INTRODUCTION

While it is impossible to predict the future, there are often trends and indicators which offer a window through which a glimpse of the possibilities can be seen. We have asked more than 50 of the leaders in the accountancy profession in Illinois to assess current trends and indicators and to identify some of these possibilities.

The premise is very simple. These leaders have a vision of what the role of an accountant will be in 10 years, and that is the perspective high school students like you need to make career commitments to the profession.

These leaders have risen to the challenge. In the following pages, you will see revealing and often startling insights in six different arenas of life in the accounting firms of the future. These insights are not guarantees of the future, but rather the expectations of the best practitioners in the business.

The six arenas are:

- The Career Paths and Alternatives for Accounting Majors
- The Work Environment in Accounting Firms
- The Roles of Non-CPAs in Accounting Firms
- The Diversity of Client Services Offered by Accounting Firms
- The Common Misperceptions vs. Reality
- The Academic Preparation for a Lifetime of Meaningful Service

Accounting is the language of business. It is and always will be the analysis of how money is used by businesses, non-profit organizations, governments and individuals. If it’s about money, it starts with accounting.

While technology has largely replaced the most tedious work, the challenges of interpreting and communicating the impact of strategies and decisions are demanding a new accountant. The accountant of the future will need to be an innovative problem solver, adept communicator/team player, competent technological genius and astute legal expert. These are the skills that will drive relationships with regulators, peers and clients and ensure the future of the most trusted of the professions.

Perhaps the greatest single change CPAs expect to see in this decade is the transition from annual or quarterly financial statements to real-time financial statements. To most people, this sounds easy - simply ask the computer to tally the income and expenses and print out a financial statement.

But the role of a CPA is to validate the amount and classification of all the income and expense items so that management, investors, owners and bankers can rely on the results. That means your job is to design systems that validate and test hundreds and thousands of sources of information so that at any point in time, the value of assets, available cash and bottom line profits can be certified as accurate.

That means you will need to understand every facet of business operations. You must be the ultimate authority on how business works. And you must know it well enough to thwart those who would divert assets for personal gain.

Only those who aspire to world class performance from themselves and those around them should set their sights on a career in accounting. For those who do, the lifetime rewards are deep and profoundly satisfying.
CAREER PATHS AND ALTERNATIVES FOR ACCOUNTING MAJORS

Following are a number of positions to which Accounting Majors can aspire:

CPAs in Public Practice

Many CPAs begin their careers in an accounting firm. This rapid-fire exposure to a wide variety of entities and activities forms the experiential base for many career alternatives.

Some will chose to remain in public practice. Those who quickly form relationships of trust and respect with business owners, managers and entrepreneurs will find public practice a diverse and rewarding experience. Some will stay with a larger public practice, others may change to a smaller or larger firm and still others may choose to start their own firms. But the choice of public practice means a commitment to life at the cutting edge of new developments in financial transactions.

Within public practice are many opportunities for specialization. Some will chose to use their financial expertise as a consultant or advisor to corporations where they are involved in every aspect of business decision-making. Most will specialize in one or two industries or types of entities. Others will become advisors to wealthy individuals who are considering investments of all kinds. Still others will become experts on the tax laws and ways to structure transactions to minimize the impact of taxes. And some will lead teams of experts in the analysis and forecasting of new opportunities.

There always is and always will be a need for experts in financial transactions. Either they are hired as part of a public practice where their expertise and/or the ability to certify the results of a transaction is needed, or they are hired directly by an entity to practice their expertise solely on behalf of that entity.

CPAs in the Private Sector

Many CPAs go into the private sector – industry, not-for-profit or government – either immediately or after a few years in public practice. Some become Analysts and get into operational efficiency, financial assessment, planning and forecasting. Others become part of the management career path which leads to positions such as Controller, Chief Financial Officer or Chief Executive Officer. Often the design of computer systems that track the flow of money through a corporation is the responsibility of a CPA.

Accountants

Each year, thousands of accounting majors graduate from college, but decide not to pursue certification. Instead, they find jobs in computer systems, tax return preparation, banking, insurance, investments and hundreds of other positions related to business decision-making.

The Future

What ties these career opportunities together is that they all deal with money. A business will shrivel and die unless it makes money for the owners. A not-for-profit entity cannot perform social good unless they collect and disburse money. The government cannot exist without the ability to tax and distribute money.

