

CPA CAREER PRIMER

An Unbiased Overview of Career Options for CPAs

Paul Kunin, CPA, MBA
1101 Beacon Street Suite 7 East
Brookline, MA 02446
pkunin@comcast.net (617) 232-4500

Copyright © 2009 Paul Kunin

Introduction

Each of you has chosen a career in accounting for your own reasons. You enjoyed math as a kid and determined accounting would be a good match for your numbers skills. You wanted a profession with high social status, compensation, and ethical standards. You wanted to gain mastery in a particular profession whose fundamentals (the language of business) would have diverse – and enduring – applications over the full arc of your career. You enjoy continuous learning and imparting very specialized knowledge to others. Or perhaps you chose accounting at least partly for what it did *not* require: many years of post graduate education or an abundance of “people” and other skills that lay outside your comfort zone.

Though work in accounting represents a reasonably safe career path (as long as there are business transactions, there will be a need for professionals to record and analyze them), it is no guarantee for a lifetime of gratifying and growthful positions, one after the other. The elements that go into career security and satisfaction are all moving targets. Companies’ fortunes rise and fall, and your particular station can rise and fall with them. Politics, relationships, and chance opportunities can have unpredictable but very real effects on your career. You yourself – your performance, the nature of your work, your satisfaction with it, your progress and development – are also uncertain factors in a career. We may think we will flourish on a particular path, but until we actually go down it, we don’t know for sure. Uncertainty reigns, even to the point of knowing what true job satisfaction is (if you like 75% of your work, is that “job satisfaction” – who is to decide?).

CPAs have an ascending series of career choices beginning with public accounting or private industry, but even this first choice is not necessarily simple. The purpose of this Primer is to provide a very general overview of the four basic career options of CPAs. Please keep in mind that the descriptions in each of these sections are not individually exhaustive: for example, I add fresh information about large public accounting firms as points of contrast in other sections. Also, I write this Primer at a time when the demand for CPAs is very high. If and when market trends change, we will inevitably need to adjust some of the terms and conclusions that follow.

Public Accounting – Large Firms

Virtually everyone experienced in the business world would agree that starting work at one of the large public accounting firms is a sound career choice. The Big 4 are the “ivy league” of public accounting. They accept only the highest achieving and most well-rounded candidates. They provide excellent formal and on-the-job training. Years of work at a Big 4 firm confers a smart, technically-proficient, and productive employee to potential future employers.

Most entry level accountants at large firms begin in the audit department. Training methodology focuses on learning the fundamentals of documentation, reconciliation, analysis, and workpaper flow of one or a few balance sheet accounts. By focusing in a

relatively limited area, the employee becomes more quickly proficient, and therefore profitable for the firm. Furthermore, since workpaper procedures follow consistent rules regardless of the account, employees also learn fundamentals that carry over when their work base expands.

In the early stages of a career, performance is judged most prominently on the speed and accuracy with which the accountant completes technical tasks. Learning curves are built into management's expectations of each individual's performance. The accounting theory you learned in college is the foundation of the hands-on work: the more fluid the transfer between theory and practice, the faster and better the product.

Once you demonstrate sufficient and ever-widening technical proficiency, you move to the next levels in the firm hierarchy. Making technical judgments (regarding, for example, classifications, valuations, and the integrity of client systems), planning, researching, training, and reviewing others' work become the new tasks to master. Amassing technical knowledge is always the foundation of accounting, but other skills – communication, interacting with clients and one's own staff, managing engagements to come in “on time and budget” – become increasingly important.

Specialization in function and industry is the rule. An entry level accountant may audit only cash or receivables for an extended introductory period. You are also likely to concentrate in a single industry or even work exclusively on a single large client. The economics of large firms demand specialization. Work must be done thoroughly and within budget, and specializing is the surest route to achieving these. The benefit of specialization to the individual CPA is a deep and wide knowledge in one area that can be leveraged as you progress in public or as it may be applied later in your career at a private company. The downside of specialization is the narrowing of career options both in function and industry that a more general exposure may have afforded.

As a rule, large firms service large and often publicly-held clients. Large firms also service emerging, private equity or venture-backed companies whose operating principles mimic the publicly-held corporations their investors often expect them to become. Large firms service clients in attest, tax, and business advisory roles. As you climb the ladder at a large firm, you will become expert in the provisionary details servicing them demands. Again, tradeoffs exist: you may not be able to prepare your own personal tax return, but you may also possess arcane knowledge in a particular niche that virtually no one else knows.

