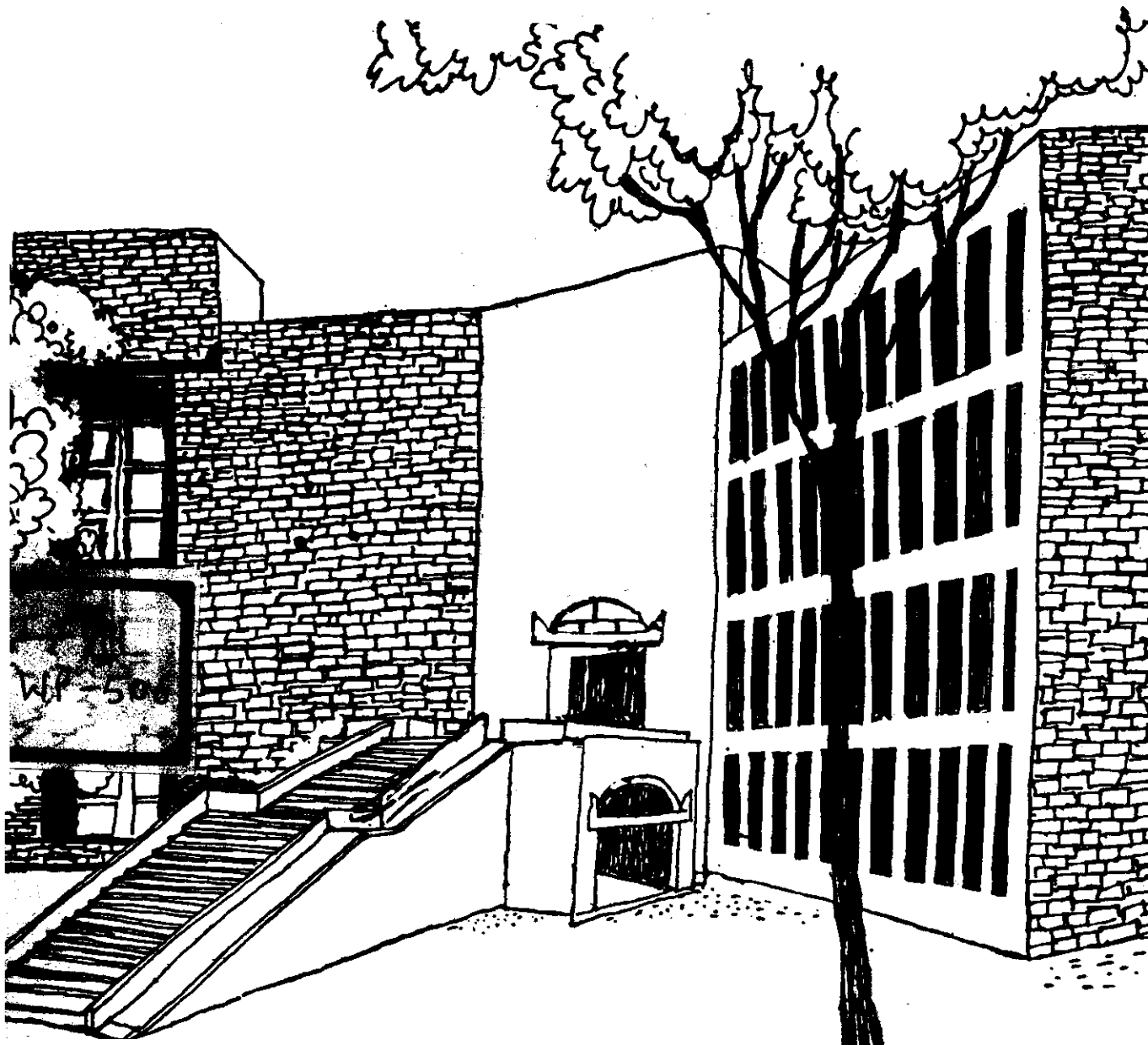


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ACCOUNTING INTERNSHIP PROGRAMMES IN
THE UNITED STATES: A LESSON FOR INDIA

