EFFECTS ON AUDITING:

PAST, PRESENT, AND FUTURE

presented by

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Writing

Writing was one of the most important steps in man's evolution, and it is one of the first of many steps in the evolution of accounting. Writing was invented about 3000 B.C. in the Middle East. Writing has revolutionized the way that man stores and passes on his knowledge and ideas, but according to Eric Hoffer, the invention of writing was for many centuries used to record inflows and outflows of treasuries and warehouses.\(^1\) "Writing was invented not to write books, but to keep books."\(^2\) Clay tablets that listed the valuables of temples and public treasuries have been found for the civilizations of Sumeria and Babylon. Roman legion payroll accounts still exist that show the wages that were paid to soldiers depending on rank and also show deductions for equipment requested by the soldiers. The nobility during the Middle Ages hired men who knew how to write to tabulate costs and productions of their estates and farms. With the advent of the Renaissance, a more sophisticated method was developed of allocating profit and loss, and for recording debits and credits. The main reasons for these developments were the spread of commerce and the organization of maritime trading ventures.\(^3\)

Pacioli

Luca Pacioli, a Franciscan monk and mathematician, published in 1494 a book entitled *Summa de Arithmetica; Geometria, Proportione et Proportionalita* (Everything Concerning Arithmetic, Geometry and Proportion), and in this book Pacioli describes the double-entry bookkeeping system. From the time period 1494 through 1932, Pacioli's contribution is one of the most important. Two
other contributions to auditing during this time were the development of the British and American audit systems.

Pacioli, although not the inventor of the methods and ideas of double-entry bookkeeping, was the first to bring these concepts together in a logical system and in written form. Pacioli's system has been called the "Method of Venice" and includes many modern bookkeeping elements. Pacioli's book contained thirty-six short chapters on the elements of double-entry bookkeeping. It is truly amazing how Pacioli's thoughts and theory have stayed with us and that these thoughts helped lay the foundation for what later would become accountancy.

Pacioli set down three criteria which successful merchants need. The first involves a good cash flow or good credit. The second involves a good bookkeeper; the third involves accounting systems which viewed at a glance gives the owner a feel for how his business is doing. The merchant before beginning business should develop a detailed inventory of personal and business assets and liabilities, and the items should be listed according to mobility and value. Items that are easily lost are listed first, for example cash and jewelry. This compares to balance sheets today which list the most liquid of assets first. The accounting system prescribed by Pacioli involves three books: the memorandum, journal and ledger. The memorandum was basically the original book of entry. This book can be compared to a sales ticket, both being original points of entry. From both sources information would be transferred to the journal to facilitate double-entry bookkeeping. In today's business world, totals from these journals would then be
posted to proper ledger accounts for summarizing and reporting purposes. In Pacioli's ledgers, such ideas as alphabetical indexing, page numbers, and cross referencing are developed to aid in controlling the accounts. Due to Pacioli's referencing, it was easy to trace a transaction forward, but in tracing an entry back, the only guide was the date. Journal entries showed the ledger pages to which each entry was posted, while the ledger posting referred to the other half of the ledger entry -- not back to the journal. Of the three books which he developed, Pacioli's ledger most greatly resembles modern methods.

In his last ten chapters, Pacioli devotes attention to specialized areas or problems. Areas of discussion involved bank deposits and withdrawals, and the fact that a receipt should be obtained from the bank when making a deposit. In another chapter on partnerships, Pacioli stresses the fact that partnerships should not involve their personal assets with the business. This is also a basic rule of partnerships today except for the fact that if partnership debt is greater than assets, their personal assets may be used to satisfy partnership debt. Pacioli also advocated that extraordinary expenses and losses should be shown separately and that miscellaneous expense and petty cash accounts be set up "because we cannot enter every little thing in the account of the merchandise that you sell or buy." Another area that somewhat compares to modern accounting has to do with bad debts. When a merchant was listing those who owed money, he would classify the money as good money if it was due from good people, or classify it as bad money if it was due from debtors with poor financial records.
Finally, Pacioli does not mention any type of financial statements, but he does recommend an annual balancing. With each balancing a new ledger would be opened, and the main reason for the balancing was the detection of errors. Balancing was accomplished in two steps: comparison, and taking a trial balance. When comparing journals, an assistant would read off journal entries, checking off each journal entry read, to the owner who would tick those same entries. If there were no unchecked or unticked entries, and all amounts were correct, then the old ledger was closed and the new one opened. Asset and liability balances were ruled and transferred to the new ledger. Profit and loss accounts had closed into it revenue and expense accounts, and the profit and loss accounts were closed to the capital account.

