3) corporation tax returns. Federal tax accounting problems appeared in 23 of the 24 CPA examinations analyzed.

Individual tax returns.--This study reveals that 18 of the 24 examinations included elements of accounting practice problems that dealt with individual income tax returns. In the 18 examinations, 19 problems were included in the required category. One of two topics dealt with under the classification of individual income tax returns and the test(s) in which it appeared was the preparation of a federal income tax return--N-52, M-55, M-56, M-58, M-60. The other topic this area and the test(s) in which it appeared was the treatment of federal income tax data--M-51, N-51, M-52, N-53, M-54, N-55, M-57, M-59, N-60, M-61, N-61, M-62, and N-62. The specific topics included under the treatment of federal income tax data were: the treatment of income, deductions, exemptions, business gains and losses, capital gains and losses, adjusted basis of property, filing of a return, filing of a declaration of estimated tax, and other topics of a miscellaneous nature.

Partnership tax returns.--Four of the 24 CPA examinations presented problems that involved the treatment of partnership income tax returns. Each of the examinations contained one problem in the required category. One of the two topics presented and the test(s) in which it appeared dealt with the preparation of a federal income tax return for a partnership--M-53, N-56, M-58. The other topic dealt with in this area and the test in which it appeared was the treatment of income tax data--M-61.

Corporation tax returns.--Accounting practice problems that pertained to corporation income tax returns appeared in 11 of the 24 CPA examinations included in this study. In the 11 examinations, 12 problems were in the required category and three were in the elective category. The treatment of federal income tax data was the specific topic included in the N-55, N-58, M-59, M-61, N-61, M-62 examinations. The other of two topics dealt with and the test(s) in which it appeared was the determination of federal income tax liabilities or the preparation of the federal income tax return for the corporation--M-56, N-57, N-58, M-59, N-59, M-60, N-60, M-62.

Financial Statements

The subject matter content of CPA examination problems included in this study, that pertains specifically to financial statements, dealt with either the preparation of accounting statements or statement recognition of income and expenses. Each of the 24 examinations analyzed contained problem(s) relating to financial statements.

Preparation of accounting statements.--This investigation reveals that 23 of the 24 examinations presented problem(s) that involved the preparation of accounting statements. In the 24 CPA examinations there were 49 problems with 32 in the required category and 17 in the elective category. The specific topics under the broader classification of

preparation of accounting statements and the test(s) in which they appeared were: (1) preparation of accounting and audit worksheets--M-51, N-53, M-54, N-54, M-56, N-59, M-60, N-60; (2) preparation of operating statements--M-51, M-54, N-55, M-58, N-59, M-60, M-61, N-61, N-62; (3) preparation of financial statements--M-54, M-55, N-55, M-56, M-58, M-60, N-62; (4) preparation of retained earnings statements--N-55, M-60, M-61, N-62; (5) preparation of sources and application of funds statements--N-51, N-52, M-54, N-55, N-56, N-59, M-61; (6) preparation of cash budgets--N-55, M-58, M-59, N-59, N-60, N-62; (7) preparation of statements of realization and liquidation--N-52, M-53, N-54, N-61; (8) preparation of statements of consolidation--M-52, M-53, M-54, N-54, M-55, M-56, N-56, M-57, N-58, M-59, N-61; and (9) preparation of charge and discharge statement--N-62.

Statement recognition of income and expenses.--Seven of the 24 examinations included in this study presented accounting practice problems that involved the recognition of income and expenses. In the seven CPA examinations, nine problems were presented with four in the required category and five in the elective category. The specific topics presented and the test(s) in which they appeared were: (1) recognition of income on installment contracts--N-53, M-54, N-60, M-62; (2) determination of sales price--N-53, N-56, M-57; and (3) preparation of adjustments to earnings--N-53, M-58.

Home and Branch Office Accounting

The subject matter content of CPA examination problems included in this study, that pertains specifically to home and branch office accounting, appeared in five of the 24 examinations. Three problems were in the required category and two were in the elective category. The specific topics under home and branch office accounting and the test(s) in which they appeared were: (1) preparation of adjustments to home and branch office accounts--M-52, M-53, M-56, M-59; (2) reconciliation of reciprocal accounts--M-52, M-53, M-56; and (3) preparation of worksheet for consolidated statements--N-57.

Municipal and Institutional Accounting

The subject matter content of CPA examination problems included in this study, that pertains specifically to municipal and institutional accounting, appeared in 20 of the 24 examinations. One problem was presented in each of the 20 examinations. Nineteen accounting practice problems were included in the elective category and one was in the required category. The specific topics dealt with the preparation of statements and/or entries for the different municipal and institutional funds. The topics included and the test(s) in which they appeared were: (1) general fund--N-52, N-53, M-54, N-58, M-59, M-60, M-61, N-61, M-62, N-62; (2) utility fund--M-56, N-57, N-58, N-60; (3) special revenue fund--M-51, N-51,

N-54; (4) sinking fund--N-51, M-60; (5) bond fund--M-58, M-60; (6) working capital fund--M-57, M-59; (7) special assessment fund--N-58; (8) property fund--N-55; and (9) combined funds--N-52, N-53, N-55, N-59.

Partnership Accounting

The subject matter content of CPA examination problems presented in this investigation, that pertains specifically to partnership accounting, appeared in 16 of the 24 examinations. In the 16 examinations, 15 problems were in the required category and five problems were in the elective category. The specific topics under the broader classification of partnership accounting and the test(s) in which they appeared were: (1) preparation of partnership statements and/or distribution of earnings--M-51, M-52, N-55, N-57, M-58, M-59, N-59, N-60, M-62, N-62; (2) treatment of assets in partnership liquidations--N-53, N-55, N-56, N-57, M-58, M-59, N-60, M-61; (3) admission of partners--N-55; and (4) operation of a joint venture--N-58.

Miscellaneous and/or Overlapping Areas

Nine CPA examinations contained problems that were not adaptable to the foregoing classifications. In the nine examinations, nine problems were in the required category and one problem was in the elective category. The various topics included were the preparation of adjustments to accounts, preparation of entries to summarize transactions from debit

and credit totals, preparation of statements from single entry systems, preparation of ratios and analyses, and other miscellaneous topics.

Because of multiple topics, the number of examinations listed in the foregoing information exceeds the total number of problems devoted to the accounting practice in CPA examinations included in this study

Theory of Accounts

One section of the four specified for the CPA examination is used to administer the one on theory of accounts. This section is similar to the accounting practice section. One topic, price-level accounting, was included in the classification of problems in theory of accounts and home and branch office accounting was omitted. Table II reveals the nature of problems in regard to theory of accounts. Eight kinds of problems are indicated and the extent to which problems were required or elective. In the 24 examinations studied, an average of 56.6 per cent of the problems on theory of accounts were in the required category. From the elective category of problems, solutions were required to an average of 70.2 per cent of the problems presented.

Maintenance of Accounts

The subject matter content of CPA examination problems that pertains specifically to the maintenance of accounts is indicated in the tabulation below. The amount of time in

TABLE II
NATURE OF THEORY OF ACCOUNTS PROBLEMS IN CPA EXAMINATIONS

Accounting Theory Subject Matter	1951		1952		1953		1954		1955		1956		1957		1958		1959		1960		1961		1962		Totals																										
	May	November	May	November	May	November	May	November	May	November	May	November	May	November	May	November	May	November	May	November	May	November	May	November	Required	Elective	Grand Total																								
	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective																									
Maintenance of accounts	66	52	-	130	37	31	52	31	-	182	-	159	40	133	25	99	60	62	53	31	68	50	80	80	85	70	50	54	90	120	24	80	105	175	34	85	30	60	50	75	-	135	-	185	-	77	-	1572	1583	3155	
Cost accounting	-	-	-	26	25	-	21	31	-	26	-	42	-	35	-	27	27	-	-	50	-	-	-	-	-	-	-	37	-	-	20	-	-	-	30	-	20	-	-	-	-	-	35	-	213	239	452				
Federal tax accounting	-	-	-	-	-	-	31	-	26	-	25	-	37	-	33	-	-	-	22	-	-	40	-	-	-	-	-	37	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22	229	251			
Financial statements	-	52	-	52	83	-	52	-	26	-	75	-	37	50	33	25	70	35	31	-	12	-	20	-	35	30	64	30	-	30	40	20	-	-	-	60	20	-	90	-	55	-	-	-	67	-	587	607	1194		
Municipal accounting	-	26	-	-	-	31	-	-	26	-	-	-	-	-	-	27	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10	-	-	-	-	10	110	120				
Partnership accounting	-	-	-	-	-	21	-	-	-	-	-	-	-	-	-	-	-	-	20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	41	-	41					
Price level accounting	-	-	-	-	31	-	-	-	-	-	-	-	-	-	-	25	-	-	35	-	-	-	-	-	35	-	-	-	-	-	-	-	35	-	-	35	-	-	-	-	-	-	-	-	66	35	161				
Miscellaneous and/or overlapping areas	37	-	-	52	-	-	-	-	-	-	-	30	-	-	-	-	-	93	-	12	30	-	20	-	-	-	-	-	-	55	-	70	-	35	-	25	25	45	-	20	-	15	-	30	-	342	252	594			
Totals	103	130	-	260	176	62	146	93	-	286	-	301	70	207	110	165	85	186	115	155	110	149	110	140	105	140	80	192	120	120	129	120	70	175	175	69	150	90	160	75	210	-	210	-	210	-	209	-	2853	3115	5968

*minutes allowed each kind of problem

minutes devoted to each topic, and the number of problems on theory of accounts dealing with each topic, are also indicated in the tabulation.

<u>Accounts</u>	<u>Minutes Allowed</u>	<u>Number of Problems</u>
Fixed assets	770	30
Inventories	716	27
Ownership equities	529	20
Liabilities and unearned revenue	375	14
Investments	270	9
Intangible assets	261	8
Receivables	122	5
Prepaid expenses and deferred revenue	112	4

Because of multiple topics, the number of problems on theory of accounts listed in the foregoing information exceeds the total number of problems devoted to the maintenance of accounts on CPA examinations included in this study.

Fixed assets.--This study reveals that 21 of the 24 examinations contained problems in regard to fixed assets. In the 21 examinations, 20 problems were in the required category and 10 were in the elective category. The specific topics under the broader classification of fixed assets and the test(s) in which they appeared were: (1) assignment of cost to fixed assets--M-52, N-52, N-54, N-55, M-56, N-56, N-57, M-58, N-58, M-59, M-61, M-62; (2) preparation of entries to record purchase of assets--N-53, M-57; (3) valuation of assets by replacement cost method--N-53, N-56, M-62; (4) treatment of depreciation by straight-line method, units of output method, sum-of-the-year-digits method, of emergency facilities, of assets not in use, composite life methods, and

replacement method--M-51, M-54, M-55, M-62, N-62; (5) effects of depreciation upon cash reserves--N-56, N-57; and (6) miscellaneous topics--N-51, M-52, N-53, M-55, N-59.

Inventories.--Nineteen of the 24 CPA examinations included theory of accounts problems that pertain to inventories. In the 19 examinations, 18 problems were in the required category and nine problems were in the elective category. The specific topics included in this area and the test(s) in which they appeared were: (1) assignment of cost--M-51, M-58, M-59, M-61, N-62; (2) valuation of inventories upon firm reorganizations, traded-in and repossessed, and raw materials--M-51, M-53, M-56, N-56, N-57; (3) use of retail method, market value method, lower of cost or market method, LIFO method, and specific identification method of valuation--M-52, N-53, M-55, N-55, N-57, M-61, N-62; (4) treatment of consignments in and consignments out--M-53; (5) treatment of discounts lost--M-54; and (6) valuation of assets by replacement cost method--N-60.

Ownership equities.--Problems in theory of accounts that pertained to the maintenance of ownership equity accounts appeared in twelve of the 24 CPA examinations. In the twelve examinations, eight problems were covered in the required category and twelve were in the elective category. The specific topics under the classification of ownership equities and the test(s) in which they appeared were: (1) treatment of stockholders' contributions--M-53, M-57,

N-59, N-60; (2) treatment of appropriated earnings--M-53, N-56, N-59, N-61, N-62; (3) treatment of dividends--M-54, N-54, N-57, N-60, N-62; (4) determination of earnings per share--N-59; (5) accounting procedures for stock options--N-52, N-61; (6) statement presentation of the equity section--N-59; and (7) purpose of quasi-reorganization--M-62.

Liabilities and unearned revenue.--This investigation reveals that eight of the 24 examinations included in this study presented problems in regard to liabilities and unearned revenue. In the eight examinations, five problems were in the required category and nine problems were in the elective category. The specific topics dealt with under the broader classification of liabilities and unearned revenue and the test(s) in which they appeared were: (1) recording of current tax liabilities--M-51, N-51, N-61; (2) recognition of deferred and contingent liabilities--M-57, M-59, N-59, M-60; (3) recording non-current liabilities--N-59, M-60, N-61; (4) recording unearned revenue--N-56; (5) statement presentation of current and non-current liabilities--M-51, N-59, M-60; and (6) statement presentation of unearned revenue--N-56.

Investments.--Seven of the 24 CPA examinations included in this study presented problems in theory of accounts that dealt with the maintenance of investment accounts. In the seven examinations, four problems were included in the required category and five were in the elective category. The specific topics in this area and the test(s) in which

they appeared were: (1) recording establishment of pension fund--M-56, N-56, N-58; (2) recording investments in subsidiary--M-57, N-60; (3) valuation of investments--M-57, M-61; (4) determination of rate of return on investments--M-58, N-58; and (5) statement presentation of investments--N-58, M-61.

Intangible assets.--This study reveals that eight of the 24 examinations included treatment of this item. Each examination of the eight contained one problem. The required category presented three while the elective category contained five. The specific topics under the broader classification of intangible assets and the test(s) in which they appeared were: (1) determination of goodwill--N-51, M-59, N-59; (2) treatment of research costs--M-54, N-54; (3) treatment of leasehold cost--N-61; (4) amortization of intangible assets--M-62; and (5) statement presentation of lease and leasehold improvements--N-53.

Receivables.--Problems in theory of accounts that pertained to the maintenance of receivable accounts appeared in five of the 24 examinations. Four problems were in the required category and one was in the elective category. The specific topics in this area and the test(s) in which they appeared were: (1) treatment of accounts receivable assigned--M-58; (2) treatment of discount on sales--M-56; (3) determination of estimated bad debts--M-53; (4) valuation of

receivables--N-60, and (5) statement presentation and captions for receivables--N-51, M-58.

Prepaid expenses and deferred charges.--Each of four of the 24 examinations included in this study contains a problem dealing specifically with accounting treatment of prepaid expenses and deferred charges. The first--N-52, the problem involved the treatment of financing cost. The second and third--M-53, N-55, the treatment of insurance premiums was considered. The fourth examination--M-58, the treatment and statement presentation of prepaid rent was included. Each category of required and elective problems contained two problems.

Cost Accounting

The subject matter content of CPA examination problems included in this study, which pertains specifically to cost accounting, is classified into three groups dealing with: (1) determination of costs, (2) application of overhead, and (3) miscellaneous. Cost theory problems have appeared in 14 of the 24 CPA examinations analyzed.