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ACCOUNTING INTERNSHIP PROGRAMMES IN
THE UNITED STATES : A LESSON
FOR INDIA

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Accounting Internship Programmes in the United States : A Lesson for India

I

There seems to be a consensus among professional accountants and academe on the usefulness of practical experience before graduation.¹ Several committees of the American Accounting Association (AAA) and the American Institute of Certified Public Accountants (AICPA) have examined the subject and have favourably reported on the benefits of student internships.² Internship is an effective way of imparting practical experience to commerce and business administration students before their graduation. Chartered accountants (CAs) in India offer similar experience to a select number of young men and women through articleship. Though much is written about the weaknesses of educational system in India and ways to improve it, little attention has been paid to integrating practical experience with education through internship. This paper suggests a feasible way of bringing that about. The paper has two objectives. First, it briefly presents the relevant findings of a survey of public accounting firms, industrial firms and colleges and universities in the U.S.A. on the nature of internships and their requirements, work experience, benefits, and the problems experienced in the administration of internship programmes, i.e. the state of the art in accounting internship programmes. The survey findings are related to Indian situation and lessons have been drawn wherever possible. Secondly, it attempts to formulate a scheme for introducing student internships for commerce students in India.

THE CONCEPT

Accounting internship is an arrangement between a student, his (for brevity, masculine expression is used although internships are open to both men and women equally) college, and a firm through which a student gains practical work experience prior to the completion of academic requirements of a degree. Generally, a year before graduation, the interning student is required to work with a public accounting (chartered accountant) firm, an industrial firm or in a government office for 3 to 5 months on a paid basis. The student, known as an intern, works like a regular employee in the accounting department in a variety of job responsibilities and thus gains valuable practical experience. Such an arrangement, called internship, is very popular in the United States and is very highly regarded for its merits by all of the concerned parties.

Internship differs from a cooperative training — coop. — programme which also requires practical experience. In a cooperative training, on-the-job experience is integrated with academic study throughout a student's college career. While, work experience is a mandatory, recurring effort in a cooperative programme, internship is a voluntary one-time work experience. A firm participating in a cooperative programme could expect the same student to return year after year until graduation. The cooperative training student — a coop. trainee — starts at a low level clerical job right from the beginning of his first year in college and with the passage of time progresses on to more responsible and challenging tasks. The work hours are integrated with the studies on a daily basis including weekends, holidays and summer vacation, thus spreading

the work throughout the year. In contrast, the intern does not usually participate in the work experience until the junior year (third year of a four year college degree programme) of the college studies. In this onetime work period, the intern -- more advanced in academic studies -- is expected to handle responsibilities like a graduate.

Student internships are offered in the U.S. in a variety of other academic disciplines also including politics and public administration, finance, architecture and engineering, biological and environmental sciences, law and medicine. Although student internship in accounting can be compared with internship in medicine or accounting articleship, it has some dissimilarities with them. While accounting internship is generally offered during the academic terms before graduation to the , above average students, medical internship is done by all of the students interested in practice upon graduation. Likewise, accounting articleship is mandatory to all interested in taking the CA examination. They all hold a baccalaureate degree before entering into articleship. Internship programmes discussed here are much broader in scope and are intended to enrich the education of the students by integrating practical experience with their education before graduation.

THE AMERICAN EXPERIENCE

Previous studies³ indicate that large number of US schools (i.e. colleges and universities) of business administration provides accounting internship opportunities to their above average students. Since the objective of the present inquiry was to learn from the internship experi-

ence of schools and firms, three subject groups were selected for the study: Certified Public Accountant (CPA) firms (124); "Fortune 500" firms (500); and colleges and universities accredited by the American Assembly of Collegiate Schools of Business (AACSB) (202). Because of the nature of survey and the interest of participants, the samples were not drawn randomly. As Table I shows, in all, 826 questionnaires were mailed to the three groups of which 315 responses were received giving an aggregate response rate of 38.1%. Much of the analysis presented here is based on completed questionnaires where the respondents had internship programmes and had responded to most of the questions.⁴ The responses received from public accounting firms included responses from all of the "Big Eight"⁵ CPA firms and three other national firms. Some of these firms have extensive accounting practice in the other countries of the world including India.

