

THE SUPPLY OF ACCOUNTING GRADUATES  
AND THE DEMAND FOR PUBLIC ACCOUNTING RECRUITS

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### HIGHLIGHTS OF REPORT

- The demand for public accounting recruits has declined sharply in 1970-71. Demand is 35% less for holders of bachelor's degrees and 6% less for holders of master's degrees.
- By 1974-75 public accounting firms expect to be hiring 1.3 times as many bachelor's graduates and 2.4 times as many master's graduates as they averaged annually during the 1967-68 to 1969-70 period.
- The supply of accounting graduates is increasing steadily. By 1974-75 colleges and universities expect to be awarding 1.5 times as many bachelor's degrees in accounting and 2.9 times as many master's degrees in accounting as they awarded annually during the 1967-68 to 1969-70 period.
- The supply of accounting graduates from schools which are not accredited by the American Association of Collegiate Schools of Business is growing faster than the supply from accredited schools. The supply of graduates from public schools is growing faster than the supply from private schools.

## INTRODUCTION

For some time it has been apparent that the accounting profession and educators need better information on the supply of and demand for public accounting recruits. In response to this need two surveys were conducted in early 1971. The Institute's staff surveyed a stratified sample of 127 firms as to their historical and projected manpower needs. And with the assistance of the American Association of Collegiate Schools of Business, 676 colleges and universities were surveyed as to the supply of accounting graduates during the same period.

The response to both surveys was good. Over 80% of the 127 public accounting firms replied, and this included almost all of the large firms. The supply survey resulted in replies from universities which historically have produced 71% of accounting graduates.

The primary intent of the study was to determine trends in relative supply and demand. It is difficult to equate supply and demand or be precise in conclusions because not all accounting graduates are employed by public accounting firms and firms hire graduates who did not major in accounting. Also it must be recognized that the surveys were conducted in an unsettled economic period. This made projections difficult.

The three sections of this report deal with the supply of accounting graduates, the demand for public accounting recruits, and the relationship between supply and demand. Each section includes commentary followed by supplemental charts. Twelve tables summarizing the results of the supply and demand surveys have been grouped in the appendix.

We plan to conduct this study annually. The next survey has been tentatively set for November 1971 so that results can be available by January 1, 1972.

## THE SUPPLY OF ACCOUNTING GRADUATES

### Participation in Supply Survey

With the assistance of the American Association of Collegiate Schools of Business, 676 colleges and universities were surveyed as to the supply of accounting graduates in the United States for the past three academic years, 1967-68 through 1969-70, and the next five years, 1970-71 through 1974-75.

Participating schools are divided into three groups:

Accredited AACSB Assembly Schools are members of the AACSB (American Association of Collegiate Schools of Business) assembly and have been accredited by the AACSB.

Nonaccredited AACSB Assembly Schools are members of the assembly but have not been accredited by the AACSB.

Nonaffiliated Schools are not members of the assembly and have not been accredited by the AACSB.

Schools located outside the United States were not included in the survey results.

Almost one half of the survey requests were returned in usable form:

|   | <u>Number of<br/>Survey Requests</u> | <u>Number of<br/>Usable Responses</u> |
|---|--------------------------------------|---------------------------------------|
| Accredited AACSB<br>Assembly Schools    | 148                                  | 122                                   |
| Nonaccredited AACSB<br>Assembly Schools | 290                                  | 132                                   |
| Nonaffiliated Schools                   | <u>238</u>                           | <u>57</u>                             |
|   | <u>676</u>                           | <u>311</u>                            |

The usable survey responses provide coverage of schools which historically have awarded 71% of the bachelor's degrees in accounting. The survey response classified by AACSB affiliation is as follows:



|   | Survey<br>Response* |
|---|---------------------|
| All Schools                             | <u>71%</u>          |
| Accredited AACSB Assembly Schools       | 91                  |
| Nonaccredited AACSB Assembly<br>Schools | 58                  |
| Nonaffiliated Schools                   | 27                  |

\* Percentage of graduates in accounting provided by schools responding to survey.

In order to estimate the total supply of accounting graduates, information was obtained from both the usable survey responses and Earned Degrees Conferred: 1967-68.<sup>1</sup> The number of graduates reported on the questionnaires for 1967-68 in each of the three classifications was compared with the number of graduates reported for that institution in Earned Degrees Conferred: 1967-68. The estimates of total supply are based on the assumption that within each classification, the nonresponding schools will have the same growth rate as the responding schools.

The estimates of total supply of graduates from accredited AACSB assembly schools is highly reliable because responses represent 91% of the bachelor's degrees awarded by these schools. At the other extreme, survey responses represent only 27% of the bachelor's degrees awarded by the non-affiliated schools. Because nonaffiliated schools award less than 10% of all bachelor's degrees in accounting, the degree of error resulting from this group's low rate of response will not materially affect the overall survey results.

The estimates of the total supply of master's degrees are made on the same assumption -- that the rate of growth by schools not returning usable survey requests will be the same as those schools which participated in the survey. Most of the schools which award master's degrees in accounting participated in the survey.

Instead of the master's degree in accounting, some schools offer the MBA with a major in accounting. Others who award MBAs do not identify majors or areas of concentration. Unfortunately the survey respondents varied in their reporting; some included MBAs, and some did not. Our determination of master's degrees in accounting thus is incomplete. As evidence of this, in some years the number of holders of master's degrees hired exceeded the number supplied (Table XII). The difference, of course, is the MBAs who are not included in our supply survey.

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<sup>1</sup> Mary Evans Hooper and Marjorie O. Chandler, Earned Degrees Conferred: 1967-68, Part B -- Institutional Data, (Washington, D. C.: U. S. Government Printing Office, 1969), pp. 30-33.

The data reported here do not present the total supply of holders of master's degrees. However, assuming that the growth in MBA graduates with concentrations in accounting parallels the growth in master's degrees in accounting, the trends reported do have relevance. We plan to define "master's degree in accounting" better in our next survey and obtain wider coverage of MBAs.

### Results of Supply Study

Data on the number of accounting graduates for the historical period, 1967-68 through 1969-70, and for the projected period, 1971-72 through 1974-75, are shown in Charts I to VII at the end of this section and in Tables I to VIII in the appendix.