Determination of costs.--This study reveals that six of the 24 examinations included problems that dealt with the determination of costs. Three problems were in the required category and two were in the elective category. The specific topics under the broader classification of determination of cost and the test(s) in which they appeared were:

(1) valuation of inventories by direct cost--N-51, M-53, N-62; (2) assignment of cost to spoiled goods--M-52, N-52; and (3) assignment of cost to raw materials--M-58.

Application of overhead.--Five of the 24 CPA examinations included in this study contained problems that pertained to the application of overhead. Only one problem was included in the required category while five were in the elective category. The specific topics presented in this area and the test(s) in which they appeared were: (1) treatment of overhead methods--N-52, N-54, N-60; (2) treatment of depletion--N-52; and (3) treatment of levels of capacity--M-56, N-57.

Miscellaneous.--Problems in theory of accounts that are classified in the area of miscellaneous problems appeared in four of the 24 examinations covered in this study. Three problems were in the elective category and one was in the required category. The specific topics involved under the classification of miscellaneous problems and the test(s) in which they appeared were: (1) treatment of joint and by-products--N-53, M-60; (2) treatment of cost variances--M-55; and (3) stabilization of production and inventories--M-56.

Federal Tax Accounting

The subject matter content of CPA examination problems in the section on theory of accounts included in this study, that pertains specifically to federal tax accounting,

is classified into three groups dealing with: (1) individual tax returns, (2) corporation tax returns, and (3) basic taxation regulations. Federal tax accounting problems appeared in eight of the 24 CPA examinations analyzed.

Individual tax returns.--Only one of the 24 examinations included in this study contains a problem dealing specifically with the treatment of individual returns. The one problem--N-56, was in the elective category and dealt with the treatment of gifts.

Corporation tax returns.--Problems in sections on theory of accounts which pertain to corporation income tax returns appeared in three of the 24 examinations reviewed. One problem was in the required category and two were in the elective category. The specific topics presented and the test(s) in which they appeared were: (1) computation of excess-profits-tax with credits--N-52; (2) determination of federal income taxes--M-53; and (3) filing of consolidated returns--M-56.

Basic taxation regulations.--This investigation reveals that five of the 24 examinations included basic taxation regulations that pertain to individual, partnership, and corporation returns. All of the problems in this group were in the elective category. The specific topics under the classification of basic taxation regulations and the test(s) in which they appeared were: (1) tax regulations in regard to change in methods of pricing inventories--N-53; (2) refunds

under loss carry-back provisions--M-54; (3) treatment of fixed assets to secure tax advantages--N-56; and (4) treatment of various income tax data--N-54, N-57.

Financial Statements

The subject matter content of CPA examination problems included in this study, that pertains specifically to financial statements, is classified into three groups dealing with: (1) nature, purpose, preparation, and interpretation of financial statements; (2) statement recognition of income and expenses; and (3) statement disclosure. Problems in regard to financial statements were presented in 22 of the 24 examinations on the theory of accounts.

Nature, purpose, preparation, and interpretation of financial statements.--This study reveals that 20 of the 24 examinations included problems in theory that dealt with this area of accounting. In the 20 examinations, 15 problems were in the required category and 14 were in the elective category. The specific topics under the broader classification of nature, purpose, preparation, and interpretation of financial statements and the test(s) in which they appeared were:

(1) operating statements--M-51, M-52, M-55, M-58, N-60, M-61, N-61, N-62; (2) financial statements--M-51, N-51, N-52, M-54, N-54, N-60, M-61; (3) consolidated statements--M-51, M-53, N-53, N-54, M-55, M-57, N-58, M-59, M-60, M-61; (4) management statements--N-54, N-62; (5) sources and application of funds

statements--N-57, M-61; and (6) statements of realization and liquidation--M-55, N-60.

Statement recognition of income and expenses.--Nine of the 24 examinations included in this study presented theory problems that involved the recognition of income and expenses. The nine examinations included six problems in the required category and four problems in the elective category. The specific topics presented and the test(s) in which they appeared were: (1) recognition of income on installment contracts--M-52, N-58, M-61, N-62; (2) recognition of income on percentage of completion contracts--N-53, M-56; and (3) other topics--N-55, N-57, N-61, N-62.

Statement disclosure.--Problems in theory of accounts that pertain to statement disclosure appeared in seven of the 24 CPA examinations. Three problems were in the required group and four problems were in the elective group. The specific topics dealt with and the test(s) in which they appeared were: disclosure of purchase commitments, market decline of inventories, methods of pricing inventories, change in depreciation methods, contingent liabilities, starting-up losses, and lease options--N-51, N-52, M-55, N-56, N-57, M-60, M-61.

Municipal and Institutional Accounting

The subject matter content of CPA examination problems included in this investigation, that pertains specifically

to municipal and institutional accounting, appeared in five of the 24 examinations. Each of the five examinations contained one problem in this area. One problem was in the required category and four problems appeared in the elective category. The specific topics under the broader classification of municipal and institutional accounting and the test(s) in which they appeared were: (1) the effects of bond retirement and depreciation upon budget preparation--M-51; (2) kinds of funds and theory of fund accounting--M-52; (3) accounts found in the municipal funds--M-53, M-62; (4) recognition of revenue from taxes--M-52; and (5) use of the term "surplus" in municipal statements.

Partnership Accounting

The subject matter content of CPA examination problems presented in this study, that pertains specifically to partnership accounting, appeared in two of the 24 examinations. Each of the two examinations contained a theory problem in this area. Both problems were in the required category. In one case--N-52, the problem involved the admission of a new partner into the partnership organization. In the other--M-56, the emphasis was the division of liquidation losses upon partnership dissolution.

Price Level Accounting

The subject matter content of CPA examination problems presented in the section on theory of accounts, that

pertains specifically to price level accounting, appeared in five of the 24 examinations. Two problems were in the required category and three were in the elective category. One of the two topics covered in this area and the tests in which it appeared was the use of price level indexes--M-56, M-57, N-59, N-60. The other topic was the determination of non-current dollar items on statements which appeared in M-52.

Miscellaneous and/or Overlapping Areas

Fifteen CPA examinations contained theory problems that were not adaptable to the foregoing classifications. In the 15 examinations, 14 problems were in the required category and nine were in the elective category. The various topics included were the use of double-entry bookkeeping system, definition of terms, and charges against interest and principal in trust accounting, treatment of distributions to venturers under the renegotiation act of 1951, and various problems with three or more overlapping topics.

Because of multiple topics, the number of examinations listed in the foregoing exceeds the total number of problems devoted to theory of accounts in CPA examinations included in this study.

Auditing

One session of the five specified for the CPA examination is used to administer the section on auditing. The treatment of subject matter content in auditing examinations

is unlike that in the examinations on theory of accounts and accounting practice. The emphasis in auditing examinations has been one of an analytical nature rather than one of a mechanical nature. Table III reveals the nature of problems in the auditing sections of the CPA examinations included in this study. Eight kinds of problems are indicated and the extent that problems were either required or elective. In the 24 examinations studied, an average of 74.2 per cent of the problems in auditing were in the required category. From the elective category of problems, solutions were required to an average of 72.5 per cent of the problems presented.

Audit of Accounts

The subject matter content of CPA examination problems that pertains specifically to the audit of accounts is indicated in the tabulation below. The amount of time in minutes devoted to each topic, and the number of auditing problems dealing with each topic, are also indicated in the tabulation.

<u>Accounts</u>	<u>Minutes Allowed</u>	<u>Number of Problems</u>
Inventories and costs	799	29
Liabilities and payrolls.	648	25
Cash.	513	18
Receivables and sales	429	15
Fixed assets.	292	10
Investments and related income.	234	7
Prepaid expenses and deferred charges	218	9
Intangible assets	124	5
Ownership equities.	103	4

TABLE III

NATURE OF AUDITING PROBLEMS IN CPA EXAMINATIONS

Auditing Subject Matter	1951		1952		1953		1954		1955		1956		1957		1958		1959		1960		1961		1962		Totals																								
	May	November	May	November	May	November	May	November	May	November	May	November	May	November	May	November	May	November	May	November	May	November	May	November	Required	Elective	Grand Total																						
	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective																					
Audit of accounts	125	-	160	-	99	-	130	-	128	-	143	48	105	131	60	100	-	240	138	-	25	110	45	96	-	87	114	-	40	111	90	120	95	-	95	105	100	-	160	-	155	-	95	-	112	-	2185	1177	3362
Audit reports	-	-	-	-	21	-	25	-	-	-	52	-	-	-	-	-	37	-	40	-	-	-	45	-	25	25	-	64	-	-	-	-	30	-	-	-	35	-	30	-	50	-	-	-	368	141	509		
Basic concepts	44	-	-	-	31	-	-	-	-	-	35	-	18	-	-	-	-	-	-	-	-	-	24	-	25	-	-	-	60	-	-	-	25	-	-	25	-	-	-	-	35	35	-	273	114	387			
Ethics and legal responsibilities	-	-	10	-	-	-	16	-	-	-	-	-	-	25	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20	-	25	-	30	35	37	-	175	35	210			
Internal controls	37	-	37	-	31	-	31	-	25	-	13	-	-	-	35	-	-	-	-	25	-	-	-	-	-	40	12	-	32	35	-	-	25	-	15	-	30	-	-	-	-	-	-	-	366	57	423		
Special investigations	-	-	-	-	-	-	-	-	-	-	35	-	-	-	-	-	-	-	50	-	24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	109	109	
Working papers	-	-	-	-	-	-	-	-	-	-	22	-	-	-	-	-	-	-	-	50	-	24	-	-	-	-	-	-	-	-	-	-	20	-	-	-	-	-	-	-	-	-	25	-	67	24	91		
Miscellaneous and/or overlapping areas	-	-	-	-	25	-	21	-	37	-	26	-	-	30	50	-	-	-	38	-	50	-	-	45	-	-	32	-	-	30	-	15	-	30	-	20	-	-	-	-	-	-	-	305	138	443			
Totals	206	-	207	-	207	-	206	-	234	105	140	149	90	210	-	49	240	210	-	50	240	90	168	110	149	114	128	135	111	120	120	210	-	140	105	210	-	210	-	175	70	209	-	3739	1795	5534			

*Minutes allowed each kind of problem

Because of multiple topics, the number of auditing problems listed in the foregoing information exceeds the total number of problems devoted to the audit of accounts on CPA examinations included in this study.

Inventories and cost.--This study reveals that 20 of the 24 examinations contained problems in regard to inventories. In the 20 examinations, 16 problems were in the required category and 13 problems were in the elective category. The specific topics under the broader classification of inventories and the test(s) in which they appeared were:

(1) audit procedures for regular inventories, parts, raw materials, consignments, inventories in warehouses, work-in-process, and inventories priced at retail--N-51, N-52, M-53, N-53, M-54, N-54, M-55, N-55, M-56, N-56, M-57, N-57, N-58, M-59, N-59, M-60, N-60, M-61, M-62, N-62; (2) audit procedures for cost--N-55, M-57, M-62; (3) inventory certificates--M-53; and (4) evaluation of internal controls over inventories and cost--N-55, N-60.

Liabilities and payrolls.--Sixteen of the examinations included auditing problems that pertain to liabilities and payrolls. In the 16 examinations, 19 problems were in the required category and six problems were in the elective category. The specific topics included in this area and the test(s) in which they appeared were: (1) audit procedures for current liabilities, taxes, and royalties--M-51, N-52, N-53, M-54, N-54, N-55, M-56, M-59, M-60, M-61, N-61;

(2) audit procedures for payroll accounts--N-51, M-52, N-53, M-54, N-55, M-60, M-61, N-61; (3) audit procedures for contingent liabilities--M-55, M-58; (4) audit procedures for long-term liabilities--N-59; and (5) evaluation of internal controls--N-55, M-60, M-61, N-61.

Cash.--Auditing problems that pertain to the audit of cash accounts appeared in 15 of the 24 CPA examinations included in this study. In the 15 examinations, 11 problems were in the required category and seven problems were in the elective category. The specific topics under the classification of cash and the test(s) in which they appeared were:

(1) audit procedures for cash in bank--M-53, N-54, M-57, N-57, N-58, M-59, M-61; (2) audit procedures for petty cash--N-52, M-56, M-57; (3) audit procedures for cash in transit--M-51, N-60; (4) audit procedures for cash receipts--N-51, M-54, M-57, N-57, M-62; and (5) evaluation of internal controls over cash--M-59, M-62, N-62.

Receivables and sales.--This investigation reveals that 11 of the 24 CPA examinations considered the treatment of receivables and sales. In the 11 examinations, 10 problems were in the required category and five problems were in the elective category. The specific topics in this area and the test(s) in which they appeared were: (1) audit procedures for notes receivable--N-51, N-53, M-62; (2) audit procedures for accounts receivable--M-53, M-55, N-55, M-58, M-59, M-60, M-61, N-61; (3) audit procedures for royalties

receivables--M-56; (4) audit procedures for sales and fees--N-55, M-59; and (5) evaluation of internal controls over receivables and sales--N-55.

Fixed assets.--Nine of the 24 examinations included in this study presented problems that dealt with the audit of the fixed asset accounts. In the nine examinations, six problems were in the required category and four problems were in the elective category. One of the topics covered and the tests in which it appeared was the audit procedures for machinery, equipment, buildings, and land--M-52, M-53, N-53, N-56, M-57, M-59, N-61, M-62. The other topic covered and the tests in which it was presented was the audit procedures for earnings from leased equipment--N-56, N-59.

Investments and related income.--Auditing problems that involved the treatment of investments and related income appeared in six of the 24 CPA examinations included in this study. Five problems were included in the required category and two were presented in the elective category. The five examinations--M-52, N-54, M-56, N-58, M-59, N-62--presented only one topic which was the audit procedures for investments and related income.

Prepaid expenses and deferred charges.--This study reveals that 8 of the 24 examinations included auditing problems in regard to prepaid expenses and deferred charges. Eight problems were presented in the required category and one was included in the elective category. The specific

topics under the broader classification of prepaid expenses and deferred charges and the test(s) in which they appeared were: (1) audit procedures for prepaid insurance--N-51, N-52, M-58, N-60, N-61; (2) audit procedures for prepaid rent--N-58; and (3) audit procedures for other prepaid and deferred items--N-54, M-59, N-61.

Intangible assets.--Five of the 24 CPA examinations included in this study presented problems in this area. Three problems were in the required category and two problems were in the elective category. The specific topics in this area and the test(s) in which they appeared were: (1) audit procedures for leases and leasehold improvements--M-53, N-57; (2) audit procedures for patents--N-59, M-60; and (3) audit procedures for secret formulae--N-52.

Ownership equities.--Auditing problems that involved the treatment of ownership equities appeared in four of the 24 CPA examinations. All problems were presented in the required category. Three problems dealt with corporation accounting and were in regard to audit procedures for stock issued--M-51, audit procedures for retained earnings--N-51, and statement presentation of stock dividends--M-55. The other problem--M-51--was the preparation of a worksheet for the distribution of earnings in a partnership.

Audit Reports

The subject matter content of CPA examination problems included in this study, that pertains specifically to audit reports, is classified into two groups dealing with: (1) preparation of audit reports and (2) preparation of exhibits to audit reports.