Number of Internships

The survey showed that 21% of the responding "Fortune 500" firms, 60% of the responding CPA firms and 58% of the responding schools have accounting internship programmes. The number of interns hired each year ranged from 0 to 25 for the "Fortune 500" (most hiring 1 to 5) and from 0 to 300 for the CPA firms. The CPA firms were most supportive of internship programmes. Of the CPA firms responding to the question, 31 firms hired 1-15 and ten hired 26 or more interns annually. Included in this group are 6 "Big Eight" CPA firms hiring 200 interns each — one hiring 250 and another 300 annually. As to the schools, most of them placed

16 or more of their accounting majors in internships annually.

Enrollment in the U.S. business schools, in general, and in accounting, in particular, has substantially increased since the mid seventies resulting in the growth of the number of internships also. This is especially significant as internship was not required for graduation in any of the responding schools. Additionally, internship popularity has been enhanced by the granting of academic credits by many of the schools. Of the 52 schools responding to the question, 42 granted academic credit for internship ranging from 1 to 16 credit hours. However, a majority of schools granted only 1 to 6 credit hours for an internship. A vast majority of "Fortune 500" and CPA firms supported granting of academic credit for an internship without specifying the number of credit hours for it.

Although all three areas of accounting internships have benefited from the growth in the number of internships in the US, public accounting continue to lead the field, followed by industrial and governmental accounting. Within public accounting the "Big Eight" and the other national CPA firms contributed most of the internships.

Operation of Internship Programmes

The survey showed that, in general, the faculty incharge of internship programme played a very active role in its operation. Most schools have prepared detailed brochures and handouts on the administrative

aspects of internships. These brochures state the procedure for making application, interviewing candidates, remuneration, work expectations, duration of internship, credits granted, if any, qualifications needed, etc. These brochures are fairly informative and somewhat comparable in approach and contents. Most schools and firms require the accounting majors to go through one or more interviews on the college campus and at the location of internship.

As to the internship requirements, a majority of the schools required completion of 91 or more overall quarter credit hours (about one-half of undergraduate college curriculum in the Indian context) to enter internship. No definite pattern emerged on accounting requirements, though a majority required the internship to start on the completion of about one-fourth to one-third of the accounting courses at undergraduate level (equivalent to about one-half of Indian B.Com courses). Most US firms required junior or senior standing (third or fourth year of the college in a four year college programme beyond 12 years of high schooling) as a minimum to enter internship. The comparable stage in India would be the summer preceding or following B.Com final examination.

Grade Point Requirement and Duration of Internship

Most responding schools and interning CPA and "Fortune 500" firms required the students to have a minimum of 3.00 to 3.49 (where A = 4.00) overall grade point average and in accounting courses. This should compare well with high second and first division students in B.Com exam-

ination in India. Besides grades, the American firms look at the whole personality of the student and his ability to communicate -- both orally and in writing -- and to get along with others.

The responses on the question of duration of internship showed that a period of 10 to 16 weeks was preferred by 90% of the CPA firms and 76% of the "Fortune 500" firms. Eighty two percent of the responding schools considered that duration as the minimum period for which their students were available for internship. Most CPA firms and schools preferred winter quarter (January to April) internship and most of the "Fortune 500" firms preferred summer (May to August) for accounting internships. The responding firms did not, however, experience any difficulty in matching the availability of students for internship with their own time preferences.

Administration of Internship

To smooth out the start of interns in the interning firms, about one-half of the responding schools offered an orientation session for students prior to an internship. In about one-third of the cases the faculty internship coordinator even visited the interns on the jobs. Most of the interning firms completed a written evaluation on intern's performance and discussed and advised the intern on his performance at the end of the internship. While most schools required a report from the interns and interning firms on the completion of internship, most interning firms did not require a written evaluation from the interns. This obviously did not preclude an informal or oral feedback on internship from the interns to the firm.