At the end of Pacioli's accounting cycle, a trial balance was prepared. On a sheet of paper, debits from the old ledger were listed on the left side, and the credits on the right side. If they balanced, then the old ledger was considered correct. If the two amounts did not balance, then the bookkeeper had the responsibility to look for the mistake "diligently with the industry and intelligence God gave you and with the help of what you have learned." Finding this mistake may be somewhat compared to auditing, in that if a mistake is found, the auditor has a professional responsibility to correct that mistake.

Since the publication of Pacioli's book, bookkeeping has changed very little. His cycle of accounting events are not foreign to today's accountant, nor are the special events and procedures described in his book. Many of the changes since Pacioli's book are refinements brought about by large scale business. In
Pacioli's time, accounting data was not used for financial disclosures, allocation of costs and revenues, or reporting to the public. This data was used mainly as a source of information and control for the owner or owners of a business. Pacioli's theories are very much related to the present, and his work has helped in the development of modern accounting. The impact of Pacioli on the accounting profession is unquestionable, and it is his work which laid the basis for accounting thought. It is with this background that modern auditing was born.

**England**

Auditing made its early appearance in England, and public accounting began to evolve and grow into a professional status as it still is today. Auditing has a history which dates back to the fourteenth century. The basis of the audit was not to evaluate or verify managerial responsibilities, but to check on those with fiscal responsibilities. The audit was generally conducted by officers of the firm, as that was part of their duties, or a majority of the stockholders would hire an outside person or group to conduct the audit. Early English auditing of household books involved the reading aloud of the accounts to the auditor to check the honesty of the person involved in fiscal matters. The rationale behind this type of audit was the fact that few could read or write, and upon having the information presented and read, the auditor would recognize omissions and errors. The practice of hearing continued through the sixteenth century. Another aspect of early auditing, and one which many auditors today can identify with, stated that the auditor should stay with his work even to the point that food be brought to the auditor's room.
with the beginning of business, the role of the auditor became more important. Auditing's emphasis changed from reading accounts, to examining written records and testing entries based upon documentary evidence. However, auditing was still only a part-time job, and not a professional practice. The early auditor "might be a bookkeeper, appraiser, attorney, actuary, bankruptcy auditor, executor of estates, or winder-up of dissolved companies." In England, the Companies Acts from 1844 to 1862 were important steps in the development of auditing. The 1844-45 act set up rules concerning the legal formation of companies with joint stock ownership. The company had certain public regulation rules to follow; among these were the appointment of an auditor or auditors to examine financial statements before the formation of the company was granted. Second, auditors were to be appointed at each yearly meeting, account books were to be kept, and "full and fair balance sheets" were to be prepared by the directors and given to the auditors. The auditors then performed their work and issued a report on the balance sheet. The balance sheet and auditor's report were given to the shareholders at least ten days before the general meeting and the report was also filed with the registrar of joint stock companies. A major problem here was the fact that the auditors were the investors. The rationale behind this was that the investor-auditor, through the audit, would learn what the directors were doing, would make the directors answer for their actions, and would influence their future behavior. Also in the 1845 act, the auditor could not be an officer of the company. This does provide for some independence. The act of 1845 (Companies Clauses Consolidation Act) also provided for outside auditors.
The auditor could hire outside accountants at company expense to make special reports or verify the same accounts as the investor-auditors. One reason for these statutes was Parliament's lack of trust concerning directors. It was hoped that with these statutes, false promotions and operations of a company would be more difficult. Although these auditors were not professionals, and some considered the audit a farce, the audits performed by these people provided a check on the directors and provided the shareholders with a record of how the firm was doing. Even though the audit techniques were weak, some check was better than no check. The 1845 and 1846 acts helped provide a basis for the development of the professional accountant, and as such the development of the auditor.