Every facet of society depends on financial systems. Accounting is the technology, the set of rules, the “fairness gauge”, on which all financial systems are based. And accountants are the experts in applying the rules – the referees of financial transactions.

Since the beginning of civilized society, accounting and accountants have played a crucial role. So long as the exchange of value is a part of human interactions, accounting and accountants will be needed.
In fact, right now, accountants are in such demand that hiring in the Chicago offices of the big five firms for four year accounting majors has been increasing nearly 6% per year over the past five years. Starting salaries for 4 year accounting majors have been increasing nearly 10% per year over the past five years. If these trends continue, starting salaries for four-year graduates will be over six figures in 10 years. But with the 150-hour rule in effect, accounting majors who expect to sit for the exam will have five-year degrees. That means accounting graduates who are eligible to take the exam will be entertaining even higher offers from large and mid-size accounting firms. (In 2001, beginning salaries at mid-size Chicago Public Accounting firms for five-year graduates who were eligible to sit for the CPA exam were around $42,500, big 5 were over $50,000.)

Given the current pipeline of accounting students in college and the limited information available to high school students and their counselors, there is likely to be a shortage of qualified and competent CPA candidates throughout the next decade. The increasing competition for the best and the brightest accounting graduates that results from this shortage is likely to maintain the upward pressure on starting salaries.

Conclusion

In summary, as an accounting major you have an infinite number of career options. The reason is that you are a recognized expert on financial transactions. Every facet of society needs that expertise. If, in addition to that major, you pass the CPA exam, you can join an elite group of decision makers in public practice, business or other parts of the private sector. You will be very well compensated because your expertise is in demand.

THE WORK ENVIRONMENT IN ACCOUNTING FIRMS

Accounting, much like the other professions, rewards intensity of work. Physicians, Attorneys and Certified Public Accountants live in an environment of high expectations, performance and production. For high achievers, this environment is stimulating and rewarding.

The work environment is rarely boring. The continual contacts with high level decision makers and their visions, the stimulation of learning and using leading edge technology, the diversity of issues to resolve and the flexibility of scheduling contribute to a demanding and satisfying career for the highest achievers.

Overtime demands on accountants, especially during certain phases of projects and “busy season” are well known. But what is less evident is the fact that busy season and projects have end dates. On average, accountants do not work more hours than their counterparts in law or medicine, 2250 – 2500 hours per year (45 – 50 hours/week) is the norm.

Within the past several years, accounting firms have become especially cognizant of quality of life issues. Much of that sensitivity is driven by the need to retain competent personnel. Flexible schedules, generous benefits and caring mentors are simply a response to the competitive pressure to retain quality personnel. As the demand for competent personnel increases, the willingness to adjust the work environment to the needs and lifestyle of the employee will increase.

By 2010, the work models within accounting firms will be diverse. Some models already allow considerable flextime and flex location, empowered by technology. Other models will feature expanded/reduced hours to accommodate family and work/life issues or personal preferences. For example, one person may want to accelerate career progression or increase take home pay by committing to six months with 60 hour weeks. Another may want to reduce work pressure to 24 hour weeks for two years to accommodate a growing family. Pay, benefits and career advancement, of course, track these preferences. In addition, a composite of successful experiences will become the primary criteria for advancement regardless of the time it takes to accumulate. Many models will be similar to an independent contractor relationship with either an individual or a team.

Regardless of the work model, pay will be increasingly based on performance. For example, to support a salary of $100,000, clients must be willing to pay at least $150 an hour for your work. Only when that level of value is
apparent to the client will they willingly pay for the work. And only when the client pays the bill can the firm meet its commitments for salary, overhead and shareholder profits.

Over the past decade, there has been an effort to move from hourly billing to value billing. While some progress has been made in that direction, there is little evidence that hourly billing will be phased out by 2010.

**Conclusion**

Accountants in business, not-for-profit entities, government and other positions will typically receive an annual salary and benefits which match the expectations in their job description. An accounting firm, however, is much closer to an entrepreneurial – small business environment regardless of the size of the firm.

Ultimately everyone gets paid for what they produce. Perhaps the most difficult transition from the academic environment to the accounting firm is the concept that every minute has a price tag. Experienced professionals evaluate every minute of their time by asking who would be willing to pay three dollars, or four dollars, or five dollars for what I did during the past minute?

While warm and fuzzy benefits may be great recruiting devices, ultimately, someone has to pay for them. That means partners have to convince clients of the value in the services you deliver. And that means you will be expected to produce value every minute of every day.