Preparation of audit reports.--This investigation reveals that 13 of the 24 examinations contain problems that pertain to the preparation of audit reports. In the 13 examinations, 12 problems were in the required category and four problems were in the elective category. The specific topics under the broader classification of preparation of audit reports and the test(s) in which they appeared were: (1) preparation of short-form report with unqualified opinion--M-52, N-57, N-58, N-61; (2) preparation of short-form report with qualified opinion--M-52, N-55, M-57, N-57, N-59, M-61, N-61; (3) preparation of short-form report where opinion is withheld--N-52, N-53, N-55, N-60, N-61, M-62; and (4) preparation of long-form report--M-56, N-58.

Preparation of exhibits to audit reports.--Five of the 24 examinations included problems that dealt with the preparation of exhibits to the audit reports. Each of five examinations presented one problem. The required category contained three problems and the elective category contained two problems. Four examinations--M-57, N-57, N-60, M-62--involved disclosure in the financial statements. The other--

N-52--involved the treatment of exhibits in the audit report for a municipality.

Basic Concepts

The subject matter content of CPA examination problems included in this investigation, that pertains specifically to basic concepts appeared in 12 of the 24 examinations. In the 12 examinations, 11 problems were in the required category and four problems in the elective category. The specific topics under the broader classification of basic concepts and the test(s) in which they appeared were: (1) auditing standards and procedures--M-51, N-57; (2) generally accepted principles of accounting--N-58; (3) application of consistency"--M-54; (4) significance of "cut-off"--N-54; (5) determination of the cost of an audit--N-58; (6) inquiries of non-accounting officers--M-52; (7) use of budgetary controls, statistical sampling, and confirmations--N-56, M-57, N-59, M-62; (8) testing of vouchers--N-60; (9) verification of posting accuracy--M-51; (10) verification of income and expenses--M-51; and (11) relationship of independent and internal auditing--N-62.

Ethics and Legal Responsibilities

The subject matter content of CPA examination problems included in this study, that pertains specifically to ethics and legal responsibilities, appeared in eight of the 24 examinations. In the eight examinations, nine problems were in the required category and one problem was in the

elective category. Five examinations--N-51, M-53, M-55, M-62, N-62--dealt with ethics and specifically considered the treatment of contingent fees, supervision of work, advertising, confidential relationship, solicitation of employees of another CPA, title of firm, competitive bidding, and opinions of pro forma statements. The other examinations involved the legal responsibility of the CPA and appeared in N-55, M-61, N-61, M-62, N-62.

Internal Controls

The subject matter content of CPA examination problems included in this investigation, that pertains specifically to internal controls, appeared in 14 of the 24 examinations. In the 14 examinations, 13 problems were in the required category and three problems were in the elective category. The specific topics under the broader classification of internal controls and the test(s) in which they appeared were: (1) general controls--M-55, N-56, N-58, N-59, M-60; (2) budget controls--M-52; (3) controls over cash--M-51, M-52, N-52, M-53, N-53, M-58; (4) controls over receivables and sales--M-51, N-51, M-52, M-58; (5) controls over inventories and costs--M-51, N-51; (6) controls over prepaid items--M-52; (7) controls over investments--N-57, N-60; and (8) controls over payrolls--M-51, N-51, N-57.

Special Investigations

The subject matter content of CPA examination problems presented in this study, that pertains specifically to special investigations, was included in three of the 24 examinations. Each of the three examinations contained one problem. All problems were in the elective category. The first examination--M-54--dealt with the audit procedures for a special investigation of the purchasing department. The next examination--N-56--involved the audit procedures for a special investigation in regard to the purchase of a firm. The last examination which considered special investigations appeared in M-57 and dealt with the audit of a firm to be used in acquiring a loan.

Working Papers

The subject matter content of CPA examination problems included in the section on auditing, that pertains to working papers, was covered in four of the 24 examinations. Three problems were in the required category and one was in the elective category. One of the two topics dealt with the content of the permanent file and appeared in M-54 and N-59. The other topic covered the use of working papers and was included in the M-57, and N-62 examinations.

Miscellaneous and/or Overlapping Areas

Thirteen of the 24 CPA examinations contained problems that were not adaptable to the foregoing classifications.

Ten problems were in the required category and four problems were in the elective category. The various topics included were the treatment of events subsequent to the financial statement date, first-year audit procedures, and eight overlapping problems where more than two kinds of classifications were considered in the same problem.

Because of multiple topics, the number of examinations listed in the foregoing exceeds the total number of problems devoted to auditing problems in CPA examinations included in this study.

Business Law

The Board of Examiners specify that one part of the CPA examination be devoted to business law. This section is related only indirectly to accounting and, therefore, some accountants have recommended that it be deleted from future examinations. Table IV reveals the nature of problems in regard to business law and the extent to which the problems were either required or elective. Problems have been included in 16 areas of business law. In the examinations administered in 1951 through 1962, an average of 59.1 per cent of the problems on business law were in the required category. From the elective category of problems, solutions were required to an average of 72.9 per cent of the problems presented.

TABLE IV
NATURE OF BUSINESS LAW IN CPA EXAMINATIONS

Business Law Topics	1951		1952		1953		1954		1955		1956		1957		1958		1959		1960		1961		1962		Totals																								
	May	November	May	November	May	November	May	November	May	November	May	November	May	November	May	November	May	November	May	November	May	November	May	November	Required	Elective	Grand Total																						
	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective	Required	Elective																							
Agency	21*	-	21	-	21	-	21	21	-	-	21	20	-	20	-	-	30	-	12	30	20	-	25	-	281	132	413																						
Billments	-	-	-	-	21	21	-	21	-	-	40	-	26	-	20	-	24	-	27	-	30	-	85	-	206	187	393																						
Bankruptcy	-	21	-	21	-	21	-	21	-	15	-	-	-	24	-	-	-	-	-	30	-	25	-	15	25	55	124	179																					
Contracts	21	21	-	42	-	21	21	21	21	31	20	20	32	18	30	40	39	-	90	15	27	30	24	-	427	595	1022																						
Corporations	21	-	-	21	21	-	21	21	21	-	21	-	20	-	15	-	13	-	14	-	-	-	23	20	397	127	524																						
Insurance	-	-	-	21	-	21	-	-	21	-	-	20	-	30	-	-	20	-	20	-	-	24	-	-	50	157	207																						
Labor	-	-	-	-	-	-	-	-	-	-	20	-	20	-	15	-	-	-	20	-	27	-	-	-	30	162	192																						
Legal responsibility	-	-	-	-	-	-	-	-	-	-	20	-	-	-	-	-	23	-	20	-	20	-	23	-	50	63	113																						
Negotiable instruments	21	42	21	21	21	21	21	21	-	21	21	40	-	15	-	30	-	25	-	20	-	27	-	45	69	26	512	320	832																				
Partnerships	-	21	21	-	-	21	-	21	21	21	-	20	-	20	-	30	20	-	-	27	-	25	-	23	20	290	186	476																					
Personal property	-	-	-	-	-	10	-	-	-	-	-	20	-	-	-	-	-	-	15	-	-	-	-	-	23	40	63																						
Real property	-	21	-	-	31	-	21	-	-	31	-	-	-	-	30	-	26	-	20	-	-	-	-	-	15	73	190	263																					
Sales	21	-	21	-	21	-	21	21	21	-	20	-	15	16	42	-	20	13	-	48	18	81	15	24	23	27	392	277	669																				
Surety	-	21	21	-	21	-	-	-	-	21	-	-	-	-	-	-	-	20	-	-	-	-	-	23	-	30	137	115	252																				
Trade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26	-	-	-	-	-	-	-	-	25	-	74	74																				
Trust	-	-	21	-	21	-	-	21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30	-	45	76	121																				
Overlapping areas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10	-	10																				
Totals	105	147	105	147	105	146	105	147	105	147	105	146	100	140	70	144	90	180	105	156	-	272	100	162	90	168	253	120	150	50	119	120	210	-	210	-	170	60	210	-	209	-	210	-	185	50	2978	2885	5863

*Minutes allowed each subject

Agency

This study reveals that 17 of the 24 examinations contained problems in regard to agencies. In the 17 examinations, 12 problems were in the required category and six problems were in the elective category. The specific topics under the broader classification of agency and the test(s) in which they appeared were: (1) creation of an agency--M-51, M-52, N-56, N-59, M-61, N-62; (2) types of agents--N-51, M-52, N-52, M-55, N-56, M-58, M-59, M-60, M-61, N-62; (3) duties of agents--N-51, M-53, M-54, N-54, M-58, M-60, N-62; (4) duties of principals--N-51, N-52, N-53; (5) liabilities of agents--M-52, M-55, M-61, M-62, N-62; (6) liabilities of principals--N-54, M-58, M-60, M-61, M-62, N-62; (7) powers of agents--M-51, M-54, M-60, M-61, N-62; (8) powers of principals--M-60, M-61, N-62; (9) agents without authority--N-51, N-53, N-56, M-61, N-62; and (10) termination of agencies--M-51, N-51, N-52, M-53, N-53, N-54, M-59, M-61, M-62, N-62.

Bailments

Thirteen of the 24 CPA examinations included business law problems that pertain to bailments. In the 13 examinations, nine problems were in the required category and eight problems were in the elective category. The specific topics included in this area and the test(s) in which they appeared were: (1) nature of bailments--M-61, N-61; (2) types of

carriers--M-52, M-53; (3) rights to refuse service--M-52, M-54, N-62; (4) documents of title--N-52, M-59; (5) liens of common carriers--N-52, M-54; (6) liabilities of carriers--M-52, M-54, M-57, M-58, M-59, M-60, M-61, N-61, N-62; (7) bailments for security--N-55, N-56, M-61, N-62; (8) degree of care--N-56, M-58, N-61; (9) liabilities of hotels--N-56, N-61; and (10) warranties and remedies of mutual benefit bailments--N-56, M-60, M-61, N-61.

Bankruptcy

Problems in business law that pertained to bankruptcy appeared in eight of the 24 CPA examinations. Two problems were in the required category and six problems were in the elective category. The specific topics under the classification of bankruptcy and the test(s) in which they appeared were: (1) origin and definition of bankruptcy--N-60; (2) kinds of bankruptcy--M-51, N-52, M-53, N-60; (3) petition of bankruptcy--M-53, N-54, N-60; (4) acts of bankruptcy--M-51, N-52, N-60, N-61; (5) title to property--M-51, N-52, M-53, N-57, N-60, N-61; (6) recoverable preferences--N-51, M-57, N-60, N-61; (7) rights of creditors--N-51, N-57, N-60; (8) distribution of assets--M-51, N-52, N-54, N-60; (9) discharge of debts--N-51, N-60; and (10) reorganizations--N-54, N-60.

Contracts

This investigation reveals that 23 of the 24 examinations presented problems that dealt with contracts. In the

23 examinations, 19 problems were in the required category and 26 problems were in the elective category. The specific topics considered in the broader classification of contracts and the test(s) in which they appeared were: (1) nature of contracts--M-53, M-54, N-54, M-58, N-58, N-60, M-62; (2) offer and acceptance--M-51, N-52, M-55, M-57, N-58, M-60, M-61, M-62, N-62; (3) consideration--N-54, M-55, M-61, M-62; (4) parties to a contract--N-60; (5) voidable contracts--M-51, N-51, N-52, M-53, N-54, M-56, M-61; (6) unforceable contracts--M-51, N-51, M-52, N-53, M-54, M-55, N-55, M-57, M-58, M-59; (7) void contracts--M-62; (8) performance of contracts--M-51, N-52, N-54, N-56, M-57, N-57, N-58, N-59, M-61, M-62; (9) liability on contracts--M-51, N-53, N-54, N-55, M-56, N-58, N-59, N-60; (10) rights of third parties--N-55, N-57, M-58, N-60, M-61, M-62; and (11) discharge of contracts--M-53, N-53, M-54, M-55, N-56, M-58, M-59.

Corporations

Twenty-one of the 24 CPA examinations included in this study presented problems in business law that dealt with corporations. In the 21 examinations, 16 problems were included in the required category and seven problems were in the elective category. The specific topics in this area and the test(s) in which they appeared were: (1) types of corporations--N-52, M-53, M-58, N-60, M-61, M-62; (2) formation of corporations--M-52, M-53, M-61, M-62, N-62; (3) types of

stock--N-51, N-53, N-58, N-59, M-61, M-62; (4) types of bonds--N-58; (5) rights of stockholders--M-51, N-51, N-53, N-54, N-57, M-58, N-58, N-59, M-61, N-61, M-62; (6) rights of corporations--M-53, N-57, M-61; (7) duties of directors--M-52, N-52, N-54, M-61, N-61, M-62; (8) liabilities of stockholders--N-57, M-60, M-62, N-62; (9) liabilities of corporations--M-51, M-52, N-52, N-54, M-58, M-60, N-60, M-61, M-62, N-62; (10) dissolution of corporations--M-60, M-62; and (11) security act of 1933--M-62.

Insurance

This study reveals that nine of the 24 examinations included the treatment of insurance. Each examination of the nine included contained one problem. The required category presented two problems while the elective category contained seven. The specific topics under the broader classification of insurance and the test(s) in which they appeared were:

- (1) insurance as wagers--M-52; (2) binders--M-52, N-60;
- (3) property insurance--N-51, M-52, M-53, M-54, M-55, N-60, N-61; (4) life insurance--M-53, N-60, N-61; (5) insurable interests--N-51, M-54, M-55, M-56, M-57, N-60, N-61;
- (6) rights to proceeds--N-51, M-54, M-55, M-57, N-61; and
- (7) misrepresentation--N-51, N-61.

Labor

Problems in business law that pertained to labor appeared in eight of the 24 examinations. One problem was in

the required category and seven were in the elective category. The specific topics in this area and the test(s) in which they appeared were: (1) federal unemployment tax act--M-54; (2) federal insurance contributions act--M-54, M-58; (3) fair labor standards act--N-54, N-56, N-58; and (4) state workmen's compensation laws--M-56, M-60.

Legal Responsibility

Each of five of the 24 examinations included in this study contains a problem dealing specifically with the treatment of legal responsibility. Two problems were in the required category and three problems were in the elective category. The topics included and the test(s) in which they appeared were: (1) confidential information--N-54, N-57, N-61; (2) liabilities of accountants--M-56, M-57, N-61; (3) ownership of working papers--N-57; and (4) nature of relationship--N-61.

Negotiable Instruments

This investigation reveals that all of the 24 CPA examinations included in this study contains problem(s) in regard to negotiable instruments. In the 24 examinations, 21 problems were in the required category and 14 problems were in the elective category. The specific topics under the broader classification of negotiable instruments and the test(s) in which they appeared were: (1) types of instruments--M-51, M-52, N-52, N-53, M-54, M-55, N-55, M-57, N-57,

M-60, M-62; (2) creation of instruments--M-51, M-52, M-53, N-53, M-54, N-54, N-56, N-59, M-60, N-60, M-62; (3) negotiation--M-52, N-53, M-55, N-56, M-57, N-57, M-58, N-58, M-59, M-60, N-60, M-61, M-62; (4) defenses--M-51, M-52, M-53, N-53, M-54, M-56, N-56, M-57, N-57, N-58, M-60, N-60, M-61, M-62, N-62, (5) holders in due course--M-51, N-52, N-53, N-54, M-59, N-59, N-60, M-61, M-62, N-62; (6) conditions precedent--N-51, M-52, N-52, N-57, M-58, M-59, M-62; (7) liabilities of primary parties--M-51, N-51, M-52, M-54, M-60, M-62; (8) liabilities of secondary parties--M-55, N-55, N-57, M-59, N-60, M-62, N-62; and (9) discharge of instruments--M-57, M-61.