The next set of acts were the 1855-56 acts. These acts set up a model balance sheet and articles of incorporation for those companies which did not register articles of their own. Companies that had adopted their own balance sheet and articles did not have to adopt the model set. This act was far more advanced than the previous act. The balance sheet classified assets and liabilities by type, bad debts were provided for, plant and inventories were depreciated, and retained earnings were classified as either appropriated or available for dividend distribution. No dividends were to be distributed if they reduced capital, double-entry bookkeeping was to be used to maintain the books, certain revenue disclosures were needed, and auditors no longer had to be shareholders. In addition, if no auditor was appointed, then 20% of the shareholders could petition the Board of Trade to appoint
someone to investigate the company. Two other aspects of this act involve the limited liability of the corporation; in other words, the investor is only liable for his/her investment in the company, and the fact that Parliament did not strengthen the mandatory audit requirements -- (neither did the 1862 act).

The 1862 act dealt with the formation of a corporation and the legal relationship that develops between the corporation and outside parties. This act had a long schedule attached to it which described matters associated with managing and operating a company that had a limited number of shares. Four important accounting developments came from this act. The first stated that dividends were to be paid from net income of the period in question. Second, accurate accounts of inventories, cash receipts, cash disbursements and liabilities were to be kept. Third, a yearly balance sheet and income statement were to be presented to the shareholders before the general meeting. Fourth, and most important to the auditor, involved a yearly audit, by one or more auditors, of the balance sheet to determine the correctness of the statement.

The British provided a large step in the development of accounting and auditing. The Companies Act's provided a solid springboard for the development of auditing. Accounting was given another professional boost when in 1854 Queen Victoria gave a royal charter to the Society of Accountants in Edinburgh. Recognition was also gained with the Royal Charter of the Institute of Chartered Accountants, which is a professional organization which still operates under the same name today. The English provided many advances in accounting and auditing and it was with the influx of English capital into the United States that helped bring accounting here.
America

With the inflow of foreign capital and the industrialization of America after the Civil War, it was not uncommon to have Scottish and English accountants come over and make fraud, value, and status audits for the absentee investors. Once these auditors found that there were no local practicing accountants, they stayed on to form many of the large C.P.A. firms that are found today. It was the work of these early accountants which developed the American audit authority. This authority grew out of the needs of the business community which was contrary to the British audit development which involved (in the beginning) more government regulation and public protection. It was not until later that the legislative and judicial branches had an influence on the American audit program.

Early audits involved testing a bookkeepers work, footings, postings, and verifying the integrity of the employees, and then declaring that the accounts were correct without even checking any balance sheet accounts. Robert Montgomery stated that "estimates show that three-fourths of audit time was spent examining footings and postings, whereas experience showed that three-fourths of defalcations were hidden by failure to account for cash receipts or income." The detailed audit was suggested because errors in bookkeeping were plenty, ledger balances that were incorrect for months or even years needed to be corrected, embezzlement was very evident, and fraud by promoters and managers, which caused many business failures, was common. It is for the above reasons that a detailed audit was needed. This would be a difficult accomplishment because the federal nor the state government called for audits. Also, it was difficult to get shareholders to the general meeting,
and because state commercial codes varied, it was difficult to standardize the audit report, and as such to even get an audit engagement. Also the American auditor had to show the worth of the audit expense to the directors not the government or the shareholders. There was hope though, because for the first time in 1896, New York enacted a law which set down standards, which if met, would allow an accountant to become certified. The importance of accounting and auditing was being recognized.