The operations and management of large public accounting firms are systematic and therefore largely equitable. Standards against which performance is evaluated are systematically administered. Promotions and compensation follow. Like any workplace, your position and advancement depend not just on your performance but on market and individual office machinations. In general, however, large public accounting firms operate as meritocracies with well-conceived and articulated standards to which the merit is applied.

One of the clear benefits of large firms is compensation. As a rule and at all levels people make more money at large public accounting firms than smaller ones (though there are exceptions). In private industry, where compensation can escalate dramatically (with stock options and bonuses) strict comparisons are more difficult to establish. Certainly the “stability factor” – feeling more assured that you will have a job and what it will pay - makes public more appealing for some.

In the last 10-15 years large public accounting firms have become more employee-centered than they had been in the past. They are open to “career managers”; they have implemented flexible schedules for some, especially more valuable employees; work-from-home is more accepted and, of course, technologically possible. Still, larger firms can at times demand very long hours and considerable travel. From a social point of view, large firms afford individuals access to many co-workers and, with that, a kind of built-in network that many people, especially young and single, find appealing.

At the highest levels of large firm public accounting, one can expect particular tradeoffs, the valence of which becomes purely personal to each individual. You will work hard. You will have pressure from above to perform. Outside of your own small domain, you will have little input into larger management, decisions coming from distant corporate officers. You will make a lot of money. As a partner you will be responsible for ongoing business development (see the section on small firm public accounting for more details). You may very well do interesting, highly challenging work. You will work with smart and powerful people.

Private Industry – Large Companies

Commonly, CPAs move from public accounting to private industry because they wish to “affect the bottom line rather than report on it.” Public accountants often tire of compiling historical data, generating checklists, balancing accounts, applying necessary but – to many – ultimately mundane provisions, and repeating these processes year in and year out with little variation. Instead they aspire to making their knowledge a log in the fire of a business’s success. People also choose private industry expecting more money, better hours, and less travel, though some items on these wish lists may prove unfounded: large company finance and accounting departments, with their monthly deadlines and lean operations, can sometimes be as demanding as public accounting.

Assuming you have at least a few years of experience, large private industry companies hire CPAs for two broad areas of accounting: financial (general ledger and reporting functions) and management (various analytic, budgeting, and modeling functions). If you are coming directly out of public, the most task-consonant (and therefore the most lucrative) positions will be at the management level in a financial accounting department. You have audited companies’ books, you know the fundamentals of closings and GAAP, perhaps you have reviewed and supervised others, and a company can justify hiring you at a high rate because you can hit the ground running.

In addition to rendering a pristine set of books, accounting managers also analyze the numbers they produce. This work can be quite standard – comparisons to budget or previous year, digging into the variances’ whys and wherefores – but, since you are analyzing them *as they happen*, your conclusions can be the first step in affecting them. More creative and depthful analysis may have to wait for a promotion – or, for the more ambitious, may require burning the midnight oil on your own time and initiative.

From accounting manager to the next level, controller, responsibilities increase. All companies are different, but controllerships generally involve not just transactions and reporting but wider financial areas – treasury, operations, cost accounting, investment and financial modeling, projections of various kinds. Here, depending on the individual company, the lines between financial and management accounting can blur – some controllers oversee areas that, in other companies, warrant specialists of equal rank.

Direct hire from public into a management accounting role occurs regularly but, since your previous work in public is more reporting-oriented, these positions may pay less initially. It is here, however, many people find the work most challenging and creative. “Financial Analyst” is a common first position in private industry. The numbers you analyze can cover the full spectrum of a company’s operations: from ongoing margin analyses for individual product lines to project-based analyses for investment in new initiatives. CPAs with highly-developed software or systems skills often find positions that can perfectly blend with their accounting experience: they know the relevant numbers, they understand the optimal format in which to present those numbers, and they have the computer skills to pull everything together. Business is like sports: to the extent your daily tasks contribute to the company’s “winnings”, you can become an important player on the team.

In private industry “opportunity” is always a keyword. How is the company faring? How will it fare? If it’s performing well or ill, will it be sold and your job moved or downsized? What is the particular structure of your department: are there people above you who may move up or out and open a slot for you?