Partnerships

Twenty of the 24 examinations included in this study presented business law problems that involved partnership. In the 20 examinations, 13 problems were in the required category and eight problems were in the elective category. The specific topics presented and the test(s) in which they appeared were: (1) characteristics of partnerships--M-53, N-53, N-54, M-55, N-56, M-57, M-59, M-60, N-60, N-62; (2) prima facie evidence--N-54, N-57, M-58, M-59, M-60, N-60; (3) partnership property--N-53, N-54, N-55, M-57, N-58, M-60, N-60, N-62; (4) rights of partners--N-51, N-52, N-53, M-54, N-55, N-56, M-60, N-60, N-62; (5) liabilities of partners--M-54, N-56, M-57, M-60, N-61; (6) liabilities of new partners--M-51, M-55, M-58, N-62; (7) liabilities of withdrawing

partners--M-51, M-55; (8) dissolution of partnerships--M-51, N-52, N-53, M-55, N-55, N-56, M-57, M-60, N-60, N-61, N-62; and (9) characteristics of business trust--N-62.

Personal Property

Problems in business law that pertain to personal property appeared in five of the 24 CPA examinations. Two problems were in the required category and three were in the elective category. The topics presented and the test(s) in which they were included were: (1) nature of personal property--M-52, N-61; (2) acquisition of title--M-54, N-61; and (3) liens on personal property--N-59, N-60.

Real Property

The subject matter content of CPA examination problems presented in this study, that pertains specifically to real property, appeared in 11 of the 24 examinations. In the 11 examinations, three problems were in the required category and 10 problems were in the elective category. The specific topics under the broader classification of real property and the test(s) in which they appeared were: (1) nature of real property--M-52, N-60, N-61; (2) acquisition of title--N-52, N-53, M-55, N-55, N-61, M-62; (3) estates in real property--N-55; (4) lateral support--M-55; (5) easements--M-55; (6) liens on real property--N-60, M-62; (7) landlord and tenant--M-51, M-52, N-53, N-55, M-62.

Sales

This study reveals that 23 of the 24 examinations contain problems in regard to sales. In the 23 examinations, 21 problems were in the required category and 11 problems were in the elective category. The topics presented in this area and the test(s) in which they appeared were: (1) future, fungible, specific, and unascertained goods--N-51, M-53, N-55, N-56, M-57, N-57, M-59, N-60; (2) documents of title--M-52, M-53, M-56; (3) sale on trial and sale and return--M-52, N-52, M-54, N-54, M-62; (4) C. O. D. and f. o. b. sales--M-52, M-56, N-56; (5) warranties--M-53, M-55, M-56, N-56, M-57, N-57, M-58, N-60, M-61, M-62, N-62; (6) remedies of the seller--M-51, N-51, M-53, N-53, M-54, N-54, N-55, M-56, M-57, N-57, M-58, N-60, N-62; (7) remedies of the buyer--M-51, M-52, N-52, M-53, M-55, N-55, M-56, N-56, N-58, M-60, N-60, M-62, N-62; (8) good faith purchaser--N-51, M-53, N-60; (9) caveat emptor--M-54; (10) conditional sales and chattel mortgages--N-54; and (11) bulk and uniform sales laws--N-55, N-56, M-58, M-62.

Surety

Eleven of the 24 examinations included in this study contained problems on suretyship. Six problems were presented in the required category and five problems were in the elective category. The specific topics tested and the test(s) in which they appeared were: (1) nature of suretyship--N-51,

N-53, M-58, N-59, M-61; (2) rights and liabilities of sureties and guaranties--M-51, N-51, M-52, N-53, M-56, N-57, M-58, N-58, N-59, M-61, M-62; and (3) rights and liabilities of co-sureties--M-51, M-52, M-61, M-62.

Trade

Only three examinations--N-55, N-57, N-62--contain problems dealing specifically with trade. All three problems were included in the elective category. The problems dealt with government regulations of trade.

Trust

The subject matter content of CPA examination problems included in this study, that pertains to trusts, appears in six examinations of the 24 studied. Two problems were in the required category and four problems were in the elective category. The specific topics included and the test(s) in which they appeared were: (1) nature of trust--N-51, M-52, N-62; (2) trustees--M-53, N-61, N-62; (3) income and principal--M-53, N-55, N-61; and (4) termination of trusts--N-51, N-62.

Overlapping Areas

The May, 1959, examination contained one problem that covered many of the preceding topics and, therefore, was classified under overlapping areas. The one problem was

required and included the matching of definitions and statements with legal terms.

Because of multiple topics, the number of examinations listed in the foregoing exceeds the total number of problems devoted to business law in CPA examinations in this study.

Summary

The data for this chapter were obtained from an analysis of CPA examination problems for the years 1951 through 1962. Each year two examinations are administered, therefore, 24 examinations have been included in this study.

The four sections of the CPA examination are accounting practice, theory of accounts, auditing, and business law. Accounting practice is the most emphasized part in regard to time devoted to the subject. It required two one-half day sessions. Each of the other sections requires one session of one-half day duration.

In the examinations in auditing 74.2 per cent of the problems was required. The examinations in accounting practice had 78.2 per cent required, business law contained 59.1 per cent required problems, and in theory of accounts only 56.6 per cent was specified as required.

Generally the problems in theory of accounts, auditing, and business law required an essay type answer to define or discuss the acceptability of accounting treatment. The

solutions to accounting practice problems usually called for the preparation of a worksheet, schedule, statement, and/or journal entries.

The four most common topics in accounting practice were problems that dealt with financial statements, maintenance of accounts, cost accounting, and income tax listed in the order of descending emphases. Financial statements, maintenance of accounts, and income tax problems were the topics most often required. In the 24 examinations included in this study the least number of problems required were in the municipal and institutional accounting area. All but one of the problems in the miscellaneous and overlapping areas were in the required category. The problems in municipal and institutional were more often alternate problems with cost accounting than any other topic.

In the examinations in theory of accounts more time was allowed for problems in the maintenance of accounts than all other topics combined. The other topic that appeared more times than any other was problems that dealt with financial statements. The most required topics were the maintenance of accounts and financial statements. Only one of the problems on municipal and institutional accounting and federal tax accounting was in the required group while all of the problems on partnership accounting were in the required category.

The auditing examinations allowed more time for the audit of accounts than all other topics combined. This topic was covered in the required problems more often than all other topics added together. Although only a few problems were presented in ethics and legal responsibilities, the problems were generally required with only one being included in the elective category. The problems in regard to special investigations were in the elective category.

More topics were presented in business law than any other section. This is probably due to the very nature of the subject. The topics, contracts, negotiable instruments, and sales were the ones with the greatest time allowance. This would be expected in light of their every day use in the business environment. The negotiable instruments, contracts, and corporations topics were allowed more time in the required group than other topics. Negotiable instruments being first, next was contracts, and corporations was least of the three. All of the problems in trade were in the elective category, however, only a few problems were presented in this area.

The two sections that were more related in regard to topics presented were accounting practice and theory of accounts. The section least related to the others was business law. All of the four sections presented a variety of topics with the greatest variety being in business law where from

six to eleven topics were tested on each of the 24 examinations.

CHAPTER IV

ANALYSIS OF ACCOUNTING AND BUSINESS

LAW TEXTBOOKS

The procedure followed in this study involved an analysis of textbooks. The purpose of this procedure was to determine the correlation between instructional materials used in accounting and business law classes and understandings tested on CPA examinations. The data obtained from an analysis of CPA examinations were used to formulate a topical outline of the elements considered essential in the preparation of accountants.¹ With this outline, the instructional material of textbooks in accounting and business law was analyzed to determine the extent to which textbook coverage was given to topics tested on CPA examinations. The numbers of pages devoted to the various topics were tabulated. Exercises and problems were not included in the tabulation. The analysis was restricted to twelve textbooks in accounting courses. Four textbooks in business law were analyzed. Textbooks in principles of accounting were omitted from this study on the basis that they were restrictive of the type of

¹See Appendices A and B.

understandings tested on CPA examinations. Because of the nature of the analysis the books are not named in this study.

The textbooks in the areas of accounting practice, theory of accounts, and auditing are considered together in one part of this chapter because of the related nature of these areas. The business law textbooks are dealt with in a separate part of this chapter.

The questionnaire mailed to the chairmen of the departments of business education in the six state colleges and the conferences with the chairmen of the accounting departments in the four universities in Oklahoma revealed that twelve different textbooks were being used in the accounting courses--intermediate, advanced, cost, federal tax, municipal, and auditing. Only two different textbooks in each of the above courses were being used in the schools included in this study.

Information relative to the courses offered in accounting and the textbooks used in the six state colleges and the four universities is summarized as follows:

<u>Courses</u>	<u>Number of Schools Using Textbook A</u>	<u>Number of Schools Using Textbook B</u>
Intermediate accounting	4	6
Advanced accounting	4	6
Cost accounting	7	3
Federal tax accounting.	9	1
Municipal accounting.	6	1
Auditing.	8	2

Wherever several editions of the same textbooks were in use by the different schools, only the latest edition was considered in this study. It was discovered that both comprehensive and condensed volumes of the same textbook were in use. Only the comprehensive volumes were included in this analysis.

Seven different textbooks were being used in business law courses; however, only four are considered in this study. One of the three books was excluded because it dealt only with cases on insurance. Another of the books was excluded because it was devoted entirely to partnerships and corporations. The publishers of the third book reported that it is now out of print. Utilization of the four business law textbooks in the six state colleges and the four universities is as follows: Textbook A--4 schools, B--5 schools, C--2 schools, and D--1 school.

Understandings in Accounting

The analysis of the textbooks related to accounting theory and practice is presented in Table V. Fifteen topics were used in the analysis of instructional materials in accounting. Also, the number of pages in each textbook in each of the areas devoted to the topics is indicated. Wherever less than one-half page appeared on a topic, the coverage was not included in the tabulation. However, if more than one-half page appeared on a topic, it was counted as a full page. Most of the textbooks included references to income tax treatment of specific items such as the valuation of new assets upon exchange of old assets. Because of the limited coverage of federal tax topics of this nature, the pages were considered as a part of the maintenance of accounts rather than basic tax regulations.

Maintenance of Accounts

The instructional materials of the textbooks in accounting theory and practice included in this study, that pertain specifically to the maintenance of accounts, and the number of pages in accounting textbooks dealing with each topic are as follows:

TABLE V

**ANALYSIS OF TEXTBOOK COVERAGE OF ACCOUNTING
THEORY AND PRACTICE TOPICS**

Topics in CPA Examinations	Extent of accounting textbook coverage (in pages) of the topics tested												Total Pages in all Textbooks
	Intermediate Accounting Textbooks		Advanced Accounting Textbooks		Cost Accounting Textbooks		Federal Tax Accounting Textbooks		Municipal Accounting Textbooks		Auditing Textbooks		
	A	B	A	B	A	B	A	B	A	B	A	B	
Maintenance of accounts	323	398	108	95	-	-	53	38	-	-	325	192	1532
Financial statements	152	111	271	285	-	-	-	-	-	23	-	-	842
Cost accounting	29	13	-	-	328	410	-	-	-	-	-	-	780
Federal tax accounting	-	-	-	-	-	-	661	690	-	-	-	-	1351
Municipal accounting	-	-	40	63	-	-	-	-	184	206	-	-	493
Partnership accounting	-	-	49	84	-	-	-	-	-	-	-	-	133
Audit reports	-	-	-	-	-	-	-	-	-	-	60	32	92
Internal controls	-	-	-	-	-	-	-	-	-	-	34	6	40
Basic audit concepts	21	12	-	-	-	-	-	-	-	-	146	109	288
Home and branch office accounting	-	-	19	30	-	-	-	-	-	-	-	-	49
Ethics and legal responsi- bilities	-	-	-	-	-	-	-	-	-	-	23	5	28
Price level accounting	18	-	-	-	-	-	-	-	-	-	-	-	18
Special investigations	-	-	-	-	-	-	-	-	-	-	15	17	32
Working papers	-	-	-	-	-	-	-	-	-	-	26	30	56
Topics not tested in CPA examinations*	81	83	29	39	260	247	131	132	216	291	43	13	1565
Total pages	624	617	516	596	588	657	845	860	400	520	672	404	7299

*This item is included to show total coverage in each of the textbooks

<u>Maintenance of Accounts</u>	<u>Number of Pages</u>
Inventories	257
Fixed assets.	205
Liabilities and unearned revenue.	217
Ownership equities.	217
Receivables	152
Investments	245
Cash items.	98
Intangible assets	58
Prepaid and deferred items.	83
<hr/>	
Total pages	1532

Inventories.--Eight of the twelve textbooks in accounting include instructional material with regard to the maintenance of inventory accounts. Included in the eight textbooks are 257 pages dealing with inventory items. Of these, 103 pages are included in intermediate accounting textbooks, 21 pages are included in advanced accounting textbooks, 56 pages are included in federal tax accounting textbooks, and 67 pages are included in auditing textbooks. The specific topics under the broader classification of inventories and the course(s) in which they appear are (1) methods of valuation of inventories--intermediate and federal tax accounting; (2) the assignment of cost of acquisition--intermediate accounting; (3) treatment of consignments in and out--advanced accounting; and (4) audit procedures and evaluation of internal control over inventories and cost--auditing.

Fixed assets.--This study reveals that four of the twelve textbooks present instructional material that pertains to fixed assets. In the four textbooks a total of 205 pages

is devoted to the topic, of which 137 pages are included in intermediate accounting textbooks, and 68 pages are included in auditing textbooks. The specific topics included in this area and the course(s) in which they appear are (1) the valuation of fixed assets--intermediate accounting; (2) the acquisition and retirement of fixed assets--intermediate accounting; (3) the treatment of depreciation and depletion--intermediate accounting; and (4) audit procedures and evaluation of internal control over fixed assets--auditing.

Liabilities and unearned revenue.--Accounting textbooks that considered the recording for liabilities and unearned revenue are six of the twelve included in this investigation. In the six textbooks 217 pages are devoted to this topic. Of this number 86 pages are included in the intermediate accounting textbooks, and 96 pages are included in the auditing textbooks. The specific topics under the classification of liabilities and unearned revenue and the course(s) in which they appear are (1) the recording of current and non-current liabilities--intermediate accounting; (2) the treatment of deferred revenue--intermediate and federal tax accounting; (3) statement presentation of liabilities--intermediate accounting; and (4) audit procedures and evaluation of internal control over liabilities and payrolls--auditing.