The balance sheet audit was one of the early audit approaches. This approach grew from the banking industries needs. Financing at this time was done mainly by short-term borrowing form the bank. Because of a volatile market, wholesalers would shorten credit terms and offer cash discounts to the retailer to quicken payments and thus allow the wholesaler to pay back the loan. These loans were mainly made because the banker knew the wholesaler personally, but as lending outgrew the local merchants, the bankers began to require balance sheets that had been examined and signed by auditors. Bankers could ascertain the liquidity of a potential debtor and in cases where the client defaulted, the balance sheet could be used as evidence in the courts. The measure of liquidity was the current ratio and working capital. The verification of current assets and liabilities was an integral part of the audit. This type of audit gave the banker a look into the future with a conservative basis. Bankers would weigh the possibility of losses, would favor write-down of inventories to lower of cost or market, use of depreciation reserves, and use of bad debt expense in deciding whether or not to make a loan. Also during the early 1900's, audit emphasis was changing from detailed investigation of
all accounts, to an investigation of a few important accounts. American auditors also introduced sampling and evaluation of internal controls, but these practices were not used to any extent in the early audits.20

With the development of income taxation in 1913, government interest in reported income became more involved. The Federal Reserve Board, regulatory agencies, and New York Stock Exchange began in 1913 to require audited financial statements. Some groups were calling for uniform statements, but with no generally accepted standards, the auditor had a difficult time in presenting uniform statements. It was in 1917 that the American Institute of Accountants issued the first authoritative guide for an audit, which was requested by the Federal Trade Commission (FTC).21 Another guide was issued in 1918 which made a few changes in the 1917 guide. These guides described an audit program of the balance sheet, discussed which accounts to examine, and presented formats for comparative balance sheets and income statements. These guides were very important because these were the first steps in audit self-regulation; even though the FTC suggested the guidelines be developed, no such guidelines ever surfaced. The accounting profession was still having trouble standardizing and because of that, government intervention was probable. In 1929, the FTC published a report which still emphasized the balance sheet audit, but also emphasized income statement accounts and reporting, and stressed reliance upon internal controls. Also, the auditor's report shifted emphasis from correctness of statements to reporting fairness. Reporting fairness implies to management and the investor that the
financial position of the company is presented fairly in the financial statements.

As can be seen, accounting and auditing have come a long way since Pacioli. Although the basics remained the same, many refinements and improvements were made. It was with these new developments that the auditing profession came into existence, and it was between 1933 and the present that auditing has come into its own.

SEC

Two of the important developments of this time frame were the Securities Acts of 1933 and 1934. The 1933 act was administered by the Federal Trade Commission and grew out of a need for the registration of security issues that were offered for sale in interstate markets. With this registration, a company would have to file financial statements that had been audited by an independent public accountant. This act was also known as the truth in securities law. The objectives of the 1933 act were to provide investors with information on the company offering securities for sale and to try to prohibit misrepresentation and other fraudulent acts concerning the sale of public securities.

The information that was required by the 1933 act gave some assurance to the SEC that the statements provided to them contained factual information. This information would then be used by prospective investors to evaluate the securities being sold. Section 1124 of this act increased the auditors liability to third parties in that an auditor can be liable not only for fraud, but also when they make an honest mistake or misstatement. The 1933 act
shifted the burden of proof from the investor to the auditor. That is, the auditor had to show that the investor had not relied on the financial statements in making the investment decision.

One reason for the development of this act was the stock market crash. Many investors lost large amounts of money when the market crashed because they had relied upon false or misleading financial statements. This act was also influenced by the Ultramares Corporation v. Touche, Niven and Company case. The Sterns Company, which had been given an unqualified opinion by its auditor, Touche, Niven and Company, went bankrupt. Ultramares had made a loan to Sterns based on the audited financial statements. In the audit though the auditors failed to detect that Sterns had over-valued accounts receivables. The auditors were sued because if they had performed a careful audit, they would have detected the fraud. The auditors were not found guilty of fraud, but were found guilty of negligence; even this was not upheld by the courts because the auditor did not have any responsibility to third parties. An appeals court re-instated the negligence verdict, and then the New York Court of Appeals held that auditors are not liable for ordinary negligence just for fraud, but fraud could be justified where the auditor was grossly negligent. Although this case was finally settled out of court, it set the precedent that auditors would have increasing responsibility and liability to the public in cases where fraud or gross negligence can be proven.