Chart I shows the number of bachelor's degrees in accounting for the eight years covered in the study. The number of bachelor's degrees is expected to increase from 18,100 in 1967-68 to 29,800 in 1974-75. The upward trend is at an almost constant annual rate of 6%.

Data on the number of master's degrees for the eight-year period covered in the study also are shown in Chart I. As explained in the preceding section, we emphasize the trend rather than the number of graduates. During the next five years, supply is expected to increase to 2.9 times the 1967-68 through 1969-70 average level. The average annual rate of increase is 25%.

The total supply of graduates is shown in Chart II. A 60% increase is expected during the next five years.

Charts III and IV show the supply of accounting graduates by AACSB affiliation. The numbers supporting these charts are shown in Tables II, III and IV. It may be observed that during the three-year historical period, the accredited AACSB assembly schools accounted for most of the master's degrees. During the next five years, the nonaccredited AACSB assembly schools expect significant increases in terms of percentages and absolute numbers. By 1974-75 they will be awarding 1,700 master's degrees, a significant increase but still below the 2,400 to be awarded by the accredited schools.

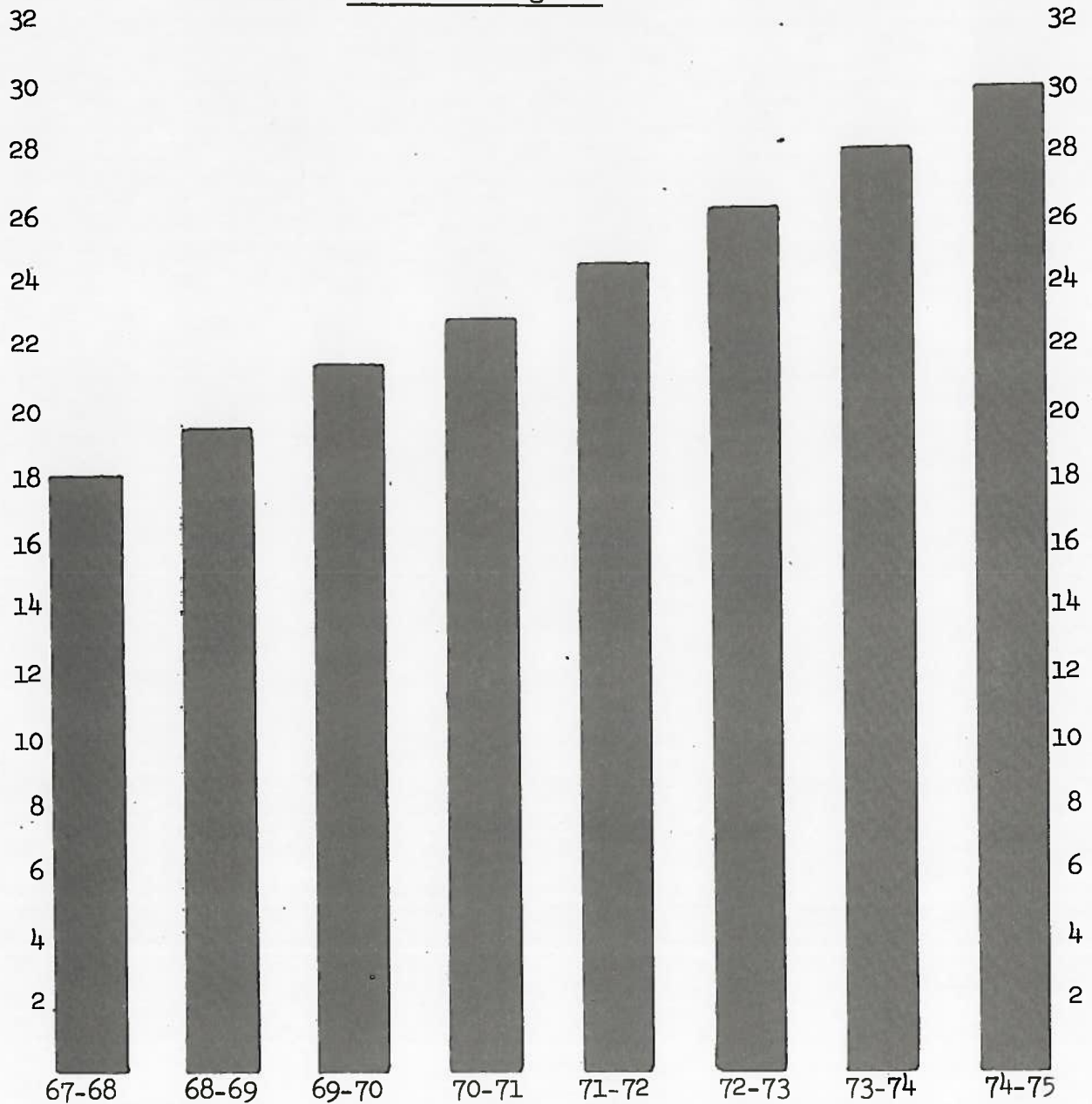
Chart V shows the trends in supply of accounting graduates by AACSB affiliation and in total. The index of 100 equals the average experience for the historical period, 1967-68 through 1969-70. For each category of affiliation a higher growth rate is projected for master's degrees than bachelor's degrees. The growth rate for master's degrees in non-accredited AACSB assembly schools is greatest, but the base is low. The trend in bachelor's degrees is similar for the three categories of schools.

Charts VI and VII and Tables V through VIII show the supply of accounting graduates for public and private schools. Generally the upward trend for graduates with bachelor's degrees is more accelerated for public schools than for private schools. (The nonaffiliated schools are an exception.)

The number of master's degrees is increasing rapidly at both public and private schools.