Ownership equities.--Four of the twelve textbooks in accounting included instructional material with regard to the

maintenance of ownership equity accounts. Included in the four textbooks are 217 pages dealing with ownership equity items. Of these 166 pages are presented in the intermediate accounting textbooks and 51 pages are presented in the auditing textbooks. The specific topics in this area and the course(s) in which they appear are (1) the valuation of stock and stock rights--intermediate accounting; (2) the issue and retirement of stock--intermediate accounting; (3) the treatment of cash and stock dividends--intermediate accounting; (4) the treatment of retained earnings--intermediate accounting; (5) statement presentation of ownership equities--intermediate accounting; and (6) audit procedures and evaluation of internal control over ownership equities--auditing.

Receivables.--This investigation reveals that six of the twelve accounting textbooks included in this study present instructional materials with regard to receivables. In the six textbooks a total of 152 pages is devoted to this topic, of which 36 pages are included in the intermediate textbooks, 47 pages are considered in the advanced accounting textbooks, and 69 pages are included in auditing textbooks. The specific topics under the broader classification of receivables and the course(s) in which they appear are (1) the assignment of accounts receivable--intermediate accounting; (2) the treatment of installment sales--advanced accounting; (3) the determination of allowance for bad debts--intermediate accounting; (4) statement presentation of receivables--

intermediate accounting; and (5) audit procedures and evaluation of internal control over receivables and sales--auditing.

Investments.--This study reveals that six of the twelve accounting textbooks considered treatment of investments. In the six textbooks 245 pages are devoted to investments, of which 102 pages are included in intermediate accounting, 97 pages are a part of the advanced accounting textbooks, and 46 pages are included in auditing textbooks. The specific topics under the classification of investments and the course(s) in which they appear are (1) the valuation of investments--intermediate accounting; (2) the acquisition and disposition of investments--intermediate accounting; (3) investments in subsidiaries--intermediate and advanced accounting; (4) the rate of return on investments--intermediate and advanced accounting; (5) the establishment of funds--intermediate accounting; (6) statement presentation of investments--intermediate accounting; and (7) audit procedures and evaluation of internal control over investments and related income--auditing.

Cash items.--Each of four of the accounting textbooks devoted pages to the coverage of cash items. Included in the four textbooks are 98 pages, of which 35 pages are included in the intermediate accounting textbooks, and 63 pages are in the auditing textbooks. Both intermediate accounting textbooks include coverage of the preparation of bank reconciliations. The auditing textbooks include audit procedures for

cash items and the evaluation of internal control over these items.

Intangible assets.--Four of the twelve textbooks in accounting include instructional material with regard to the maintenance of intangible asset accounts. Included in the four textbooks are 58 pages dealing with intangible asset items. Of these, 39 pages are included in intermediate accounting textbooks, and 19 pages are included in auditing textbooks. The specific topics under the broader classification of intangible assets and the course(s) in which they appear are (1) the determination of value assigned goodwill--intermediate accounting; (2) the treatment of leasehold improvements--intermediate accounting; (3) the amortization of leasehold improvements--intermediate accounting; (4) statement presentation of intangible assets--intermediate accounting; and (5) audit procedures and evaluation of internal control over intangible assets--auditing.

Prepaid and deferred items.--Accounting practice textbooks that include coverage of prepaid and deferred items are four of the twelve considered in this study. In the four textbooks, of the 83 pages devoted to prepaid and deferred items, 17 pages are included in one of the intermediate accounting textbooks, 38 pages are included in one of the advanced accounting textbooks, and 38 pages are presented in the two auditing textbooks. The specific topics under the broader classification of prepaid and deferred items and the

course(s) in which they appear are (1) the treatment of pre-paid rent--intermediate accounting; (2) the treatment of pre-paid insurance--intermediate and advanced accounting; (3) the amortization of bond expenses--intermediate accounting; and (4) audit procedures and evaluation of internal control over prepaid and deferred items--auditing.

Financial Statements

The instructional material of the textbooks in accounting theory and practice, that pertains specifically to financial statements, deals with (1) preparation of financial statements, (2) statement recognition of income and expenses, and (3) disclosures in financial statements. Five of the twelve textbooks in accounting theory and practice are concerned specifically with the topic of financial statements while the other seven textbooks are concerned only indirectly with this topic.

Preparation of financial statements.--This investigation reveals that five of the twelve textbooks in accounting cover preparation of financial statements. In the five textbooks of the 790 pages devoted to the preparation of financial statements, 211 pages are included in the intermediate accounting textbooks, 556 pages are included in the advanced accounting textbooks, and 23 pages are included in the municipal accounting textbooks. The specific topics covered under the broader classification of the preparation of financial

statements and the course(s) in which they appear are (1) the preparation of balance sheets, operating statements, retained earnings statements, worksheets, source and application of funds statements, and management statements--intermediate accounting; (2) consolidated statements, realization and liquidation statements, and charge and discharge statements--advanced accounting; and (3) operating statements for a municipal unit--municipal accounting.

Recognition of income and expenses.--The intermediate accounting textbooks devote 52 pages of instructional materials to the recognition of income and expenses. The specific topics covered are (1) income on percentage of completion contracts, and (2) corrections of prior years' earnings. The textbooks in advanced accounting and federal tax accounting contain one chapter each with regard to income and deferred revenue on installment contracts. The instructional material on installment contracts is included under the topic of maintenance of accounts and the subtopic of receivables in the advanced accounting textbooks. Installment contracts are included under the topic of maintenance of accounts and the subtopic of liabilities and unearned revenue in the federal tax accounting textbooks. The cost accounting textbooks give limited coverage to the determination of sales price.

Disclosures in financial statements.--Intermediate accounting textbooks give coverage to statement disclosure of (1) purchase commitments, (2) decline in market value of

inventories, (3) methods of pricing inventories, (4) contingent liabilities, and (5) lease options. The coverage of these topics is limited and consists of only a few lines of instructional material devoted to each topic. The pages covering disclosures in financial statements are included with the pages devoted to the maintenance of accounts in the determination of textbook coverage of the understandings in accounting tested on CPA examinations.

Cost Accounting

The instructional material of the textbooks in accounting theory and practice included in this study deals with (1) cost systems, (2) cost techniques, (3) cost and profit analyses, (4) elements of costs, and (5) valuation of inventories. The instructional material which is devoted to the coverage of cost accounting topics is restricted to four textbooks in accounting theory and practice.

Cost systems.--Three of the twelve textbooks in accounting theory and practice include coverage of cost systems, one of which is tested on CPA examinations. Devoted to cost systems in three textbooks are 176 pages, of which 9 pages are included in the intermediate accounting textbooks, and 167 pages are included in the cost accounting textbooks. The specific topics and the course(s) in which they appear are (1) the determination of cost under a process system--intermediate and cost accounting; and (2) the assignment of cost to joint and by-products--cost accounting.

Cost techniques.--This study reveals that three of the textbooks considered cost techniques. In the three textbooks included are 209 pages of which 4 pages are in intermediate accounting textbooks and 205 pages are in cost accounting textbooks. The specific topics in this area and the course(s) in which they are included are (1) standard and direct cost--intermediate and cost accounting; and (2) estimated cost--cost accounting.

Cost and profit analyses.--Accounting textbooks that covered cost and profit analyses are four of the twelve included in this study. In the four textbooks included are 63 pages devoted to cost and profit analyses, of which 29 pages are included in the intermediate accounting textbooks and 34 pages are included in cost accounting textbooks. The specific topics covered under cost and profit analyses and the course(s) in which they appear are (1) the determination of the break-even point--intermediate and cost accounting; and (2) the analysis of gross profit--cost accounting.

Elements of costs.--Only the cost accounting textbooks consider the elements of costs. The two textbooks include 332 pages on this topic. The specific topics included deal with the elements of (1) material costs, (2) labor costs, and (3) overhead costs.

Valuation of inventories.--The only topic included in the area of valuation of inventories is the assignment of

cost to spoiled goods. Both cost accounting textbooks include coverage of this topic with a total of eight pages.

Federal Tax Accounting

In accounting textbooks the instructional material, that pertains to federal tax accounting, deals with (1) individual tax returns, (2) partnership tax returns, (3) corporation tax returns, and (4) basic tax regulations. Two textbooks in accounting theory and practice of the twelve included in this study include coverage of the topics tested on CPA examinations.

Individual tax returns.--Both textbooks include coverage of the preparation of individual returns. In the two textbooks 311 pages are devoted to the treatment of income tax data on individual returns. The specific topics included are (1) gross income inclusions and exclusions, (2) deductions from and for adjusted gross income, (3) exemptions, and (4) the preparation and filing of returns and declarations of estimated tax.

Partnership tax returns.--The two federal tax accounting textbooks each present one chapter with regard to the preparation of partnership returns. The two textbooks include a total of 82 pages of instructional material on this topic. The textbooks include federal tax regulations applicable to partnerships.

Corporation tax returns.--The two federal tax accounting textbooks include 189 pages on the topic of corporation tax returns. The instructional material includes coverage of the treatment of corporation income tax data and the determination of corporation income tax liabilities.

Basic tax regulations.--Both federal tax textbooks include instructional material that applies to all three classes of tax returns considered above. A total of 860 pages in the two textbooks consider the treatment of basic regulations.

Municipal Accounting

The instructional material, that pertains to the coverage of understandings in municipal accounting tested on CPA examinations, appears in four of the twelve textbooks in accounting theory and practice. In the four textbooks 493 pages are devoted to the topics tested on examinations. Of this number, 103 pages are included in advanced accounting textbooks, and 390 pages are included in the municipal accounting textbooks. The specific topics and the course(s) in which they appear are (1) general funds, bond funds, special assessment funds, sinking funds, working capital funds, utility funds, and property funds--advanced and municipal accounting; (2) special revenue funds--municipal accounting; and (3) the preparation of municipal budgets--municipal accounting.

Partnership Accounting

Only two of the twelve textbooks in accounting theory and practice include coverage of partnership topics tested on CPA examinations. The advanced accounting textbooks contain 133 pages of instructional material pertaining to partnerships. With regard to partnerships the specific topics included are (1) the formation and operation of partnerships, (2) the admission and withdrawal of partners, (3) the division of income and losses, (4) the liquidation of partnerships, and (5) the formation and operation of a joint venture.

Audit Reports

The instructional material of the textbooks in accounting theory and practice, that pertains specifically to audit reports, deals with (1) the preparation of audit reports, and (2) exhibits to audit reports. Two of the twelve textbooks include coverage of these topics.

Preparation of audit reports.--This study reveals that the two auditing textbooks include instructional material with regard to the preparation of audit reports. The two textbooks include 75 pages of material on this topic. The specific topics deal with the preparation of (1) short-form reports, and (2) long-form reports.

Exhibits to audit reports.--One of the two auditing textbooks include a chapter on the preparation of financial

statements as exhibits of audit reports. The auditing textbook contains 17 pages on this topic.

Internal Controls

The instructional material of the textbooks in accounting, that pertains specifically to internal controls, deals with (1) general internal control procedures, and (2) specific internal control procedures. These topics are covered by both auditing textbooks.

General internal control procedures.--This investigation reveals that 40 pages of instructional material is devoted to the topic of general internal control procedures. The subtopics deal with (1) principles of internal control, (2) reliance upon the system of internal control, (3) the auditor's review of internal control, and (4) the prevention of fraud.

Specific internal control procedures.--The specific internal control, applicable to each of the accounts, is a part of the audit procedures and is considered under the topic of maintenance of accounts. The internal control procedures, tested on CPA examinations, are concerned specifically with control over cash, receivables, inventories, prepaid items, investments, and payrolls. All of these topics receive coverage in the auditing textbooks.

Basic Accounting Concepts

The instructional material of accounting textbooks considered in this study includes coverage of basic concepts in accounting. The basic concepts tested on CPA examinations are related to (1) accounting terminology, (2) test of accuracy, and (3) the accounting profession. Four textbooks in accounting theory and practice include 288 pages of instructional material in this area.

Accounting terminology.--Four of the twelve textbooks in accounting theory and practice include instructional material with regard to accounting terminology. The intermediate and auditing textbooks give limited coverage to the terminology of accounting. The specific topics included are (1) the going concern assumption, (2) the conservative approach, (3) consistency, (4) disclosure, (5) audit standards and procedures, and (6) assumption of a stable monetary unit.

Test of accuracy.--Accounting textbooks that include the coverage of test of accuracy are restricted to the auditing textbooks. The topics consider the use of (1) statistical sampling, (2) confirmations, (3) testing of vouchers, (4) verifications, and (5) budgetary controls.

The accounting profession.--This study reveals that the auditing textbooks include a unit on the accounting profession. The topics which were tested on CPA examinations with regard to the accounting profession are (1) the

relationship of internal auditing to independent auditing, and (2) the determination of the cost of an audit.

Home and Branch Office Accounting

The instructional material, that pertains to home and branch office accounting, appears in the advanced accounting textbooks included in this study. The two textbooks devote 49 pages to the maintenance of branch and home office accounts and to the preparation of financial statements. The subtopics of the maintenance of accounts deal with (1) the adjustments to reciprocal accounts, and (2) the reconciliation of reciprocal accounts. The subtopics of financial statements consider (1) the preparation of worksheets for consolidated statements, and (2) the preparation of eliminations for consolidated statements.

Ethics and Legal Responsibilities

The instructional material of the textbooks in accounting theory and practice, that pertains specifically to ethics and legal responsibilities, deals with (1) professional conduct, and (2) legal liabilities. The auditing textbooks include 28 pages covering these topics.

Professional conduct.--The instructional material presented in textbooks and tested on CPA examinations, that pertains specifically to professional conduct, deals with the relationship of auditors to (1) clients, (2) other auditors,

and (3) the public. Both textbooks in auditing cover these topics.

Legal liabilities.--The auditing textbooks include instructional material with regard to the responsibilities of auditors. The specific topics included are the responsibilities to (1) clients, and (2) the public.

Price-Level Accounting

This study reveals that only one of the twelve textbooks in accounting theory and practice includes instructional material on price-level accounting. One intermediate accounting textbook devotes 18 pages to this topic. The textbook presents the advantages and the disadvantages to price-level accounting.

Special Investigations

The instructional material of accounting textbooks, that pertains to special investigations, is included in the auditing textbooks. In the auditing textbooks 32 pages are included on investigations for credit and advisory purposes. Investigations for credit and the purchase of a firm are the only two special investigations which are considered on CPA examinations.

Working Papers

This investigation reveals that the auditing textbooks include 56 pages of instructional material with regard to

working papers. The nature and purpose of working papers are presented in both textbooks.

An analysis of textbooks reveals that instructional material in accounting textbooks includes coverage of the major topics tested on CPA examinations. The topics which receive the greatest emphasis on CPA examinations also receive the greatest emphasis in accounting textbooks, according to the number of pages presented on the topics. The analysis reveals that most of the subtopics are included in textbook coverage.

Each of the textbooks in each of the courses devoted approximately the same amount of space to coverage of items tested on CPA examinations with the exception of auditing textbooks. Also, most of the same topics are covered by the textbooks in like areas with approximately the same number of pages devoted to each topic. Some of the items are included in one textbook and not in the other one.

Textbook Topics Not Tested in CPA Examinations

Each of the twelve accounting textbooks presents topic coverage of items not tested in CPA examinations. Because the items that are not tested on CPA examinations appear in both textbooks, the authors undoubtedly believe these understandings in accounting to be important.