The 1934 act dealt with the development of the Securities and Exchange Commission, and the updating of securities information. The 1934 act required annual audited statements once a company's stock was registered with the SEC. The 1934 act also opened the
way for more liability where the auditor is concerned. The investor could bring lawsuits when a loss was suffered because of dependence upon audited statements. The auditor could be liable for omission of material facts, misleading statements, incomplete audit examinations, or giving an opinion based on inadequate evidence. The SEC also had the authority to prescribe the form and content of financial statements, and could even tell a regulated company what method of bookkeeping to use.

The influence of the SEC on auditing was a good one. The SEC promoted fair examinations, required disclosed, emphasized the income statement, and promoted development of a more extensive audit than the balance sheet audit. At this point in time, the profession needed some government intervention; however, the SEC allowed what was later to become the American Institute of Certified Public Accountants (AICPA) to take the lead in developing accounting principles, reporting procedures, and auditing standards and procedures.

Professional development has been important to accounting in the last fifty years. Auditing has been governed by the AICPA and its preceding organizations, but it was under the AICPA that generally accepted auditing standards (GAAS) were adopted in 1940, and 1949. Before GAAS, there was no clearcut distinction between auditing standards and auditing procedures. In 1947, Edward A. Kracke, a partner of Hackins and Sells, became the principal author of "Tentative Statement of Auditing Standards -- Their Generally Accepted Significance and Scope." This document explained the difference between auditing standards and procedures, and then in 1948 this document was approved by the Institute.
The statement now had the title of "Generally Accepted Auditing Standards -- Their Scope and Significance." GAAS involved three general areas: general standards, standards of field work, and standards of reporting. General standards consist of three standards. The first states that the performance of an audit should be by those having the adequate education and the competence through experience to practice as auditors. The second standard states the auditor is to maintain an independent point of view. This principle is very basic and important to the auditing profession for without this independence, the work that an auditor does would not have the credibility with third parties that it now enjoys. The third general standard requires professional care in performing the audit and preparing the report. This is to say that the auditor should keep confidential any information that does not affect outside parties. The auditor should maintain up-to-date knowledge that will benefit the client.

Three standards are present in the standards of field work. Field work standards deal with the nature of audits and the evidence that will be needed in order to provide an opinion. The first standard states that proper planning and adequate supervision are needed during the audit. Both of these ideas help to reduce mistakes and errors. The second standard involves internal controls. The test of internal controls allow the accountant to form a basis on which subsequent tests will be designed. The greater the reliance that the accountant can place on internal controls, the less work that need be performed later to form an opinion. Finally, the auditor is to obtain sufficient evidence through inspection, observation, inquiries, and confirmations to form an...
opinion on the financial statements. The four standards that make up the standards of reporting are, first, that the financial statements follow generally accepted principles of accounting; second, the generally accepted accounting principles used in the statements should be consistent with those used in the prior period; third, there should be informative disclosures within the statement and notes to the statements; fourth, and perhaps most importantly, the auditor needs to express an opinion on the statements as a whole, and if no opinion can be given, the auditor needs to state the reasons why, and the report should without a doubt indicate the character of the auditor's examination, if any, and the degree of responsibility that is being taken. These standards have helped to develop auditing and to outline the responsibilities of an auditor.

Two other developments have helped in the development of auditing, and both are supported by the AICPA. They both involve technical pronouncements, the first being SAP's. SAP's (Statements on Auditing Procedure) were issued from 1939 to 1974. These issues were intended to provide the auditor with guides on how to perform certain parts of an audit. For example, the first SAP stated that auditors should observe the taking of inventory counts, and confirmation of receivables should be done by mail. The 54 SAP's were codified in 1974 and replaced by the SAS (Statement on Auditing Standards) in 1972. Some SAP's have been superceded, but many are still in effect as originally issued. 44 SAS's have been issued, and cover the form and content of an auditor's report in different circumstances; the evidential matter needed for opinions; and the
type of procedures to be performed during an audit. A working knowledge of both SAP's and SAS's is very important for the auditor. SAP's, SAS's, and GAAS have provided the auditor with standards to follow in reporting. Reports that are deficient are so due to the fact that the auditor failed to follow the standards, not because the standards were inadequate.33 The AICPA also issues audit guides which set forth auditing procedures to be used in special industries such as banking, investment brokerages, and construction contracting. Auditing interpretations are also issued to explain the application of SAS's to particular problems.