CHART I  
SUPPLY OF ACCOUNTING GRADUATES  
1967-68 to 1974-75

Bachelor's Degrees



Master's Degrees

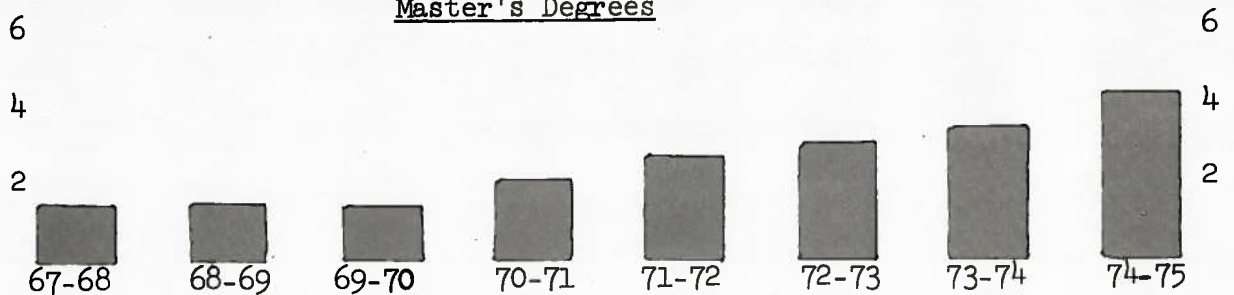
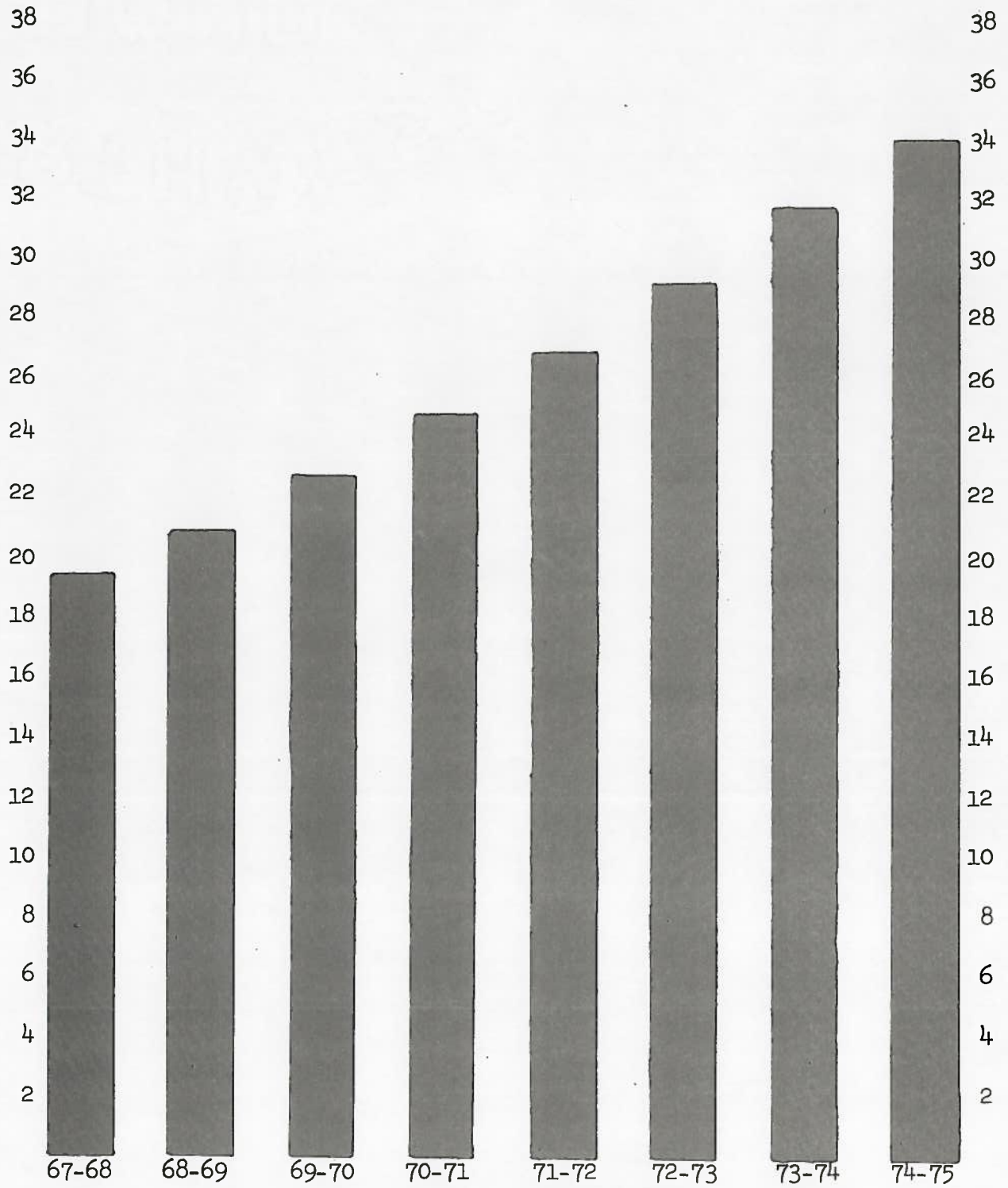


CHART II  
SUPPLY OF ACCOUNTING GRADUATES  
1967-68 to 1974-75

All Graduates



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CHART III  
SUPPLY OF ACCOUNTING GRADUATES  
1967-68 to 1974-75