Like large public accounting firms, working for a large private industry company may mean you will find yourself functionally specialized. Many people complain they never see the forest for the trees. They feel they know a very small piece of the company’s operations without knowing the big picture, and this myopia interferes with their job growth and satisfaction. On the other hand, this very specialization can be a boon for a position elsewhere that requires it.

Large companies offer commensurately large compensations and benefits compared to smaller private industry companies. Their very largeness also offers more inter-company advancement and even departmental and geographical transfers. In comparison to public accounting, private industry often involves a greater risk-reward ratio: the dynamics that lead to dramatic compensation and career growth opportunities on the one hand also lead to less basic job stability on the other. Mergers, acquisitions, downsizings, relocations of

operations, even the hiring of new managers who bring in their own people, all make for an inherently volatile work environment.

As we saw with large public accounting firms, large company management style is systematic and “rational.” Job standards and expectations, training and professional development, performance reviews and promotions are formally administered. With such systems comes their downside: in comparison to small private industry companies there is less flexibility for the individual employee, more bureaucracy, a more anonymous and less family-oriented culture, and less opportunity for impacting policy.

CPA tax specialists who move to private industry tax departments enjoy the same benefits as their reporting/management colleagues but, as a rule, are not as fully positioned for growth and task-variety. Many corporate tax positions are compliance-heavy, leaving practitioners highly proficient in very specific areas (for example, multi-state sales tax) but not infrequently missing the variety they enjoyed working on diverse clients in public.

An important part of public accounting auditing is reporting on a client’s internal controls. Public accounting firms also have their own internal control consulting arms that assure clients’ Sarbanes Oxley and related compliance. This experience – on the audit or consulting side or both – can lead to immediately well-paid positions in a large company’s internal audit department. This work is highly technical and detail-oriented and is suited to people who enjoy the often minute but integral building blocks upon which the integrity of a company’s systems are based.

At the highest levels of corporate finance, opportunities abound for those with the ambition, drive, and the requisite political, social, and entrepreneurial skills. CPAs with highly advanced industry, regulatory, or tax knowledge can stake out crucial roles in large companies (for example, Chief Reporting Officer is a common landing place for senior audit managers). Controllers who become CFOs bring their accounting and finance expertise to the highest level of corporate decision-making. They are responsible not just for the numbers upon which all strategic initiatives are based but become decision-makers themselves. At these rarefied levels, knowledge of a business can transcend disciplines: CFOs often can become CEOs.

Private Industry – Small Companies

Many CPAs who want direct and day-to-day involvement in business find smaller companies their preferred landing place. Smaller size generally means a narrowing of volume in specific accounting and finance areas and, with that, a broadening of tasks to which an individual staff person will have access and responsibility. A 2-3 year CPA might enter employment in a small company as the lead (for example, overseeing A/P, general ledger, payroll, A/R) or even the sole accountant. As a CPA, there is an expectation you are an accounting expert and will hit the ground running. In these situations, you are trading the formal training and specialized knowledge you may gain from work at a larger company for the variety and the “buck stops with me” aspects of

the former. CPAs must ask themselves about their own preferences, development, and goals. Without strong and disciplined foundations, premature responsibility may lead to bad habits or a sense one knows more than one does. A prudent tack might be to gain experience in the formal structures of larger private companies before assuming greater responsibility in a small enterprise. Small companies often hire people from large corporations not just for their technical proficiencies but to leverage their exposure to protocols and systems that smaller companies traditionally lack.

Many CPAs prefer small companies for the broad view of business they afford. Controllers are charged not just with delivering impeccable books and making regular analyses of the numbers, but pricing and cost accounting, bank and vendor relations, insurance, administrative and HR responsibilities, financial modeling and strategic planning – each company and each individual finance position have their own unique mixture of tasks. Some CPAs crave responsibility; some CPAs work most efficiently only when they know the forest from which the trees of their immediate work are a part; some CPAs harbor ambitions to move beyond accounting and become entrepreneurs themselves: for these “types”, working in small business can be an ideal setting and learning ground. On the other hand, CPAs who prefer the more delimited responsibilities and more systematic structures of larger companies, will find smaller companies less appealing.