The AICPA has been a major force in developing the accounting and auditing professions. It is the lead that the AICPA has taken in self-regulation which has allowed much of the growth. As can be seen, the auditor now has many guides to follow in the performance of his/her duties, and if these guides are followed, the auditor should be able to avoid major difficulties.

Computers

It was in the early 60's that the impact of computers began to be felt, and the importance of the computer was noticed. The AICPA did not have the means to acquaint the auditors with this new development, so in 1965, the AICPA contracted the Systems Development Corporation to develop research and educational programs.34

This group began developing its programs by first issuing a questionnaire to the firms of the AICPA. When this questionnaire came back, it showed that there was little knowledge about the computer and in some cases no interest was shown. So the first and biggest problem for the auditor was the lack of knowledge where the computer was concerned. The next step for Systems
Development was the education of the accounting profession. This was done in two ways. The first involved the publication of a series of bulletins which discussed the effects of the computer on accounting. The bulletins dealt with accounting applications of computers, trends in software, CPA's in computer accounting, and the uses of EDF in a small accounting practice. One of the important men at this time was Professor Gordon Davis, C.P.A. The major contributions of Professor Davis involved the development of a manual on auditing computerized records, which was the most authoritative at that point in time. Also Professor Davis helped develop courses to help prepare the professional for the computer age. As with any new technology, the main problem was education and the responsibility of learning continues today.

Computers have also affected how an audit is conducted, but audit objectives do not change as a computer is being used. When a client uses a computer, the auditor must have a knowledge of the computer in order to study and evaluate the controls, and if the auditor does not understand the flow of the accounts in the computer, it will be difficult to perform the audit. Auditors, if they have the knowledge, can use computers to perform substantive and compliance tests. The use of the computer can allow the auditor to be more efficient and more extensive in testing accounts. This type of audit involves the use of computer programs to process a client's data files. These audit programs may be special or general purpose programs. Special programs have been written specifically for a client's computer configuration and files. The other type of program is a general one which allows the auditor to make selections of items that meet certain criteria, perform computations,
and make comparisons that are common to many audit tests. The auditor can also obtain printouts of information which can be used to perform such tests as vouching, checking general ledger balances or any of a number of other tests. In compliance testing, the auditor checks the programs to make sure they are applying the accounting principles correctly. One way of testing this way is to use test decks. This entails processing fictitious data prepared by the auditor through the client's computer and then comparing expected results to actual results. This type of testing helps the auditor evaluate internal controls, and especially to test the specific program used. Computers can be a great aid to the auditor and can help the auditor perform an audit.

Two ways of auditing exist where the computer is involved. The first way is to audit around the computer. This type of audit requires little or no knowledge of the computer. Auditing around the computer is used when the computer is not a large factor in the operation of the firm, but as the scope of the computer increases, the audit will change to one of auditing through the computer. Auditing this way also requires verification of source data and then the auditor also emphasizes testing and reviewing the processing procedures. The auditor also does a "detailed review of procedures and related internal controls, this approach consists of tests to determine that the procedures and controls are in fact in operation."\(^{35}\)

Statistical sampling has also become an important tool in the auditors examination. The computer has helped to advance the use of statistical sampling. The computer now performs many of the calculations associated with sampling much quicker than the auditor.
Statistical sampling allows the auditor to verify a balance without testing all the evidence, allows the auditor to measure the risk of over or under auditing, provides the auditor with confidence levels, and provides a degree of precision. Advantages of statistical sampling include measuring the reliability of the results, every item in the population has a chance of being selected, thus preserving objectivity, the effectiveness of the audit is improved, and the efficiency of the audit is improved. The computer can relieve the auditor of complex formulas, tables, and cumbersome manual selection of sample items. The computer can be programmed for determination of sample size, selection of the sample, and evaluation of the results of the sample without risks of mechanical error.

In conducting the audit, the auditor should verify that there are adequate controls on inputs and outputs, and that management has adequate control over the operation of the computer. It is not difficult to evaluate these areas. In the third area of control, the auditor usually has a little more trouble in evaluating the controls over the computer programs. In this area, the auditor must have some knowledge of programs to make the evaluation.