The intermediate accounting textbooks present instructional material with regard to the accounting cycle. The use

of special journals and the preparation of adjusting and closing entries are included in the presentation of the accounting cycle. Also, each of the intermediate accounting textbooks includes a section of interpretation of financial statements. The two textbooks include 1241 pages of instructional material of which 1077 pages, or 87 per cent, cover topics tested on CPA examinations.

Each of the advanced accounting textbooks presents a unit on the topic of estate and trust accounting. This topic is tested in the business law section of the CPA examinations but is not tested in the accounting theory and practice sections of the examinations. Both advanced accounting textbooks emphasize the special areas of accounting rather than the maintenance of accounts. The two textbooks include 1104 pages of instructional material of which 1044 pages, or 95 per cent, deal with topics tested on CPA examinations.

The federal tax accounting textbooks include instructional material on social security, estate, gift, excise, and unemployment taxes. The determination of tax liabilities, with regard to these topics, is not tested on CPA examinations. The two federal tax accounting textbooks include 1705 pages of instructional material of which 1442 pages, or 85 per cent, cover topics tested on CPA examinations.

Each of the cost accounting textbooks presents units on basic concepts essential in the understanding of cost accounting. In addition, units are included on job order

accounting, budget procedures, management reports, and miscellaneous analyses. These topics are not considered in CPA examinations. In the textbooks on cost accounting are presented 1245 pages of instructional material of which 738 pages, or 59 per cent, deal with topics tested on CPA examinations.

The municipal accounting textbooks include units on basic concepts essential in the understanding of municipal accounting. Other topics included are trust and agency funds, auditing and reporting for municipal units, and institutional accounting. These topics are not considered on CPA examinations. The two textbooks include 920 pages of instructional material of which 413 pages, or 45 per cent, cover topics tested on CPA examinations.

Each of the textbooks in auditing include instructional material with regard to the audit procedures of specific revenue and expense accounts. CPA examinations did not test the procedures applicable to the above revenue and expense accounts. The auditing textbooks include 1076 pages of instructional material of which 1020 pages, or 95 per cent, consider topics tested on CPA examinations.

Each of the textbooks includes a number of exercises and problems to assist in the application of the principles of theory and practice. The pages devoted to exercises and problems, however, are not included in this study.

Understandings in Business Law

The instructional materials of four business law textbooks were analyzed following the preparation of a topical outline of the significant elements in business law as emphasized in CPA examinations. A tabulation was made of the numbers of pages which deal with topics tested in CPA examinations. The tabulation of pages does not include cases and questions presented in the textbooks. The analysis of textbooks related to business law is presented in Table VI. Seventeen topics were used in the analysis. The number of pages in each textbook pertaining to each topic is indicated.

Contracts

Each of the textbooks in business law includes instructional material that pertains to contracts. In the four textbooks 387 pages consider topics tested on CPA examinations. The specific topics under the broader classification of contracts are (1) the nature of contracts--types of contracts, and the requirements of the statute of frauds; (2) essential elements of a contract--offer and acceptance, consideration, competent parties, and legal object; (3) rights and liabilities--primary parties, secondary parties, and third parties; and (4) discharge of contracts--performance, payment, accord and satisfaction, novation, cancellation and alteration, and statute of limitations.

TABLE VI

ANALYSIS OF TEXTBOOK COVERAGE OF BUSINESS LAW TOPICS

Topics in CPA Examinations	Extent of Business Law Textbook Coverage (in Pages) of the Topics Tested				Total Pages in All Textbooks
	A	B	C	D	
Contracts	63	106	114	104	387
Negotiable Instruments. .	77	74	73	87	311
Sales	30	68	80	75	253
Corporations. . .	40	58	60	17	175
Partnerships. . .	28	40	25	16	109
Agencies.	26	66	22	18	132
Bailments	6	38	18	8	70
Real Property . .	32	70	43	27	172
Suretyship. . . .	10	16	4	--	30
Insurance	13	46	14	14	87
Labor	--	6	--	43	49
Bankruptcy. . . .	8	19	19	4	50
Trusts.	--	16	6	--	22
Legal Responsibilities . .	--	--	--	--	--
Trade	--	6	--	12	18
Personal Property . . .	14	19	14	--	47
Topics Not Tested in CPA Examinations*	108	77	8	27	220
Total Pages	455	725	500	452	2132

*This item is included to show total coverage in each of the textbooks.

Negotiable Instruments

This investigation reveals that the four textbooks include topic coverage of negotiable instruments. In the four textbooks 311 pages pertain to this topic. The specific topics in units on negotiable instruments are (1) nature of negotiable instruments--promissory notes, and bills of exchange; (2) creation of negotiable instruments--writing and signature, unconditional promise, time of payment, and payee; (3) negotiation--indorsements, delivery, and assignments; (4) defenses and liabilities--primary parties, secondary parties, and third parties; and (5) discharge--material alterations.

Sales

There are 253 pages in the business law textbooks that deal with sales. The specific topics in this area are (1) nature of goods--fungible, future, and ascertained and unascertained; (2) transfer of title--according to types of sales, and intention of the parties; (3) warranties--expressed, and implied; (4) remedies--of the vendor, and of the vendee; and (5) security for credit transactions--chattel mortgages, and conditional sales contracts.

Corporations

All of the textbooks in business law included in this study have instructional materials on corporations. In the four textbooks 175 pages deal with corporations. The specific

topics included under the broader classification of corporations are (1) characteristics of corporations--foreign corporations, and de facto and de jure corporations; (2) formation of a corporation--promoters, and procedure for incorporation; (3) stockholders--ownership of stock, and rights and liabilities; (4) powers of corporations--expressed, and incidental; and (5) directors--rights and liabilities.

Partnerships

This study reveals that all of the textbooks include instructional material with regard to partnerships. In the four textbooks 109 pages are applicable to partnerships. The specific topics in this area are (1) characteristics of a partnership--general and limited, and partnerships by estoppel; (2) partnership property--title to partnership property, property rights of a partner, and powers with respect to property; (3) rights and liabilities of partners--to indemnity, sharing of profits and losses, to interest on investments, to participate in management, to compensation for services, and to an accounting; and (4) dissolution--rights of creditors, and marshalling of assets.

Agencies

Each of the textbooks in business law included in this investigation has instructional material that pertains to agencies. In the four textbooks 132 pages consider topics tested on CPA examinations. The specific topics dealt with

under the broader classification of agencies are (1) creation of agencies--proper parties, and legal object; (2) agents--powers and liabilities of an agent; (3) principals--duties and liabilities, termination of agencies, and (4) third parties--rights and liabilities.

Bailments

This investigation reveals that the four textbooks include topic coverage of bailments. In the textbooks 70 pages pertain to this topic. The specific topics dealt with in units on bailments are (1) nature of bailments--public and private carriers, innkeepers, and consignment, pledges, and trust receipt bailments for security; (2) duties, rights, and liabilities of bailees--degree of care required, increase in pledged property, beginning and termination of relationship, and safe delivery of goods; and (3) powers of bailors--to claim property.

Real Property

The instructional materials of business law textbooks that deal with real property consist of 172 pages. The specific topics in this area are (1) nature of real property--building and fixtures, and land; (2) title to real property--acquisition of title, duration and extent of ownership, execution of deeds; (3) liens on real property--mortgages; (4) rights in the land of another--easements; and (5) landlords

and tenants--types of tenancy, rights and liabilities of landlords, and rights and liabilities of tenants.

Suretyship

Three of the four textbooks in business law have instructional material on suretyships. In the three textbooks 30 pages deal with surety relationships. The specific topics included under the broader classification of suretyships are (1) nature of relation--guarantor and surety, and fiduciary relation; and (2) rights and liabilities of sureties--extension of time, payment of valid tender, and subrogation.

Insurance

This study reveals that the four textbooks include instructional material with regard to insurance. A total of 87 pages are applicable to insurance. The specific topics in this area are (1) types of insurance--fire insurance, and life insurance; (2) risks assumed by insurer--misrepresentation, mortgage clauses, coinsurance, and rights of subrogation; and (3) rights to insurance proceeds--creditors, and assignment of policy.

Labor

Only two of the textbooks in business law consider the treatment of labor in the instructional material. In the two textbooks 49 pages cover topics tested on CPA examinations. The Social Security Act and workmens' compensation acts are

not included in textbook coverage, however, they were tested on CPA examinations. The Fair Labor Standards Act is given extensive coverage in the instructional material of one textbook.

Bankruptcy

This investigation reveals that all of the textbooks in business law include topic coverage of bankruptcy. In the four textbooks 50 pages pertain to this topic. The specific topics in the instructional material are (1) nature of bankruptcy--voluntary and involuntary, acts of bankruptcy, petitions for bankruptcy, and reorganizations; and (2) administration of estates--recoverable preferences, exemptions allowed the bankrupt, and priority of claims.

Trusts

The instructional material that deals with trusts is restricted to two textbooks in business law of those included in this study. The pages devoted to this topic are 22. The specific topics tested on CPA examinations and presented in business law textbooks included in this study are (1) nature of trusts--creation of trusts, and types of trusts; and (2) operation and termination of trusts--duties of trustees, and termination of trusts.

Legal Responsibilities

Business law textbooks included in this study do not present instructional material with regard to legal responsibilities. The auditing sections of the CPA examinations also tested legal responsibilities. This topic is presented in auditing textbooks and is included in another part of this chapter as understandings in accounting theory and practice.

Trade

Two textbooks in business law include instructional material with regard to trade. The instructional material of only one of the two textbooks is applicable to the topics tested on CPA examinations. The two books contain 18 pages on the topic of trade. The topic of purpose and duties of the Federal Trade Commission is the only one included in textbook coverage which was tested on CPA examinations.

Personal Property

This study reveals that three of the business law textbooks included in this study present instructional material with regard to personal property. In the three textbooks 47 pages deal with this topic. The specific topics under the broader classification of personal property are (1) nature of personal property with regard to types of property; and (2) acquisition of title to personal property--accession, confusion, and lost property.

The business law topics that were tested on CPA examinations generally receive the greatest emphasis in business law textbook coverage. The textbooks of a general nature present approximately the same topics and devote approximately the same number of pages to each topic. The four textbooks present 2132 pages of instructional material of which 1912 pages, or 90 per cent, cover topics tested on CPA examinations. Some textbooks include topics which are not presented in other textbooks of like nature.

Textbook Topics Not Tested in CPA Examinations

This study reveals that the business law textbooks present topic coverage of items not tested on CPA examinations. Three of the four textbooks include topic coverage of wills and estates. Also, three of the textbooks devote instructional material to the introduction to law. The specific topics included under the introduction to law are the judicial systems of the United States and court procedures.

Each of the textbooks includes a number of questions and business law cases to assist in the application of the principles of business law.

Summary

The data for this chapter were obtained from an analysis of textbooks used in accounting and business law classes in the six state colleges and the four universities in Oklahoma. A topical outline was developed from an

analysis of CPA examinations for the period 1951 through 1962. Then the instructional material of the textbooks in intermediate, advanced, cost, federal tax, and municipal accounting, auditing, and business law were analyzed. The method of analysis was to count the number of pages devoted to each topic tested on CPA examinations.

The analysis of textbooks included in this study reveals that instructional material in accounting and business law textbooks includes coverage of the major topics tested on CPA examinations. The topics which receive the greatest emphasis on CPA examinations also receive the greatest emphasis in accounting and business law textbooks. The instructional material applicable to topics tested on CPA examinations constitutes the major portions of the accounting and business law textbooks. In intermediate accounting CPA examination topics were involved in 87 per cent of the total textbook coverage; in advanced accounting, 95 per cent; in cost accounting, 59 per cent; in federal tax accounting, 85 per cent; in municipal accounting, 45 per cent; in auditing, 95 per cent; and in business law, 90 per cent.

The textbooks in accounting and business law also present topics not tested on CPA examinations. The topics not tested on CPA examinations appear in most of the textbooks like nature. Major topics not tested on CPA examinations are the accounting cycle, interpretation of financial statements, estate and trust accounting, federal taxes other than income

taxes, job order cost accounting, budget procedures, management cost reports, institutional accounting, wills and estates, and introduction to law. The nature of the above topics usually is not adaptable to testing patterns.

CHAPTER V

SUMMARY AND CONCLUSIONS

The importance of accounting is constantly being emphasized by those who are familiar with the complex economic system of the United States of America. The high echelons of business enterprises are relying more and more upon accountants to furnish information to be used in making financial decisions.

Accurate interpretation of financial data requires extensive preparation and experience. Thus, it becomes the responsibility of colleges and universities to equip prospective accountants with the tools essential to the task. Students generally enter four-year programs of education in the hope of obtaining employment in the accounting profession. Colleges and universities generally do not purport to prepare accounting specialists, but attempt to enable students to develop the basic abilities essential to broad categories of accounting positions.

It is reasonable to assume that a nation-wide study of all aspects of education for accounting would be beneficial to accounting teachers and prospective accountants. Such an investigation, however, would be too extensive for

one individual to undertake. It is hoped that this study of accounting programs in colleges and universities in Oklahoma, in which accounting and business law elements are emphasized, will be conducive to improvement of the preparation of accountants.

Restatement of Problem

The problem of this study was to determine analytically the extent of correlation between the instructional pattern in the preparation of accountants and the pattern of examining them for certification.

Much of the information pertinent to this study was obtained from current periodicals and other literature relating to accounting and collegiate education for business as applied to the preparation of accountants. Factual data were secured by means of an analysis of CPA examination problems and the instructional content of the accounting and business law textbooks used by six state colleges and four state and private universities in Oklahoma.

The first step in obtaining information and data was to review the literature relative to the profession of accounting. The review provided the author with an extensive background of information and understandings about the accounting profession. Also, it enabled him to isolate those elements considered to be essential to the preparation of accountants.

The second step consisted of an analysis of CPA examination problems. The examinations included in this study were those prepared by the Board of Examiners of the American Institute of Certified Public Accountants and administered during the years 1951 through 1962. The subject matter of each of the four sections of the CPA examinations was considered separately. The four sections of the examinations are accounting practice, theory of accounts, auditing, and business law. The subject matter of each examination was analyzed and classified in terms of the accounting and business law topics involved.

The analysis involved determination of the time allotment for each topic included in each examination. The subject matter was classified under eight topical headings in each of the sections of accounting practice, theory of accounts, and auditing. Seventeen topical headings were used in the business law section. The analysis revealed the extent to which problems were included in required and elective categories. The data obtained from the analysis of CPA examinations were used to formulate a topical outline of the elements considered essential in the preparation of accountants.

The third step involved an analysis of textbooks. Its purpose was to determine the correlation between the subject matter presented in accounting and business law classes and the subject matter tested on CPA examinations. The analysis was restricted to twelve textbooks in accounting and four

textbooks in business law. The topical outline of elements tested on CPA examinations was used in the analysis of the instructional content of textbooks. The numbers of pages devoted to the various topics tested on examinations were tabulated.

Findings and Their Implications

The information pertaining to the preparation of accountants reveals a common agreement among educators that preparation for the practice of accounting should be both broad and inclusive. The elements of preparation should include general education, a core of business and economic understandings, and technical concepts of accounting and business law.