The CPA firms have, in general, paid much greater attention to the operation of internship programme in their firms than the "Fortune 500" firms. Most CPA firms pursue a nationwide policy, though its administration is carried out at the local office level. Ninety two percent of the CPA firms and 80% of the "Fortune 500" firms indicated that they drew most of their interns from colleges and universities near the office of internship, the rest being selected on a regional basis.

Courses Required and Recommended

Table 2 lists the accounting courses (beyond the introductory level) required and recommended by the three groups of respondents. The responses show the importance respondents attach to the completion of intermediate financial accounting, and cost accounting courses before the start of internship. The responses on the list of "recommended" courses include almost all of the accounting courses -- the more the better. Some of the respondents specified "other courses" such as quantitative analysis, computer programming, and communication. In the Indian context, one would interpret the above to mean bacalaureate level accounting courses which will include advanced financial accounting, cost accounting, auditing and income tax.

Compensation and Activities of Interns

The survey showed that the rate of compensation to the interns is usually determined either by the school and firm or by the student and firm. The three groups are of the opinion that the compensation to interns is comparable to regular employees with an equivalent level of education.

The responses to the question on the types of activities assigned to interns were numerous and varied as the question elicited descriptive responses. The "Fortune 500" firms mentioned the following activities of interns most frequently (in order of decreasing frequency):

- Internal audit
- Special projects
- Consolidation
- Corporate accounting functions
- Cost accounting
- Statement preparation
- Assistance in year-end closing
- General office support
- Analysis for external reporting
- General ledger work
- Translation of foreign financial statements
- Budgeting
- Tax research

The responses from the CPA firms were more structured in this respect. Most of them used interns to assist in the audit of client books, preparation of tax returns and to a limited extent in systems work. Winter quarter (January to April) internships coincide with their busy season and the CPA firms are able to keep the interns gainfully employed. They often expect and require interns to travel and function as regular audit staff during the busy season.

Major Benefits and Problems of Internship Programmes

The survey respondents pointed out the following benefits of accounting internship programmes to the students, firms, and others:

Students

1. They get an opportunity to learn about a profession, its work requirements and an employer before committing themselves to either a profession or an employer..
2. They gain valuable practical experience and an exposure to the real world. They learn to apply theory to practice.
3. They get a head start on permanent jobs. If an intern works to the interning firm's satisfaction, the latter is very likely to offer a permanent job to the intern upon graduation from the college.
4. They benefit financially, as internships involve paid work experience.
5. As interns, students learn to handle business responsibilities early. It helps to make them socially responsible persons.
6. If an intern receives an offer of a permanent job on the completion of internship, he returns to the campus with renewed self confidence and motivation to work hard. He is relieved of the anxiety to look for a job after graduation. If the intern accepts the job with the interning firm, he starts out in a familiar work environment and his training period can be shortened.

Interning Firms

1. Internship provides valuable input in the recruitment of permanent employees. An intern is there in the office for a few months to

learn and work without any long term commitment of job from either side. The interning firm gets a valuable opportunity to use the internship as a probationary training and can observe his on-the-job performance. If the intern does well and shows promise, the firm can make an offer of permanent job effective upon graduation from college. This is fairly common in the United States and closer to home it is happening with the MBA summer trainees of the reputed institutes of management.

2. Internship programme offers a low cost temporary help especially in the busy season. Even if the rate of compensation to the interns is comparable to the permanent employees, the overall cost of internship is still lower as it does not involve many of the fringe benefit costs like retirement and gratuities.

3. Internship programme creates a healthy challenge in the interning firm. Time and resources are devoted to develop a work schedule for the interns with an objective to provide meaningful work experience to them. The reputation of the firm could suffer if the interns return to the campus with unsatisfactory work experience. The result of all this is a healthy toning up of work environment in the department of the firm where interns work.

4. Interns represent outsiders when they intern. The interning firm gets an inexpensive scrutiny of its operations through them. Slacks and weaknesses have often been brought to management's notice in the U.S. corporations by the interns. Interns while new and inexperienced, have

the advantage of looking things over with outsider's objectivity.