Accredited AACSB Assembly Schools

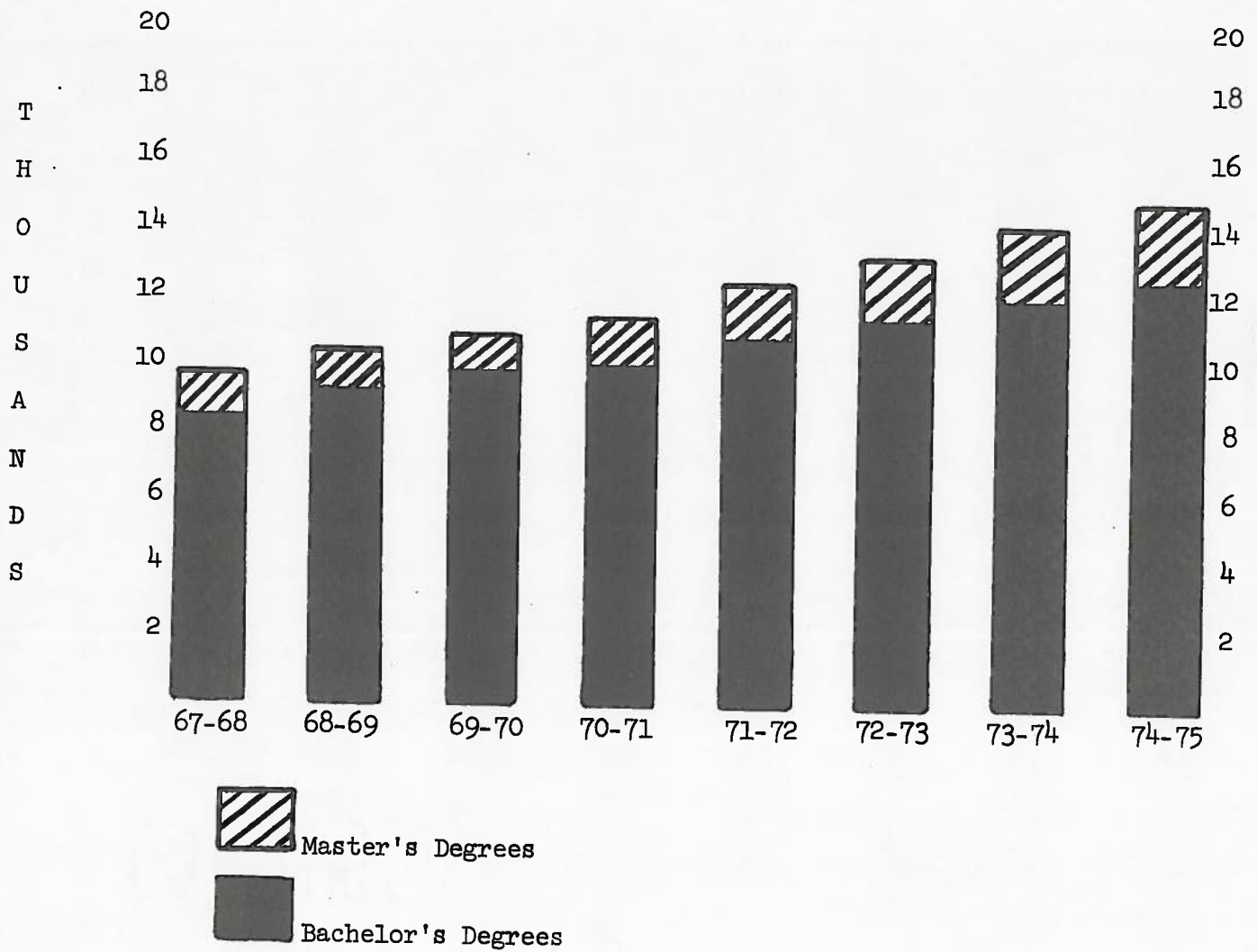
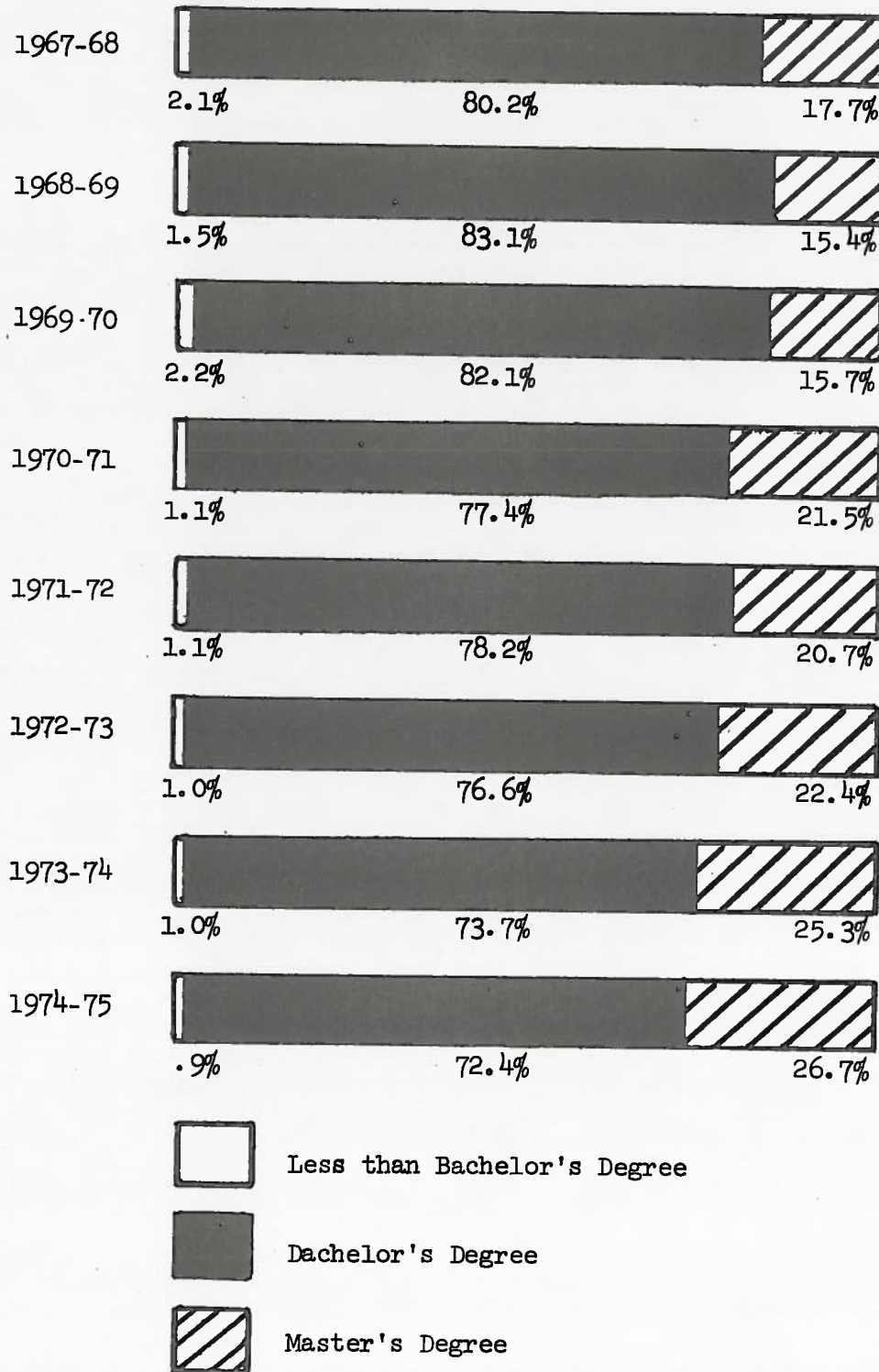


CHART X  
DISTRIBUTION OF DEMAND BY EDUCATIONAL LEVEL  
1967-68 to 1974-75



## RELATIONSHIP BETWEEN SUPPLY OF ACCOUNTING GRADUATES AND DEMAND FOR PUBLIC ACCOUNTING RECRUITS

In Tables X through XII and Charts XI and XII we have attempted to show the relationships between supply and demand.