The subject matter of general education should include English composition and literature, social studies, mathematics and science, and the humanities. Some educators would also include art and music to enable the student to gain a cultural background and acquire an appreciation for the fine arts. The typical program in schools accredited by the American Association of Collegiate Schools of Business devotes from 45 to 50 per cent of the undergraduate program to general education. The Carnegie study includes a proposed curriculum that devotes from 50 to 55 per cent to general preparation.

The subject matter of the core of business and economic understandings includes finance, management, marketing, economics, and statistics. The typical program in schools accredited by the American Association of Collegiate Schools of Business devotes approximately 25 per cent of the undergraduate program to business and economic understandings. The proposed curriculum in the Carnegie study would devote from 27 to 33 per cent of the undergraduate studies to foundation courses.

The accounting and business law courses generally considered desirable in the preparation of accountants are elementary, intermediate, advanced, cost, and tax accounting, auditing, and business law. The typical program of schools accredited by the American Association of Collegiate Schools of Business devotes from 25 to 30 per cent of the total program to the study of accounting and business law. The program proposed in the Carnegie study would devote from 15 to 17.5 per cent to the technical aspects of accounting and business law.

The difference in the typical program of schools accredited by the American Association of Collegiate Schools of Business and the proposed curriculum in the Carnegie study does not lie in the subjects studied but in the number of semester credits which are devoted to each element of preparation. The program proposed in the Carnegie study would increase the number of semester credits devoted to general

preparation and to the foundation subjects and would decrease the semester credits that are devoted to the technical aspects of preparation. The typical program of schools accredited by the American Association of Collegiate Schools of Business devotes approximately 50 per cent to general preparation, 25 per cent to foundation courses, and 25 per cent to the technical aspects of accounting and business law. The controversy regarding the proper balance between the elements of preparation might be resolved in a five-year program of education for the practice of accounting.

The analysis of CPA examinations reveals that the highest percentage of required problems appear in the section on accounting practice which was 78.2 per cent. Problems in the required categories in auditing were 74.2 per cent; business law, 59.1 per cent; and theory of accounts, 56.6 per cent. More time is devoted to accounting practice problems than to problems in any other section of the CPA examinations. A lesser amount of time is devoted equally to theory of accounts, auditing, and business law.

The four most common topics in accounting practice are problems that deal with financial statements, maintenance of accounts, cost accounting, and tax accounting, listed in the order of descending emphasis. The area that includes the least number of required problems is municipal accounting. The most frequently required topics in the examinations in theory of accounts are maintenance of accounts and financial

statements. More time is allowed for problems in the maintenance of accounts than for all other topics combined. Fixed assets, inventories, and ownership equities are the accounts most frequently tested in the maintenance of accounts according to time devoted to the problems. The auditing examinations allow more time for audit procedures and techniques of accounts than for all other topics combined. The accounts most frequently included, according to time allowed each topic, are inventories and cost, liabilities and payrolls, cash, and receivables and sales. More topics are presented in business law than in any other section of the CPA examinations. Seventeen topics are presented with the greatest emphasis on contracts, negotiable instruments, and sales. Emphasis would be expected in the light of their common usage.

The two sections most closely related in regard to topics presented are accounting practice and theory of accounts. The section least related to other sections is business law.

The analysis of textbooks, according to a topical outline of elements considered essential in the preparation of accountants, was limited to twelve textbooks in accounting and six textbooks in business law. The textbooks in accounting included in this study were intermediate, advanced, cost, tax, and municipal accounting, as well as auditing. The analysis reveals a close correlation between instructional material of textbooks used in colleges and universities of

Oklahoma and the subject matter tested on CPA examinations. The rank order of subject matter tested on CPA examinations with regard to understandings in accounting, according to time devoted to topics, compared with the rank order of instructional material presented in accounting textbooks, according to total number of pages devoted to topics, is as follows:

<u>Topics in CPA Examinations</u>	<u>Rank Order in Examinations</u>	<u>Rank Order in Textbooks</u>
Maintenance of accounts	1	1
Financial statements	2	3
Cost accounting	3	4
Federal tax accounting	4	2
Municipal accounting	5	5
Partnership accounting	6	7
Audit reports	7	8
Internal controls	8	11
Basic audit concepts	9	6
Home and branch office accounting	10	10
Ethics and legal responsibilities	11	13
Price-level accounting	12	14
Special investigations	13	12
Working papers	14	9

The rank order of subject matter tested on CPA examinations with regard to understandings in business law, according to time devoted to topics, compared with the rank order of instructional material presented in business law textbooks, according to pages devoted to topics, is as follows:

<u>Topics in CPA Examinations</u>	<u>Rank Order in Examinations</u>	<u>Rank Order in Textbooks</u>
Contracts	1	1
Negotiable instruments	2	2
Sales	3	3
Corporations	4	4
Partnerships	5	7
Agencies	6	6
Bailments	7	9
Real property	8	5
Suretyship	9	13
Insurance	10	8
Labor	11	11
Bankruptcy	12	10
Trusts	13	14
Legal responsibilities	14	16
Trade	15	15
Personal property	16	12

In advanced accounting and auditing textbooks CPA examination topics were involved in 95 per cent of the total textbook coverage; in business law, 90 per cent, in intermediate accounting, 87 per cent; in federal tax accounting, 85 per cent; in cost accounting, 59 per cent; and in municipal accounting, 45 per cent. The nature of this study does not reveal whether textbooks in accounting and business law have been designed to cover topics tested on CPA examinations or if CPA examinations are constructed to test understandings presented in textbooks used in the preparation of accountants. The Carnegie study points up the belief that textbooks are designed to teach understandings and abilities considered essential to pass the CPA examination.

Historically, the introduction of new subjects (in textbooks) has appeared to follow by one year the inclusions of such subjects in the CPA examination

given by the American Institute of Certified Public Accountants.¹

The textbooks in accounting and business law also present topics not included in CPA examinations. The topics not tested on examinations appear in most of the textbooks of like nature. Major topics not tested on CPA examinations are the accounting cycle, interpretation of financial statements, estate and trust accounting, federal taxes other than income taxes, job order cost accounting, budgets procedures, management cost reports, institutional accounting, wills and estates, and introduction to law. The nature of the above topics usually is not adaptable to testing procedures.

Based on analysis of CPA examinations and textbooks used in colleges and universities of Oklahoma and other information and data, implications for improvement of instruction for the preparation of accountants are as follows:

1. That the accounting curriculum should provide recognition of all essential elements in the preparation of accountants.
2. That accounting teachers should present instructional material emphasizing practical applications and interpretations of accounting data.
3. That textbooks with wider coverage of subject matter should be developed with a proper balance between mechanics of accounting and application of abilities and understandings to actual business situations.
4. That accounting teachers should re-evaluate objectives for each of the accounting and business law courses in the accounting curriculum.
5. That a close working relationship should be developed between the collegiate schools of business and industry to co-ordinate the

¹Pierson, et al., op cit., p. 373.

educational experiences with their practical application.

6. That CPA examinations should be broadened to include essential elements not included in previous examinations.

Conclusions

The information and data obtained from the review of current periodicals and other literature in the field of accounting and collegiate education and from the analysis of CPA examinations and accounting and business law textbooks included in this study facilitated the development of the following conclusions:

1. Education for the preparation of accountants should not be narrow and devoted strictly to theory and techniques but should be comprehensive and include a variety of abilities, understandings, and concepts considered to be essential in the accounting profession.
2. Responsibilities of accountants to society, business, and government necessitate that they have extensive general understandings for today's living and that they have competence in business and economics.
3. Because of the nature of accounting, much technical ability is essential if the accountant is to fulfill his obligation to society in the practice of his profession.
4. Evidence indicates the need for additional research to provide a basis for resolving the current controversy concerning curriculum aspects in the preparation

accountants. Such research might also be significant in determining whether the preparation should either continue in the four-year program or be extended to a five-year program.

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APPENDIX A

OUTLINE OF THE ELEMENTS IN ACCOUNTING THEORY AND PRACTICE WHICH HAVE BEEN INCLUDED IN CPA EXAMINATIONS¹

I. Maintenance of accounts

A. Inventories

1. Valuation of inventories with reference to
 - a. The retail method
 - b. The LIFO method
 - c. The lower of cost or market value method
 - d. The specific identification method
 - e. The replacement cost method
 - f. Repossessed and traded-in merchandise
 - g. Raw materials
 - h. Waste materials and inventory shortages
 - i. Firm reorganization
2. Recording for inventory items with regard to
 - a. Assignment of costs of acquisition
 - b. Treatment of consignments in and out
 - c. Treatment of discounts lost
 - d. Adjustments for ending inventories
 - e. Conversion of inventories to receivables
3. Audit procedures for inventories pertaining to
 - a. Regular inventories, raw materials, work-in-process, parts, consignments, inventories in warehouses, and inventories at retail
 - b. Cost of sales

¹Developed through an analysis of the CPA examinations 1951-1962.

- c. Acquisition and use of inventory certificates
- d. The evaluation of internal controls over inventories and costs

B. Fixed assets

- 1. Valuation of fixed assets with reference to
 - a. The replacement cost method
 - b. Statement presentation of fully depreciated assets
- 2. Recording for fixed assets with regard to
 - a. Assignment of costs of acquisition
 - b. Acquisition and retirement of assets
- 3. Treatment of depreciation with reference to
 - a. The straight-line method
 - b. The sum-of-the-years-digits method
 - c. The units of output method
 - d. The replacement cost method
 - e. The composite life method
 - f. Emergency facilities
 - g. Assets not in use
 - h. Effects of depreciation upon cash reserves
- 4. Audit procedures for fixed assets pertaining to
 - a. Machinery, equipment, buildings, and land
 - b. Earnings from leased equipment

C. Liabilities and unearned revenue

- 1. Recording for liabilities and unearned revenue with regard to
 - a. Current and non-current tax liabilities
 - b. Deferred and contingent liabilities
 - c. Estimated liabilities
 - d. Unearned revenue on real estate and installment sales
 - e. Acquisition and retirement of bonds
- 2. Statement presentation of liabilities and unearned revenue with reference to
 - a. Current and non-current liabilities
 - b. Unearned revenue

3. Audit procedures for liabilities and payroll accounts pertaining to
 - a. Notes payable, accounts payable, accrued liabilities, contingent liabilities, and long-term liabilities
 - b. Payroll accounts
 - c. The evaluation of internal controls over liabilities

D. Ownership equities

1. Valuation of ownership equities with reference to
 - a. Stock and stock rights
 - b. The determination of earnings per share
2. Recording for ownership equities with regard to
 - a. Treatment of stockholders' contributions
 - b. Treatment of appropriated earnings
 - c. Treatment of cash and stock dividends
 - d. Corrections in profits of prior years
 - e. Quasi-reorganizations
 - f. Stock options
3. Statement presentation of equity accounts with reference to their propriety
4. Audit procedures for ownership equity accounts pertaining to
 - a. Stock issued and retained earnings
 - b. Preparation of distribution of earnings statement for a partnership

E. Receivables

1. Recording for receivables with regard to
 - a. Assignment of accounts receivable
 - b. Unbilled revenue under cycle billing, job service contracts, and work-in-process contracts
 - c. The determination of amounts receivable on fire losses and installment contracts
 - d. Conversion of inventories to receivables
 - e. Treatment of discounts on sales
 - f. The determination of allowance for bad debts

2. Statement presentation of receivables with reference to
 - a. Captions for receivables
 - b. Income recognition based upon special valuation methods
3. Audit procedures for receivables pertaining to
 - a. Notes, accounts, and royalties receivable
 - b. Sales and fees
 - c. The evaluation of internal controls over receivables and sales

F. Investments

1. Valuation of investments with reference to the lower of cost or market value method
2. Recording for investment items with regard to
 - a. Establishment of pension funds
 - b. Investments in subsidiaries
 - c. Acquisition and disposition of investments
 - d. The determination of the rate of return on investments
3. Statement presentation of investments with reference to current and non-current items
4. Audit procedures for investments pertaining to
 - a. Investment accounts and related income
 - b. The evaluation of internal controls over investments and related income

G. Cash items

1. Recording for cash items with regard to
 - a. The preparation of schedules of cash collections
 - b. The preparation of bank reconciliations
2. Audit procedures for cash items pertaining to
 - a. Cash in the bank, petty cash, cash in transit, and cash receipts
 - b. The evaluation of internal controls over cash items

H. Intangible assets

1. Recording for intangible assets with regard to
 - a. The determination of value assigned goodwill
 - b. The treatment of leasehold improvements
 - c. The treatment of research costs
 - d. The amortization of intangible assets
2. Statement presentation of intangible assets with reference to leases and leasehold improvements
3. Audit procedures for intangible assets pertaining to patents and secret formulae

I. Prepaid and deferred items

1. Recording for prepaid and deferred items with regard to
 - a. The treatment of insurance premiums
 - b. The treatment of prepaid rent
 - c. The treatment of financing cost
 - d. The determination of coverage under co-insurance policies
 - e. The computation of deferred royalties
 - f. The amortization of bond expenses
2. Audit procedures for prepaid and deferred items pertaining to
 - a. Prepaid rent and insurance
 - b. The evaluation of internal controls over prepaid items

II. Financial statements

A. General purpose statements

1. The preparation of general purpose statements with reference to
 - a. Balance sheets
 - b. Operating statements
 - c. Retained earnings statements
 - d. Worksheets

2. The recognition of income and expenses with regard to
 - a. Income on installment contracts
 - b. Income on percentage of completion contracts
 - c. The preparation of adjustments to prior earnings
 - d. The matching of cost to applicable revenue
 - e. The determination of selling price
 - f. Calendar and fiscal year bases
3. Disclosures in financial statements with regard to
 - a. Purchase commitments
 - b. Decline in market value of inventories
 - c. Methods of pricing inventories
 - d. Changes in depreciation methods
 - e. Contingent liabilities
 - f. Starting-up losses
 - g. Lease options

B. Special purpose statements

1. The preparation of adjustments and eliminations for special purpose statements
2. The preparation of special purpose statements with reference to
 - a. Consolidated statements
 - b. Source and application of funds statements
 - c. Cash budgets
 - d. Realization and liquidation statements
 - e. Charge and discharge statements
 - f. Management statements

III. Cost accounting

A. Cost systems

1. The determination of costs under a process system
2. The assignment of costs to joint and by-products

B. Cost techniques

1. The determination of costs by

- a. Standard cost techniques
 - b. Direct cost techniques
- 2. The analysis of variances under
 - a. Estimated cost techniques
 - b. Standard cost techniques
- 3. The preparation of a standard cost budget
- C. Cost and profit analyses
 - 1. The determination of the break-even point
 - 2. The analysis of gross profit
- D. Elements of costs
 - 1. Treatment of material costs with regard to
 - a. Acquisition cost of raw materials
 - b. Depletion costs
 - c. Cost of cutting timber under Sec. 631 (a)
IRC
 - 2. Treatment of labor costs
 - 3. Treatment of overhead costs with regard to
methods of applying overhead
- E. Valuation of inventories
 - 1. The assignment of cost to spoiled goods
 - 2. The stabilization of production and inventories
- IV. Federal tax accounting
 - A. Individual tax returns
 - 1. The preparation of individual tax returns
 - 2. The treatment of income tax data with regard to
 - a. Exclusions from gross income
 - b. Inclusions in gross income
 - c. Deductions for adjusted gross income
 - d. Exemptions
 - e. Deductions from adjusted gross income
 - f. Filing of a tax return
 - g. Filing of a declaration of estimated tax