The continuum of “large company = more systematic structures” and “small company = less systematic structures” parallels forms of ownership and, with that, corporate goals and behaviors. Large company decision-makers are accountable to boards of directors and shareholders; small company decision-makers (the owners) are generally accountable only to themselves (yes, there may be investors or lenders to small companies – creating hybrid forms – but I am painting in broad strokes here). The difference in ownership and accountability creates enormous differences in the workplace. A store owner may decide to close her shop in August – preferring quality-of-life over profits – while large corporate management, beholden to share price, must choose differently. The scientist who invented the products that comprise his small company may ignore downward market trends rather than acknowledge them and, say, diversify his line with third party offerings. The controller can present these trends in black and white and favorably project the new line’s market share – all in the service of improving the company’s condition – but the owner, driven by his personal attachments, may not respond.

Finance and other professionals find this “irrational” behavior frequently in small businesses. There are fewer checks and balances than one would find in larger, more systematic corporations. Beyond even bottom line considerations, the autonomy of small business owners can manifest in other workplace phenomena: relatives or favored employees can occupy or be promoted into positions based not on fairness or performance but on other, less rational criteria. Succession planning can be virtually non-existent. Finance people, paying the bills and seeing the numbers that others do not, can find themselves particularly distressed by these behaviors.

Working at small businesses also has its advantages. You may become one of the favored employees and sustain your position for a whole career – earned or not! The lack of systematization can also mean more flexibility in the schedule and the style with which one works. Working closely to the seat of power affords access to the energy, drive, shrewdness and business acumen these entrepreneurs often possess: to other companies or even to your own, the lessons you might learn from a “master” can prove invaluable later in your career.

Not all business owners are irrational or headstrong. Most of them started their business from their particular discipline or training (engineering, science, professional services, landscaping, sales). Many of them recognize their shortcomings in management, finance, or marketing and seek out professionals who know more than they do in these areas. The small business owner willing to listen and delegate can therefore be a great launching pad for his subordinates’ creative contributions. Truth be told, these enlightened owners are more the exception than the rule.

Lastly, start-up, investor-backed companies can represent an ideal blending of large and small company characteristics. Investor owners employ the rational decision-making, operational principles, and formal structures we find in large corporations; at the same time, their initial small size allows (and often demands) accounting professionals to perform a variety of tasks with concomitant expanded responsibilities.

Public Accounting - Small Firms

Small public accounting firms share characteristics with large public accounting firms on the one hand and small private companies on the other. They also have certain features that are *sui generis*.

Small firms offer little formal (classroom style) training and therefore require staff to develop skills almost exclusively on-the-job. In many, especially very small firms, on-the-job training consists of taking previous year’s workpapers and using them as a template for the current year: a tendency toward mimicking or rote, rather than a genuine understanding and consideration of issues can result. Supervisor-level people are often too busy with their own work to sit and diligently train you. They are also not trained to be trainers and, though they may be willing, may not have the teaching skills to help you. Ongoing feedback and review of work are traditionally erratic. Certain workpaper and other accounting fundamentals may never be established as a result, leaving “holes” in one’s experience that are never filled.

There can be exceptions to this rule. Many small firm owners come from large firm backgrounds and train their staff much as they were. At still other firms, individual partners or supervisors are, by personal duty or temperament, “mentor types” and will forego their own billable time to patiently train. The depth of training one receives on-the-job often is determined by the nature of the relationship between individual staff person and supervisor: if the staff person has aptitude for accounting, is eager to learn,

and is judicious in requests, many otherwise reluctant trainers can become valuable mentors.

While tax, attestation, and consultation are the services provided at both large and small firms, the depth and details of the work are often very different. Most small firms perform little or no SEC auditing. They may audit privately-held companies (and sometimes their pension plans) or not-for-profits, but more often their attest work is comprised of reviews and compilations. Truly small firms may do no formal attest work at all. Instead they may often compile the books for tax and business advisory purposes, making journal entries and performing analyses accordingly. The advisory work is often performed on a monthly or quarterly basis, the CPA acting as a kind of outsourced CFO. In terms of tax, small firms prepare a wide variety of business, fiduciary, and individual returns (from complex, high net worth individuals to simple W-2, standard deduction clients): the work ranges from simple compliance to more creative planning.

The larger the firm the more likely staff people will become specialists. A specialty can be as broad as tax vs. audit or as specific as an individual industry – software, energy, real estate. As a rule, smaller firms nurture generalists: starting at the entry level, staff people work on both tax and audit (accounting) engagements, for both individual and corporate clients, across a wide range of industries. Here is one of the great advantages of small firm employment over large firm: staff people are exposed to a wide cross section of work (albeit all “small”) – something large firm staff people often wish for.