The supply of accounting graduates and the demand for public accounting recruits are separate but overlapping populations. Some of the factors which should be considered in discussing them are:

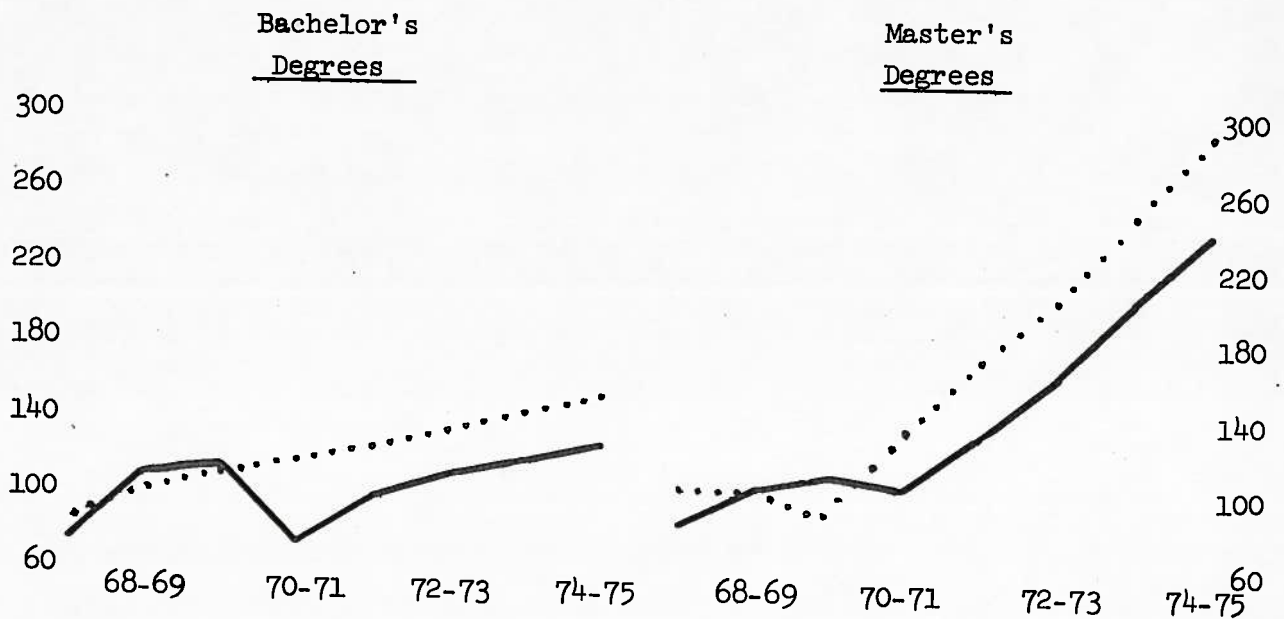
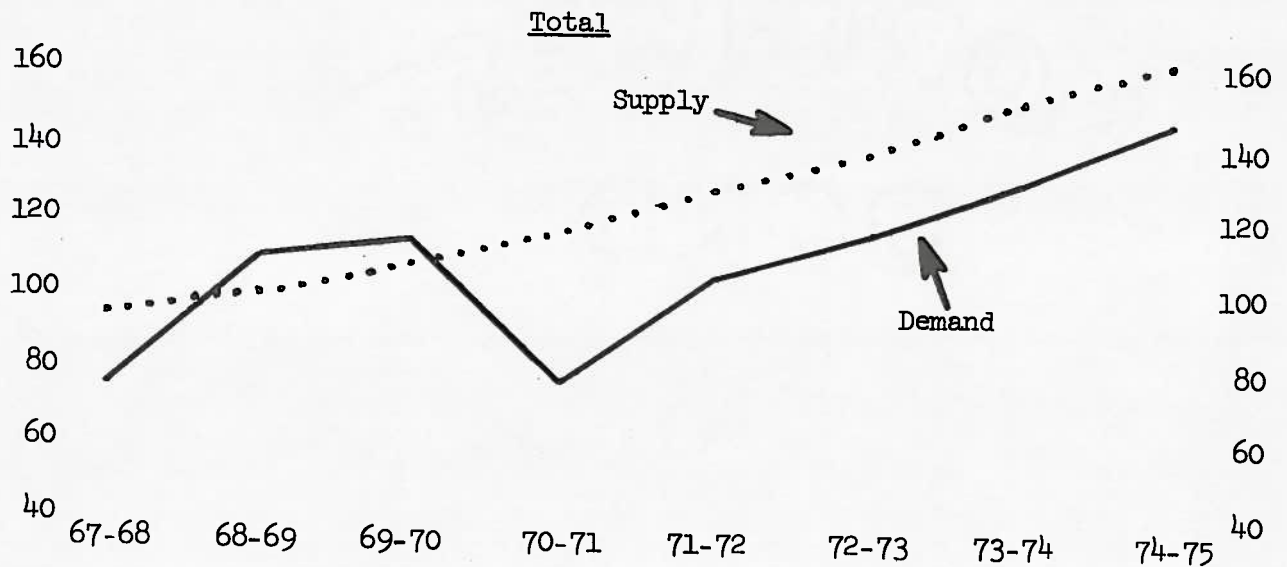
1. The supply of graduates includes many students who are not interested in public accounting.
2. Holders of bachelor's degrees who go on to graduate study are reported twice, in the year they receive the bachelor's degree and in the year they receive the master's degree.
3. Military service may delay the entry of graduates into the working force.
4. Demand is often filled by students who did not major in accounting. (This is particularly true at the master's level; as noted earlier, our study may not have identified all MBAs concentrating in or interested in accounting.)
5. Demand by educational level is dependent upon supply. Firms base their hiring quotas on the anticipated availability of bachelor's holders and master's holders.

Observations relating to the relationship between supply and demand should be made with these qualifiers in mind.