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**THE ROLES OF NON-CPAS IN ACCOUNTING FIRMS**

With the increasing cost of CPAs, the decreasing availability of accounting graduates and the dramatically increasing opportunities for business advisory services, firms have little choice but to supplement their work force with non-CPAs and often with non-accountants.

The growth and profitability of systems consulting services is a prime example. Because they were knowledgeable about the tracking and control of cash flow in a business, accountants were a natural choice to develop systems consulting services. Although the SEC recently expressed concern over potential conflicts of interest, the fact remains that many accounting firms dramatically increased their size and revenue stream by building service units that were outside of traditional accounting. To do that, they hired tens of thousands of non-CPA/non-accountants as systems consultants. Today, all of the big five firms have divested, or are in the process of divesting, their consulting practices – in most cases at a significant profit.

Nearly all accounting firms are growing a wide variety of non-accounting services. Many are offering ancillary services such as investment advisory services, fraud investigations, litigation support, valuation, benefit plan consulting/administration, and human resources services to clients.

These services have their roots in accounting, but the skill sets needed to provide competent client services go far beyond the training and experience of accountants. As such non-CPAs may be hired to manage and staff these services. Those who head up such services are often given the title of “Principal” or shareholder and may share in the ownership of the firm. The number of such positions, however, must be less than half of the ownership group if the firm calls itself an “Accounting” firm. To be successful, non-CPAs who work in such roles, must be comfortable with the language and priorities of the accounting profession.

Over the past two decades, the number and diversity of non-CPA staff who perform audit and tax work under the supervision of a CPA has slowly increased. Over the next decade, we expect to see that number increase dramatically for two reasons. First is the critical shortage of CPAs. Second is the client reluctance to pay CPA billing rates for activities that do not require the judgement for which CPAs have been trained and certified.
Other professions have successfully launched such support designations i.e. Dental Assistants, Medical Technologists and Paralegals. Few of these individuals have aspirations to become Dentist, Doctors or Attorneys. But the roles they play are critical to the efficient delivery of professional services. By 2010, we expect to see such support designations in the accounting profession.

The challenge of this approach will be the management of client perceptions. Most clients enjoy a close personal relationship with their CPA. The extent to which clients will be willing to entrust their work to a paraprofessional under the supervision of a CPA is an open question.

Conclusion

Most accounting firms are faced with a dilemma today. If all they sell is tax and accounting competence, future growth will be limited to the number of CPAs they can hire and retain. As noted above, the supply is limited and the cost is rapidly escalating.

There are two alternatives. Accounting firms can offer services beyond tax and accounting such as computer consulting and benefits consulting which can be staffed by non-CPAs. And accountants can delegate much of the non-judgement work of tax and accounting services to competent paraprofessionals. Accounting firms are doing both. As of yet, there are no recognized “Paraccountant” designations or educational programs but over the next decade such recognition appears inevitable.

DIVERSITY OF CLIENT SERVICES OFFERED BY ACCOUNTING FIRMS

Currently there are hundreds of distinct services which accountants are providing to clients. The proliferation of such services is limited only by the actual or perceived violation of independence. What this means is that a CPA cannot express an opinion on the validity of a financial statement that will be relied upon by others and simultaneously provide a service which could influence that judgement.

For example, if an accounting firm was auditing a bank and the bank used the same firm to rewrite its cash management software, it could be argued that the audit opinion may be suspect because of a desire to demonstrate the value of the new software.

As another example, if an accounting firm was auditing a car dealership and the new controller had recently been selected by the human resources service arm of the accounting firm, it could be argued that the audit opinion may be tainted by a desire to highlight the competence of the controller.

Every CPA that provides attest services, such as an audit opinion, is acutely aware of such independence issues. But that still leaves an infinite number of services which an accounting firm can provide.

Perhaps the most illustrative is the listing of the 10 “hottest” services that mid-sized accounting firms are offering (from the PCPS Millennium Report, published by the AICPA).