The apex of a career in both small and large public accounting is partnership. Statistically the percentage of partners (including sole proprietors) to the overall CPA population is small. To be a partner is to be an owner, to share in the management, profits, equity, and strategic growth of the firm. In small-to-mid sized firms, most partners have a “book of business” – clients that they have bought/inherited from previous partners or developed themselves, to whom they are the primary contact and advisor, and whose billings represent their contribution to overall firm revenues, the size of that contribution most often tied to the individual partner’s annual compensation as well as (less formally) his or her power in firm management.

In addition to managing and growing their own client base, most partners have other firm responsibilities – IT, departmental directorships, firm finances, HR, marketing. Managing Partners are *defacto* CEOs: often their responsibilities preclude maintaining their own full book of business, though there is great variation from firm to firm.

The criteria for partnership vary with the circumstances of each individual firm. Without exception, a staff person must demonstrate high technical competence (partners are legally liable for their fellow partners’ products) and the ability to interact with and manage clients themselves. These qualities do not guarantee partnership, however: in most cases, a staff person needs a book of business and, unless there are retirement-minded partners with a client base they can buy (through annual contributions out of salary or conferred through sweat equity) or their firm has more business than the existing partners can manage, they will need to develop one. And here is a major obstacle

to partnership. As I suggested at the beginning of this Primer, many people become CPAs because they wish to acquire a sound, technical pool of knowledge they can offer to clients in a professional manner for a market fee. The salesmanship required to build a book of business is precisely *not* in their skill set or on their list of desired tasks, yet now, ascending the apex, it is something they find they must participate in.

There is a caveat to this picture. Though the ability to develop your own client base is the most assured ticket to partnership, there are enough retirement-minded partners and firms with excess business that, if you possess all the other partner characteristics, you can be invited in. Also, the whole notion of sales and business development is often misunderstood. You do not need to be a glad-hander to develop business. Yes, you need to “get out there”, you need to demonstrate your professional/technical expertise on a consistent, long-term basis, but there are as many avenues to develop business as there are business people. With accountants in particular, prospects are not looking for sizzle but substance – you just need to impart what you know and the business will often come.

Though it may sometimes seem daunting, partnership gives you an enormous advantage over most people in private industry: you can’t be fired or otherwise put out of work. Of course, most partnerships are not made in heaven. Partners can disagree on the direction of the firm and a host of other matters.

Conclusion

In this Primer I have tried to describe some of the features of work in the four major venues open to CPAs. We must be careful not to demarcate these venues too boldly: specific workplaces are highly individual, and overviews like this one must be understood for the generalizations they include. For purposes of space I have also excluded the large area of not-for-profit accounting in institutions like hospitals, universities, social welfare organizations, and governments. Many people prefer not-for-profits for their service to a “higher cause” and their generally less competitive internal culture. Of course, the major tradeoff in these organizations comes in the form of consistently lower compensation.

Career paths and job satisfaction are always a function of two intersecting “entities”: the organization – its structure, culture, and opportunities – and you – your own nature, your strengths and weaknesses, your interests, goals, and priorities. While this overview is intended to prepare you for what you may find in an organization, the extent to which you know the other half of the equation – you yourself – is even more vital.

In our high-speed, immediate-gratification, and technologically-advancing age, we often think we can or should know what only time and trial and error can teach us. Will I like auditing or tax enough to become a career specialist in either discipline? In private industry, will I find affecting the bottom-line trumps its greater volatility? Each of us has clues about these answers. Each of us knows what we’ve enjoyed or excelled at in the past that might help us to predict the future. But circumstances change, and we change too. There is no way to know if we’ll like auditing until we try it. Or we may like it well

enough for a few years but not so much we would do it forever. Or our priorities may change: when we were young and single we felt driven toward the top of the corporate ladder but now, married with children, we may feel differently. Predicting the future in detail is impossible.

Still, we must make decisions and forge ahead. On the personal side, we must make every effort to know ourselves as best we can. Some people find skills and personality tests helpful in determining trends and anticipating gratifying work. I think more simple personal inventories can achieve similar results – a list of strengths and weaknesses, likes and dislikes, interests and disinterests. Such inventories are best made explicit (either by writing them out and/or sharing them with another), the act of expressing them triggering insight and action.

On the organization side, there are also strategies that can mitigate the uncertainties that surround any new venture. There are questions to ask in interviewing, there is networking with contacts and researching with other sources that may reveal crucial information about a job. Due diligence applies not just to technical work but also to you and your career.