The balance of power in recruiting, which during the past two years has favored graduates, may be expected to shift to the recruiter in 1970-71; firms will become more selective in hiring. After 1970-71, supply and demand will move upward together; competition for graduates is expected to increase -- as evidenced by the rise in the demand/supply ratio -- but is not expected to reach the 1968-70 level. A complicating factor may be a decline in supply as a reaction to the slump in current demand.

Despite only a slight decrease in opportunities for holders of master's degrees, the demand/supply ratio is falling sharply in 1970-71. This is a result of the rapidly increasing supply of graduates. In response to this increased supply it is possible that firms will increase their demand for holders of master's degrees and decrease correspondingly the demand for holders of bachelor's degrees.

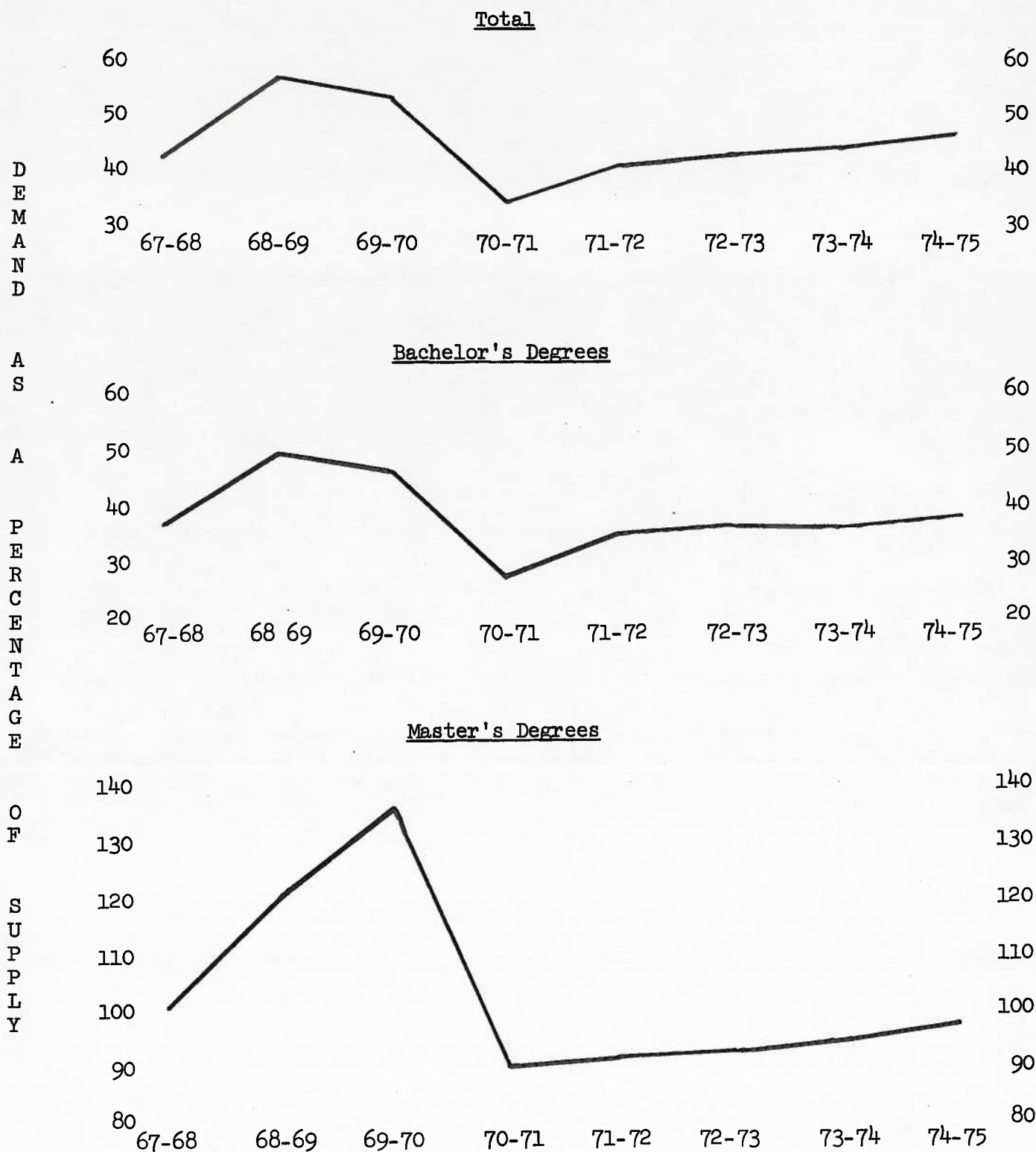
CHART XI  
TRENDS IN SUPPLY AND DEMAND  
1967-68 to 1974-75



100 = Average experience for historical period, 1967-68 to 1969-70.



CHART XII  
RELATIONSHIP BETWEEN SUPPLY AND DEMAND  
1967-68 to 1974-75



## APPENDIX

|            |   |
|------------|---|
| TABLE I    | Supply of Accounting Graduates from All Schools   |
| TABLE II   | Supply of Accounting Graduates from Accredited AACSB Assembly Schools                         |
| TABLE III  | Supply of Accounting Graduates from Nonaccredited AACSB Assembly Schools                      |
| TABLE IV   | Supply of Accounting Graduates from Nonaffiliated Schools                                     |
| TABLE V    | Supply of Accounting Graduates from Public and Private Schools                                |
| TABLE VI   | Supply of Accounting Graduates from Public and Private Accredited AACSB Assembly Schools      |
| TABLE VII  | Supply of Accounting Graduates from Public and Private Nonaccredited AACSB Assembly Schools   |
| TABLE VIII | Supply of Accounting Graduates from Public and Private Nonaffiliated Schools                  |
| TABLE IX   | Demand for Public Accounting Recruits   |
| TABLE X    | Relationship Between Supply of Accounting Graduates and Demand for Public Accounting Recruits |
| TABLE XI   | Relationship Between Supply of and Demand for Holders of Bachelor's Degrees                   |
| TABLE XII  | Relationship Between Supply of and Demand for Holders of Master's Degrees                     |