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<th>Internal Control/Audit Fraud</th>
<th>Mergers &amp; Acquisitions</th>
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<td>Financial Services/Investments</td>
<td>Compensation/Benefits</td>
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<td>Risk Assessment</td>
<td>Strategic Planning</td>
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<tr>
<td>Computer Consulting</td>
<td>Dispute Resolution/Litigation Support</td>
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<td>Electronic Commerce</td>
<td>Elder Care</td>
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Some of the other services that accounting firms provide to their clients include:
Marketing Consulting     Fraud Investigations  
Human Resources Management/Recruiting    Valuation  
Succession Planning     Process and Procedural Design  
Site Assessment     Contract Management  
Compliance with State and Fed Regulations     Cash Flow/Profit Improvement Studies  

The range and variations of such services are unlimited.

In fact, accounting firms have become incubators of new service businesses. If an entrepreneur has a good service business idea, it is likely that an accounting firm may be the most hospitable launch pad. The firm already has clients and contacts in the business community. The accountants have seen the success and failures of hundreds of businesses and can provide the counseling every new venture needs.

Over the past two decades, accounting firms have become the first place that managers and owners look for business services. There is no evidence of a slowing of the trend. In many European countries, accounting firms have incorporated the full range of legal practices into the services they offer. Today, accounting firms in the US are the largest employers of attorneys although they are generally limited to practicing in the areas of taxation. However, several states now allow joint legal and accounting practices. It seems likely that in 2010, accounting firms will be acquiring law firms and adding legal services to the comprehensive list of business services they offer to clients.

Conclusion

The US economy has made the transition from a manufacturing to a service economy. A large part of the service economy is comprised of business services. And a primary source for business (and some individual) services is the accounting firm.

Nearly every type of professional service needed by a business owner is available through the accounting firm. In fact, the diversity of services is a key selling point in attracting new clients.

This is a trend that has been escalating and shows no evidence of slowing. By 2010, the accounting firm will be the one-stop-shop for nearly all business services. Many of the services that business will need (and accountants will sell), have not yet been invented. Firms will increasingly look to entrepreneurs within, or outside of the profession to create and promote such services.

**COMMON MISPERCEPTIONS VERSUS REALITY**

Today’s accountant is the genius behind nearly all business decisions – local, national and international. He or she is the trusted advisor to executives. The kinds of characteristics needed for success are creativity, problem solving, strategic thinking, unquestioned ethics and a mastery of interpersonal relationships. Those are the kinds of characteristics that business executives look for in a trusted advisor.

The *perception* is that an accountant sits at a desk typing numbers into a 10 key adding machine. *In fact*, they are more likely exploring cost/benefit ratios on combinations of multiple distribution channels.

The *perception* is that an accountant is a recluse. *In fact*, accounting is a business where most of the time is spent in face-to-face communications exploring business strategies and positioning. Excellence in personal relationships is prized and rewarded.

The *perception* is that an accountant needs to be called in to help with a problem. *In fact*, an accountant has most likely anticipated the problem and proactively prepared a smorgasbord of alternative solutions.
The *perception* is that an accountant is a mechanical functionary. *In fact*, an accountant is the creative engine and strategic thinker behind every effective CEO.

The *perception* is that an accountant puts in long hours. *In fact*, an accountant will usually work long hours during tax season and at the culmination of major projects. These periods of intensity, however, are offset by periods of less pressure. On average, most accountants work 2250 - 2500 hours per year (50 weeks x 45 - 50 hours). These hours compare favorably to most other professions, high performance positions in business and the commitments made by most entrepreneurs.

The *perception* is that accountants work under considerable stress. *In fact*, most of the stress comes from a personal commitment to excellence and achievement. To most accountants, such stress is stimulating and enjoyable.

The *perception* is that accountants receive mediocre rewards for their work. *In fact*, the profession has always been financially rewarding. With the increasing scarcity of competent accountants, starting salaries in the big five firms have increased an average of nearly 10% a year over each of the past five years. And it looks like that rate of increase will continue into the future. These starting salaries are pushing all other salaries upward as well. Generally, in 10 – 15 years, competent accountants are invited to become partners/owners of the firm. As such, they share in the profits of the entire firm.

The *perception* is that accounting offers little challenge. That is because too often accounting is confused with bookkeeping, especially in high school business classes. *In fact*, accounting is the use of financial information to help guide the strategies of business at the highest levels. For those who find business management and strategy to be intriguing and challenging, there is no more stimulating profession.

**Conclusion**

There are many misperceptions of the role of the accountant in society. Part of that is because most accountants honor the confidentiality of client matters and talk as little as possible about their accomplishments.