The computer has had a major impact on auditing, and will continue to do so. The computer increases the responsibility of the auditor. Auditors must now begin to develop an understanding not only in accounting, but in the computer area. The computer can help improve the audit, and maybe even reduce audit time. If the accounting profession continues to maintain a knowledge of the computer, then the computer will become a useful tool of the accounting profession.
Future

What is in store for the auditor in the years to come? This is not an easy question to answer, but one that will be attempted. It appears that there are some interesting changes and challenges facing the auditor and the accounting profession.37

Once again, the computer enters in as an important factor influencing the future. One reason is the additional knowledge that the accounting student must have. Many firms are beginning to look for majors in both accounting and computers. If this is going to happen, then the years of schooling are going to have to be increased from four to five, perhaps even six years. The profession is beginning to look also for the student who is strong in general business knowledge, knowledge of systems, financial services, and lastly one who is an expert in taxation. For this kind of change to take place, the accountant must get together with the professor to develop a curriculum which meets the needs of the student, the profession, and the instructor. Different ways of developing the student include more campus involvement from the profession, team teaching, lectures by professionals, and simulated situations.

The profile of the accounting professional is changing. The profession used to be dominated by men, but that is changing. Supply seems to be exceeding demand for accounting students, and so the firms are going after the top 10% of students. More women and minorities are becoming a part of the profession, and firms are looking for leadership, management advisory abilities, and other multidimensional characteristics. If student profiles are changing, then it can be assumed that firm attitudes are changing. The
professional is still expected, without question, to have technical expertise and knowledge of the profession, and also is now expected to develop or demonstrate leadership skills and promote and develop firm growth.

Another interesting trend that may evolve concerns public verses private accounting. It has been suggested that young accountants may go to private industry first to develop a specialization and then to go to the public firms. One reason for this is the fact that C.P.A. firms are requiring expertise or experience of new staff persons for some areas.

Increasing pressure is also being felt from the public. The public wants the auditor to find any and all irregularities. Looking at this situation realistically, it will be very difficult to find all irregularities. Once again, it comes down to a question of, do costs outweigh the benefits? If the public wants all irregularities found, then audit time will have to be increased, along with audit fees. Thus, if the public is willing to pay the added cost, then firms may spend more time on the audits.

What the future holds is not known. Predictions can only be made on prevailing trends at the time. It will be interesting to see what effect computers, the public, education and other factors will have on the auditor and the accounting profession. Only time will provide answers to these questions.

The development of auditing has been an interesting occurrence. Since its early start, with the invention of writing, auditing has been growing in importance. Auditing has been influenced by many factors, and just a few were discussed; but those influences discussed have probably contributed to auditing more then the others.
Auditing has come a long way in the last 50 years, and as long as the profession is not regulated by the federal government, auditing will continue to grow and improve. The auditor has gained much recognition, but with the recognition, the auditor has been given greater amounts of responsibility. It is that responsibility which makes the profession what it is today. Auditing is just one part of the accounting profession, and it is probably the most important area of accounting.
FOOTNOTES

1 Stewart Schackne, Designers of Order, p. 1.
2 Ibid.
3 Ibid, p. 2.
4 Michael Chatfield, A History of Accounting Thought, p. 4.
5 A.C. Littleton, Accounting Evolution to 1900, p. 77.
6 Ibid, p. 46.
7 Ibid, p. 47.
8 Chatfield, p. 47.
11 Littleton, p. 260.
13 Chatfield, p. 113.
14 Littleton, p. 288.
15 Chatfield, p. 115.
16 Littleton, p. 291.
17 Schackne, p. 4.
18 Chatfield, p. 126.
19 Ibid, p. 128.
20 Ibid, p. 128.
21 Ibid, p. 128.
22 Ibid, p. 133.
26 Chatfield, p. 133.
28 Willingham and Carmichael, p.44.
31 Ibid, p.44.
32 Ibid, p.44.
33 Ibid, p.55.
34 Carey, p.364.
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