TABLE I  
SUPPLY OF ACCOUNTING GRADUATES  
FROM ALL SCHOOLS  
1967-68 to 1974-75

| <u>Year</u> | <u>Educational Level</u>      |                             | <u>Total<br/>Supply</u> |
|-------------|-------------------------------|-----------------------------|-------------------------|
|             | <u>Bachelor's<br/>Degrees</u> | <u>Master's<br/>Degrees</u> |                         |
| 1967-68     | 18 100                        | 1 500                       | 19 600                  |
| 1968-69     | 19 400                        | 1 500                       | 20 900                  |
| 1969-70     | 21 300                        | 1 400                       | 22 700                  |
| 1970-71     | 22 700                        | 2 000                       | 24 700                  |
| 1971-72     | 24 300                        | 2 500                       | 26 800                  |
| 1972-73     | 26 200                        | 3 000                       | 29 200                  |
| 1973-74     | 28 100                        | 3 700                       | 31 800                  |
| 1974-75     | 29 800                        | 4 300                       | 34 100                  |

TABLE II  
SUPPLY OF ACCOUNTING GRADUATES  
FROM ACCREDITED AACSB ASSEMBLY SCHOOLS  
1967-68 to 1974-75

| <u>Year</u> | <u>Educational Level</u>     |                            | <u>Total<br/>Supply</u> |
|-------------|------------------------------|----------------------------|-------------------------|
|             | <u>Bachelor's<br/>Degree</u> | <u>Master's<br/>Degree</u> |                         |
| 1967-68     | 8 400                        | 1 300                      | 9 700                   |
| 1968-69     | 9 200                        | 1 200                      | 10 400                  |
| 1969-70     | 9 800                        | 1 100                      | 10 900                  |
| 1970-71     | 10 000                       | 1 400                      | 11 400                  |
| 1971-72     | 10 700                       | 1 700                      | 12 400                  |
| 1972-73     | 11 400                       | 1 800                      | 13 200                  |
| 1973-74     | 12 000                       | 2 100                      | 14 100                  |
| 1974-75     | 12 600                       | 2 400                      | 15 000                  |



TABLE III  
SUPPLY OF ACCOUNTING GRADUATES  
FROM NONACCREDITED AACSB ASSEMBLY SCHOOLS  
1967-68 to 1974-75

| <u>Year</u> | <u>Educational Level</u>      |                             | <u>Total<br/>Supply</u> |
|-------------|-------------------------------|-----------------------------|-------------------------|
|             | <u>Bachelor's<br/>Degrees</u> | <u>Master's<br/>Degrees</u> |                         |
| 1967-68     | 8 000                         | 200                         | 8 200                   |
| 1968-69     | 8 700                         | 300                         | 9 000                   |
| 1969-70     | 9 600                         | 200                         | 9 800                   |
| 1970-71     | 10 600                        | 500                         | 11 100                  |
| 1971-72     | 11 500                        | 800                         | 12 300                  |
| 1972-73     | 12 400                        | 1 100                       | 13 500                  |
| 1973-74     | 13 200                        | 1 400                       | 14 600                  |
| 1974-75     | 14 200                        | 1 700                       | 15 900                  |

TABLE IV  
SUPPLY OF ACCOUNTING GRADUATES  
FROM NONAFFILIATED SCHOOLS  
1967-68 to 1974-75

| <u>Year</u> | <u>Educational Level</u>      |                             | <u>Total<br/>Supply</u> |
|-------------|-------------------------------|-----------------------------|-------------------------|
|             | <u>Bachelor's<br/>Degrees</u> | <u>Master's<br/>Degrees</u> |                         |
| 1967-68     | 1 700                         | --                          | 1 700                   |
| 1968-69     | 1 600                         | 100                         | 1 700                   |
| 1969-70     | 2 000                         | 100                         | 2 100                   |
| 1970-71     | 2 100                         | 100                         | 2 200                   |
| 1971-72     | 2 100                         | 100                         | 2 200                   |
| 1972-73     | 2 400                         | 100                         | 2 500                   |
| 1973-74     | 2 800                         | 100                         | 2 900                   |
| 1974-75     | 3 000                         | 100                         | 3 100                   |

TABLE V  
SUPPLY OF ACCOUNTING GRADUATES  
FROM PUBLIC AND PRIVATE SCHOOLS  
1967-68 to 1974-75

| <u>Year</u> | <u>Bachelor's Degrees</u> |                | <u>Master's Degrees</u> |                |
|-------------|---------------------------|----------------|-------------------------|----------------|
|             | <u>Public</u>             | <u>Private</u> | <u>Public</u>           | <u>Private</u> |
| 1967-68     | 10 500                    | 7 600          | 900                     | 600            |
| 1968-69     | 11 700                    | 7 800          | 900                     | 700            |
| 1969-70     | 13 200                    | 8 200          | 800                     | 600            |
| 1970-71     | 14 400                    | 8 300          | 1 200                   | 800            |
| 1971-72     | 15 800                    | 8 500          | 1 600                   | 1 000          |
| 1972-73     | 17 200                    | 9 000          | 1 800                   | 1 200          |
| 1973-74     | 18 400                    | 9 600          | 2 100                   | 1 500          |
| 1974-75     | 19 700                    | 10 100         | 2 500                   | 1 700          |

TABLE VI  
SUPPLY OF ACCOUNTING GRADUATES  
FROM PUBLIC AND PRIVATE ACCREDITED  
AACSB ASSEMBLY SCHOOLS  
1967-68 to 1974-75

| <u>Year</u> | <u>Bachelor's Degrees</u> |                | <u>Master's Degrees</u> |                |
|-------------|---------------------------|----------------|-------------------------|----------------|
|             | <u>Public</u>             | <u>Private</u> | <u>Public</u>           | <u>Private</u> |
| 1967-68     | 5 900                     | 2 500          | 800                     | 500            |
| 1968-69     | 6 500                     | 2 700          | 700                     | 500            |
| 1969-70     | 7 200                     | 2 600          | 600                     | 500            |
| 1970-71     | 7 500                     | 2 500          | 900                     | 500            |
| 1971-72     | 8 100                     | 2 600          | 1 100                   | 600            |
| 1972-73     | 8 700                     | 2 700          | 1 200                   | 600            |
| 1973-74     | 9 300                     | 2 700          | 1 400                   | 700            |
| 1974-75     | 9 800                     | 2 800          | 1 600                   | 800            |