For example, no accountant will discuss their role in saving a company from bankruptcy because to do so may damage the credibility of the company. None will talk about tax savings for clients because that may trigger the interest of the IRS. None will talk about the new marketing strategy of a client because that may alert the competition.

Accountants are very discrete in what they will talk about publicly. As such, there is often a disparity between the public perception of the role of accountants and reality. But business executives know and reward accountants for their discretion.

While attorneys will talk to the media on behalf of their clients, accountants provide advice to their clients and let the clients take the credit. But you can be sure that before the announcement of every business decision, new product launch or acquisition strategy - the accountants have analyzed the economics, the opportunities and the risks.

To get a better picture of the profession, the AICPA and the ICPAS offer extensive and rich web sites. Accounting professors and partners in firms are happy to discuss the reality of the profession – especially between May 1st and September 30th. Publications such as “Practical Accountant”, “Accounting Today”, “Insight”, the journal of the Illinois CPA Society and the “Journal of Accountancy” offer perspectives on the issues of the profession today.
The Academic Preparation for a Lifetime of Meaningful Service

The academic preparation for a degree in accountancy is rigorous. Arguably, it is one of the most challenging programs offered by a college or university. One would expect no less for a profession that offers such prestige and professional stature.

Among the core competencies needed by the profession are the following:

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<th>Functional</th>
<th>Personal</th>
<th>Broad Business</th>
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<td>Decision Modeling</td>
<td>Leadership</td>
<td>Industry / Sector Research and Analysis</td>
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<td>Risk Analysis</td>
<td>Professional Demeanor</td>
<td>Strategic/Critical Thinking</td>
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<td>Measurement</td>
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<td>Marketing/Client Focus</td>
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<td>Reporting</td>
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<td>Research</td>
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<td>Interaction</td>
<td>International/Global Perspective</td>
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It is interesting to note that there is little emphasis on math or number crunching. Today’s technology takes care of the detail work. The focus is almost entirely on the ability to think creatively, articulately present business alternatives, and make use of technology to enhance all of these competencies.

Recently, most states implemented a requirement for 150 hours of college credit before a graduate is eligible to sit for the CPA exam. As such, the accounting major is a five year program. This is consistent with law degrees and medical degrees.

And that makes real sense. The accountant is at least an equal to the attorney in any significant business transaction. While the attorney represents the business in legal affairs, the accountant validates the financial information used by investors, banks, owners and the Internal Revenue Service. Because the purpose of business is to return a profit to owners and investors, the accountant arguably has responsibilities which are more precisely focused on the goals of the business. That is the reason so many accountants eventually become Chief Financial Officers, Chief Executive Officers and Presidents of major corporations. This is no less true in the not-for-profit and government sectors.

Accountants, as discrete and trusted business advisors, enjoy the highest level of esteem within society and business management. This role, however, is generally not visible to high school students who are making career decisions because accountants are paid to maintain confidentiality.

For example, if you ask any 3rd grade student what they want to be when they grow up, the answer is likely to be a job or profession that they see and associate with – athlete, teacher, fireman, etc. But even in high school, few students have a chance to see the excitement, challenge and satisfaction that accountants experience every day. As such, too few are able to seriously consider a career in one of the most rewarding of all professions.

Conclusion

Accounting is the profession for the best and the brightest students and those who enjoy being around them. If you enjoy creative, strategic thinking as well as curiosity about the way financial decisions are made, you owe it to yourself to look closely at a career in the accounting profession.
SUMMARY

We began by asking more than 50 leaders in the Illinois accounting community to define the role of the accountant in 2010.

What becomes apparent is that the future of accounting is extraordinarily bright. After all, so long as there are transactions – locally, nationally and globally, there will be the need for accountants to analyze, assess and recommend alternatives.

A case can be made that the reason the US is an international leader is the fact that we have such a well-developed system of accounting. As such, global investors can look at financial statements with a confidence that encourages more investment.

We can take pride in knowing that one of our most important exports has been our system of financial reporting. No third world country can aspire to economic success without embracing rigorous accounting standards simply because no investor is likely to risk capital on a venture which cannot be quantified. That is perhaps the greatest single problem that even countries as large as Russia and China must resolve.

Without accounting, free enterprise cannot exist. As globalization continues, the role of the accountant takes on increasing importance in creating economic opportunities for every occupant of the world.

Ultimately, that is the future of accounting. If you are among the best and brightest, we invite you to aspire to one of the greatest of all challenges. We invite you to become a Certified Public Accountant.