B. Corporation tax returns

1. The preparation of corporation tax returns
2. The determination of corporation income tax liabilities
3. The treatment of income tax data with regard to
 - a. The computation of excess-profits-tax
 - b. The filing of consolidated tax returns

C. Partnership tax returns

1. The preparation of partnership tax returns
2. The treatment of income tax data

D. Basic income tax regulations applicable to businesses

1. Changes in method of pricing inventories
2. Refunds under loss carry-back provisions
3. The treatment of fixed assets to secure tax advantages

V. Municipal accounting

A. Fund accounting

1. Recording procedures with reference to
 - a. General funds
 - b. Utility funds
 - c. Special revenue funds
 - d. Sinking funds
 - e. Bond funds
 - f. Special assessment funds
 - g. Working capital funds
 - h. Property funds
2. The preparation of municipal statements with regard to the use of the term "surplus"

B. Budgets

1. The effects of bond retirements in the preparation of budgets

2. The effects of depreciation in the preparation of budgets

VI. Partnership accounting

A. General partnerships

1. The formation and operation of partnerships with regard to
 - a. The preparation of partnership statements
 - b. The distribution of earnings
 - c. The admission and withdrawal of partners
2. The liquidation of partnerships with reference to
 - a. The treatment of assets upon liquidation
 - b. The division of liquidation losses

B. Special partnerships

1. The formation and operation of a joint venture
2. The liquidation of a joint venture with reference to the distribution of assets

VII. Audit reports and exhibits

A. Types of audit reports

1. Short-form reports with
 - a. Unqualified opinion
 - b. Qualified opinion
 - c. Opinion withheld
2. Long-form reports

B. Exhibits to audit reports

1. The preparation of financial statements with regard to disclosures
2. The treatment of exhibits in the audit report for a municipality

VIII. Internal controls

A. General controls

1. Nature of financial internal controls with regard to
 - a. Characteristics of satisfactory systems
 - b. Factors in the evaluation of systems of control
 - c. Controls for a small business
 - d. Distribution of duties among employees
 - e. Budgetary controls
 - f. Prevention of fraud
 - g. Effects of controls upon the work of auditors
2. Nature of administrative controls

B. Specific controls

1. Cash items with reference to
 - a. Cash receipts
 - b. Cash disbursements
 - c. Branch cash
 - d. The deposit of cash
 - e. Incoming mail
 - f. Receipt of contributions
 - g. The examination of endorsements on checks
 - h. Cash registers
2. Receivables with reference to
 - a. Bond subscriptions
 - b. Credit
 - c. Monthly statements
3. Inventories with reference to purchase orders
4. Prepaid items with reference to postage machines
5. Investments with reference to related income
6. Liabilities with reference to payroll costs

IX. Basic audit concepts

A. General audit procedures

1. Nature of standards and procedures with regard to
 - a. Generally accepted auditing standards
 - b. The relationship of standards and procedures

- c. Weaknesses of traditional auditing procedures
- d. Substitute procedures
- e. The determination of acceptability of procedures

2. Tests of accuracy with reference to

- a. The significance of "cut off"
- b. The use of budgetary controls
- c. The use of statistical sampling
- d. The use of confirmations
- e. The testing of vouchers
- f. The verification of posting accuracy
- g. The verification of income and expenses
- h. Inquiries of non-accounting officers

3. Principles of accounting with regard to the application of "consistency"

B. The accounting profession

- 1. The relationship of independent and internal auditing
- 2. Accounting fees with regard to the cost of an audit

X. Home and branch office accounting

A. Maintenance of accounts

- 1. The recording of adjustments to reciprocal accounts
- 2. The reconciliation of reciprocal accounts

B. Financial statements

- 1. The preparation of worksheets for consolidated statements
- 2. The preparation of eliminations for consolidated statements

XI. Ethics and legal responsibilities

A. Professional conduct

- 1. Relationship to clients with regard to

- a. Contingent fees
 - b. Confidential nature of reports
- 2. Relationship to other accountants with regard to
 - a. Solicitation of clients
 - b. Solicitation of employees of another CPA
 - c. Competitive bidding
- 3. Relationship to the public with regard to
 - a. Supervision of audit engagements
 - b. Proper title of firm
 - c. Disclosure in financial statements
 - d. Issuing of pro forma statements

B. Legal liabilities

- 1. Responsibilities to clients for
 - a. The detection of fraud
 - b. The reporting of fraud
 - c. The detection of conflict of interest
- 2. Responsibilities to the public in regard to
 - a. The issuing of unsigned statements
 - b. The work of other auditors
 - c. The reporting of events to new auditors in case of replacement

XII. Price-level accounting

- A. Nature of price-level adjustments with reference to the advantages and disadvantages
- B. Application of price-level adjustments with regard to
 - 1. Inventories and fixed assets
 - 2. Financial statements

XIII. Special investigations

- A. Investigations for advisory purposes
 - 1. Purchasing departments
 - 2. Purchase of firms
- B. Investigations for credit

XIV. Working papers

A. Nature of working papers

1. Content of the permanent file
2. Content of the current file

B. Purposes of working papers

C. Sources of evidence for working papers

APPENDIX B

OUTLINE OF THE ELEMENTS IN BUSINESS LAW WHICH HAVE BEEN INCLUDED IN CPA EXAMINATIONS¹

I. Contracts

A. Nature of contracts with reference to

1. Expressed and implied contracts
2. Bilateral and unilateral contracts
3. Executory and executed contracts
4. The requirements of the statute of frauds
5. Quasi contracts

B. Essential elements of a contract as to

1. Offer and acceptance
2. Consideration
3. Competent parties
4. Legal object

C. Rights and liabilities on contracts with regard to

1. Rights concerning excuses for nonperformance
2. Rights concerning application of funds
3. Rights to assign contracts
4. Rights concerning anticipatory breach
5. Rights of third party beneficiaries
6. Liabilities concerning measure of damages
7. Liabilities for breach of contract
8. Liabilities for part performance
9. Liabilities under quasi contracts

D. Discharge of contracts by

1. Mutual assent
2. Accord and satisfaction

¹Developed through an analysis of the CPA examinations 1951-1962.

3. Novation
4. Tender of payment
5. Specific performance
6. Statute of limitations

II. Negotiable instruments

A. Nature of instruments with respect to

1. Bills of lading
2. Promissory notes
3. Bonds
4. Bills of exchange
5. Bearer papers
6. Time and sight drafts
7. Negotiable and non-negotiable papers

B. Creation of an instrument in regard to

1. Consideration
2. Certain sum
3. Unconditional promises
4. The effects of interest upon instruments
5. The effects of accelerating clauses upon instruments
6. The completion of instruments not as authorized

C. Negotiation of instruments with regard to

1. Types of indorsements
2. Assignment of instruments
3. The residue of instruments

D. Defenses and liabilities on instruments with regard to

1. Personal defenses
2. Real defenses
3. Defenses concerning conditions precedent
4. Liabilities on certified checks
5. Liabilities of holders in due course
6. Liabilities of primary parties
7. Liabilities of secondary parties
8. Liabilities of accommodation parties

E. Discharge of instruments on account of material alterations

III. Sales

A. Nature and ownership of goods with respect to

1. Future goods
2. Fungible goods
3. Specific goods
4. Unascertained goods
5. Documents of title

B. Transfer of title of goods with respect to

1. The bulk sales law
2. The uniform sales act
3. C. O. D. shipments
4. F. o. b. sales
5. Sale and return
6. Sale on trial

C. Warranties on sales concerning

1. Warranty of title
2. Warranty of fitness
3. Merchantable goods
4. Other implied and expressed warranties
5. Warranties under the uniform sales act

D. Remedies of the vendor and vendee with regard to

1. Unpaid sellers' liens
2. Repossession of goods
3. Stoppage in transit
4. Refusal to accept goods
5. Necessities for infants
6. Divisible contracts
7. Misrepresentation of goods
8. Breach of warranties
9. Property left with vendor
10. Election of actions
11. Measure of damages
12. The "good faith act"
13. "Caveat emptor"

E. Security for credit transactions with reference to

1. Conditional sales contracts
2. Chattel mortgages

IV. Corporations

A. Nature of corporations with reference to

1. Domestic and foreign corporations
2. Municipal and quasi corporations
3. Joint-stock associations
4. Closed corporations
5. De facto corporations

B. Formation of corporations with respect to

1. Promoters
2. Name of corporation
3. "Dummies" in incorporation proceedings

C. Corporation stocks and bonds with reference to

1. Cumulative stock
2. Participating stock
3. No-par stock
4. Watered stock
5. Types of bonds

D. Rights and liabilities of stockholders as to

1. Rights to vote by proxy
2. Pre-emptive rights
3. Cumulative voting rights
4. Rights in the issue of treasury stock
5. Rights concerning transfer restrictions
6. Rights to inspect corporation records
7. Rights as a secured or unsecured creditor
8. Liabilities to minority stockholders
9. Liabilities on stock issued at less than par
10. Liabilities on stock subscriptions

E. Rights and liabilities of corporations in regard to

1. Rights in the issue of treasury stock
2. Rights to succeed to the rights of another corporation
3. Rights concerning consolidations and mergers
4. Rights to revoke dividends
5. Liabilities for acts of promoters
6. Liabilities to minority stockholders
7. Liabilities for ultra vires acts
8. Liabilities under the "blue sky laws"

F. Powers of the directors concerning

1. Contracts with directors
2. A quorum

V. Partnerships

A. Nature of partnerships with reference to

1. General partnerships
2. Limited partnerships
3. Partnerships at will
4. Partnerships by estoppel
5. Comparison with a corporation
6. The uniform partnership act

B. Partnership property with regard to

1. Title to partnership property
2. Transfer of title to partnership property
3. Rights of partners to specific partnership property
4. Name of partnership
5. Insurance

C. Rights and liabilities of partners as to

1. Rights regarding distribution of profits
2. Rights regarding assignment of interest in partnership
3. Rights to issue notes
4. Rights to indemnity of expenses
5. Rights concerning acts which require unanimous consent
6. Liabilities for violation of partnership agreement
7. Liabilities of withdrawing partners
8. Liabilities of new partners
9. Liabilities of deceased partners
10. Liabilities of limited partners

D. Prima facie evidence regarding existence of partnerships

E. Dissolution of partnerships with regard to

1. Winding up partnership business
2. Marshalling of assets
3. Claims of creditors
4. Death of partners
5. Bankruptcy of partners

VI. Agencies

A. Creation of agencies with regard to

1. Powers to appoint agents
2. Powers to act as agents
3. Written requirements of agency agreement

B. Types of agents with reference to

1. Del credere agents
2. General agents
3. Special agents
4. Ostensible agents
5. Subagents
6. CPAs as agents
7. Auctioneers as agents

C. Duties, powers, and liabilities of agents regarding

1. Duty to obey instructions
2. Duty to account for funds
3. Duty to be loyal
4. Implied and expressed powers
5. Liabilities to third parties
6. Liabilities to principals

D. Duties, powers, and liabilities of principals regarding

1. Duties to agents
2. Powers of ratification
3. Liabilities to agents
4. Liabilities of undisclosed principals

E. Termination of agencies with reference to

1. Agencies coupled with an interest
2. Notice of termination

VII. Bailments

A. Creation of bailment relationships with reference to

1. Public and private carriers
2. Innkeepers
3. Bailments for security

B. Duties, rights, and liabilities of bailees with regard to

1. Duty to exercise care over goods
2. Right to refuse service
3. Right to use pledged property
4. Right to the increase in pledged property
5. Right of liens by common carriers
6. Liabilities for injury to passengers
7. Liabilities for acts of God, public enemies, and deviation
8. Points of beginning and ending of liabilities

C. Powers of bailors with regard to

1. Power to claim goods before destination
2. Documents of title

VIII. Real property

A. Nature of real property with reference to

1. Fixtures
2. Growing trees
3. Mineral deposits
4. Shares of stock representing real property

B. Title to real property with regard to

1. Adverse possession
2. Quitclaim and warranty deeds
3. Joint tenancies
4. Tenancies in common
5. Community property
6. Abstracts of title
7. Title search
8. Title insurance
9. Recording of deeds
10. Escrow agents

C. Liens on real property

D. Easements and doctrine of lateral support

E. Landlords and tenants with reference to

1. Requirements for valid lease agreements
2. Effects of misrepresentations
3. Effects of unilateral mistakes
4. Types of tenancies
5. Assignment of leases

6. Subleases
7. Evictions
8. Termination of leases

IX. Suretyships

A. Nature of suretyships as to

1. Comparison with guaranty
2. Comparison with contracts to indemnity
3. Comparison with fiduciary relationships
4. Valid parties

B. Rights and liabilities of sureties regarding

1. Right of subrogation
2. Rights against co-sureties
3. Right of indemnity
4. Rights of guarantors to notice of default
5. Liabilities for extension of time
6. Liabilities for refusal of valid tender
7. Liabilities for delay in collection
8. Liabilities for promise after execution of note
9. Liabilities for promise at time of execution of note
10. Liabilities where promise is not in writing

X. Insurance

A. Nature of insurance with regard to

1. Life insurance
2. Floating fire insurance
3. Effects of misrepresentation
4. Insurance binders
5. Insurable interest
6. Insurance as wagers

B. Risks assumed by insurer with regard to

1. Open and valued policies
2. Coinsurance policies
3. Standard and open mortgage clauses
4. Subrogation

C. Rights to insurance proceeds with regard to

1. Rights of creditors
2. Assignments of policies

XI. Labor

A. Federal labor legislation with reference to

1. The Fair Labor Standards Act
2. The Social Security Act
3. Workmen's compensation acts

B. State labor legislation with reference to workmen's compensation acts

XII. Bankruptcy

A. Nature of bankruptcy with reference to

1. Voluntary and involuntary bankruptcy
2. Acts of bankruptcy
3. Petitions for bankruptcy
4. Petitions for reorganization

B. Administration of estates concerning

1. Title to property of bankruptcy estates
2. Exemptions allowed a bankrupt
3. Recoverable preferences
4. Settlement of secured and unsecured debts
5. Discharge of debts
6. Effects of inherited property after bankruptcy
7. Effects of gifts to bankrupt after bankruptcy

XIII. Trusts

A. Nature of trusts with regard to

1. Creation of trusts
2. Types of trusts

B. Operation and termination of trusts as to

1. Duties of trustees
2. Charges to principal and income
3. Procedures of termination of trusts

XIV. Legal responsibilities

A. Nature of responsibilities with regard to

1. Skill of persons offering technical services
2. Disclosure in financial statements
3. Ownership of working papers of auditor
4. Use of confidential information

- B. Liabilities under the Federal Securities Act with regard to measure of damages

XV. Trade

- A. Federal regulation of trade with reference to
 - 1. "Cease to desist" decrees
 - 2. "Consent" decrees
- B. Purpose and duties of the Federal Trade Commission

XVI. Personal property

- A. Nature of personal property
- B. Acquisition of title of property with reference to
 - 1. Lost property
 - 2. Accession
 - 3. Confusion