TABLE VII  
SUPPLY OF ACCOUNTING GRADUATES  
FROM PUBLIC AND PRIVATE NONACCREDITED  
AACSB ASSEMBLY SCHOOLS  
1967-68 to 1974-75

| <u>Year</u> | <u>Bachelor's Degrees</u> |                | <u>Master's Degrees</u> |                |
|-------------|---------------------------|----------------|-------------------------|----------------|
|             | <u>Public</u>             | <u>Private</u> | <u>Public</u>           | <u>Private</u> |
| 1967-68     | 4 200                     | 3 800          | 100                     | 100            |
| 1968-69     | 4 900                     | 3 800          | 100                     | 200            |
| 1969-70     | 5 600                     | 4 000          | 100                     | 100            |
| 1970-71     | 6 500                     | 4 100          | 200                     | 300            |
| 1971-72     | 7 300                     | 4 200          | 400                     | 400            |
| 1972-73     | 8 000                     | 4 400          | 500                     | 600            |
| 1973-74     | 8 600                     | 4 600          | 600                     | 800            |
| 1974-75     | 9 400                     | 4 800          | 800                     | 900            |

TABLE VIII  
SUPPLY OF ACCOUNTING GRADUATES  
FROM PUBLIC AND PRIVATE NONAFFILIATED SCHOOLS  
1967-68 to 1974-75

| <u>Year</u> | <u>Bachelor's Degrees</u> |                | <u>Master's Degrees</u> |                |
|-------------|---------------------------|----------------|-------------------------|----------------|
|             | <u>Public</u>             | <u>Private</u> | <u>Public</u>           | <u>Private</u> |
| 1967-68     | 400                       | 1 300          | 30                      | 10             |
| 1968-69     | 300                       | 1 300          | 50                      | 10             |
| 1969-70     | 400                       | 1 600          | 70                      | 10             |
| 1970-71     | 400                       | 1 700          | 60                      | 10             |
| 1971-72     | 400                       | 1 700          | 80                      | 10             |
| 1972-73     | 500                       | 1 900          | 90                      | 10             |
| 1973-74     | 500                       | 2 300          | 110                     | 10             |
| 1974-75     | 500                       | 2 500          | 120                     | 10             |

TABLE IX  
DEMAND FOR PUBLIC ACCOUNTING RECRUITS  
1967-68 to 1974-75

| <u>Year</u> | <u>Educational Level</u>    |                          |                        | <u>Total Demand</u> |
|-------------|-----------------------------|--------------------------|------------------------|---------------------|
|             | <u>Less than Bachelor's</u> | <u>Bachelor's Degree</u> | <u>Master's Degree</u> |                     |
| 1967-68     | 200                         | 6 600                    | 1 500                  | 8 300               |
| 1968-69     | 200                         | 9 600                    | 1 800                  | 11 600              |
| 1969-70     | 300                         | 9 900                    | 1 900                  | 12 100              |
| 1970-71     | 100                         | 6 400                    | 1 800                  | 8 300               |
| 1971-72     | 100                         | 8 600                    | 2 300                  | 11 000              |
| 1972-73     | 100                         | 9 500                    | 2 800                  | 12 400              |
| 1973-74     | 100                         | 10 200                   | 3 500                  | 13 800              |
| 1974-75     | 100                         | 11 300                   | 4 200                  | 15 600              |

NOTE: As explained in the report, this demand is based upon a survey of firms with 10 or more Institute members.

TABLE X  
RELATIONSHIP BETWEEN SUPPLY OF ACCOUNTING  
GRADUATES AND DEMAND FOR PUBLIC ACCOUNTING RECRUITS  
1967-68 to 1974-75

|         | <u>Supply of<br/>Graduates</u> | <u>Demand for<br/>Recruits</u> | <u>Ratio<br/>(%)</u> |
|---------|--------------------------------|--------------------------------|----------------------|
| 1967-68 | 19 600                         | 8 300                          | 42                   |
| 1968-69 | 20 900                         | 11 600                         | 56                   |
| 1969-70 | 22 700                         | 12 100                         | 53                   |
| 1970-71 | 24 700                         | 8 300                          | 34                   |
| 1971-72 | 26 900                         | 11 000                         | 41                   |
| 1972-73 | 29 200                         | 12 400                         | 42                   |
| 1973-74 | 31 700                         | 13 800                         | 44                   |
| 1974-75 | 34 100                         | 15 600                         | 46                   |



TABLE XI  
RELATIONSHIP BETWEEN SUPPLY OF AND  
DEMAND FOR HOLDERS OF BACHELOR'S DEGREES  
1967-68 to 1974-75

|         | <u>Supply of<br/>Graduates</u> | <u>Demand for<br/>Recruits</u> | <u>Ratio<br/>(%)</u> |
|---------|--------------------------------|--------------------------------|----------------------|
| 1967-68 | 18 100                         | 6 600                          | 36                   |
| 1968-69 | 19 400                         | 9 600                          | 49                   |
| 1969-70 | 21 300                         | 9 900                          | 46                   |
| 1970-71 | 22 700                         | 6 400                          | 28                   |
| 1971-72 | 24 300                         | 8 600                          | 35                   |
| 1972-72 | 26 200                         | 9 500                          | 36                   |
| 1973-74 | 28 100                         | 10 200                         | 36                   |
| 1974-75 | 29 800                         | 11 300                         | 38                   |

TABLE XII  
RELATIONSHIP BETWEEN SUPPLY OF AND  
DEMAND FOR HOLDERS OF MASTER'S DEGREES  
1967-68 to 1974-75

|         | <u>Supply of<br/>Graduates</u> | <u>Demand for<br/>Recruits</u> | <u>Ratio<br/>(%)</u> |
|---------|--------------------------------|--------------------------------|----------------------|
| 1967-68 | 1 500                          | 1 500                          | 100                  |
| 1968-69 | 1 500                          | 1 800                          | 120                  |
| 1969-70 | 1 400                          | 1 900                          | 136                  |
| 1970-71 | 2 000                          | 1 800                          | 90                   |
| 1971-72 | 2 500                          | 2 300                          | 92                   |
| 1972-73 | 3 000                          | 2 800                          | 93                   |
| 1973-74 | 3 700                          | 3 500                          | 95                   |
| 1974-75 | 4 300                          | 4 200                          | 98                   |

NOTE: As explained in the report, the supply determined in this study does not include all recipients of the master's degree who might seek employment in public accounting.