5. A firm saves on training costs when an intern joins the firm after graduation.

6. Firms offering meaningful internship experience develop a favourable reputation on the college campuses and it helps in attracting better quality graduates to their employment.

7. Internship programme helps in developing healthy relations between a college and industry. The town and gown get closer to each other. Faculty gets to know the business community and it bridges the gap between academe and the real world.

Others

1. College benefit from internship programmes as they provide valuable linkage with the business community and thus help develop their reputation. Enhanced reputation attracts better calibre students to their academic programmes. Indian Institute of Management, Ahmedabad, among others, seems to have benefitted from this phenomenon.

2. The society in general benefits as the internship programmes improve the quality of education and manpower in the country.

Problems

Internship programmes are not totally devoid of problems. However,

these problems have much to do with their implementation rather than with the concept of internship as such. For instance, internship experience can be very counterproductive if the internship is not properly planned and the interning firm is not able to offer meaningful work experience to an intern. A poorly conducted internship without forethought could leave a very poor impression on the intern both in terms of the profession and the firm. An internship can do more harm than good in such cases. American firms face a serious problem in finding meaningful and productive assignments for the interns. It is a major challenge -- and an opportunity -- as all interns have limited qualifications and no experience. Two other problems faced by the interning firms are : conflict with permanent employees as the latter feel threatened by the presence of interns, and the provision of extra supervision.

American schools in the survey considered coordination of the internship programme as a major problem. It takes a considerable amount of faculty time. Yet the rewards are very limited to the supervising faculty. One should realise, however, that these are not insurmountable problems. They are the challenges to the students, schools and firms. They can be successfully faced if the concerned parties plan for the internships carefully.

A SUGGESTED APPROACH FOR STUDENT INTERNSHIP PROGRAMMES IN INDIA

The first part of this paper presented findings of a questionnaire survey of "Fortune 500" firms, CPA firms and schools and colleges in the United States on different aspects of the accounting internship programmes. This part of the paper presents a brief outline of a scheme for introducing internship programmes in India. American experience and the need for improvement in the educational system in India suggest the programmes can be used with much benefit in India. Since the authors' experience is limited to business and commerce education and internships in India and the United States, the following ideas relate to internship programmes in those areas. However, the programmes can be designed for other subjects also and can be so introduced. Accounting internship has been used only as a model here.

The Start

Considering the size, diversity and the regional imbalances in the economic growth of the country, internship programmes should be initiated in the established colleges and universities in large metropolitan areas of the country. Bombay, Calcutta, Delhi, Madras, Kanpur, Hyderabad, Bangalore, Ahmedabad, Chandigarh, Jaipur, Trivandrum, Indore, Vishakapatnam, Jamshedpur, Pune, Baroda and such other cities make a good initial list. The criterion for the selection of the cities is not their size or population but the level of industrial and business activity prevailing in those places. Internship programmes should not be taken as one more government activity linked to a specific development plan. Although

linking could bring some rewards and speed up the process, it should represent an honest attempt on the part of colleges, students, industry -- both public and private sector -- and the government to improve the quality of education for atleast the above average students. As the country gains experience and realises their benefits, the programmes can be expanded. The idea should not get quagmired in bureaucracy and official files. Flexibility and initiative are needed and they can be best assured if scheme is less rules oriented. The initiative should stay purely with the colleges and business firms. The large corporations in the private sector can take a lead by taking student interns at their various locations every year. The public sector undertakings can do likewise or follow the private sector corporations once experience is gained.

To avoid the expenses of travelling and housing, internship programmes should be administered on local basis. That is one more reason why suggestion has been made to start the programmes in large centers of industrial and commercial activity. When a college in Bombay places a student on internship in Bombay, expenses of interviewing, travelling and housing the student intern are reduced considerably. Besides, local internship causes the least amount of dislocation to the student.

The Eligibility

In the initial stages internship should be offered purely on the basis of merit, i.e. a student's established academic record. Since

accounting internship has been used as a model, only commerce students with a high second class or above (55% or above marks in the aggregate) in the previous two university and/or board examinations should be eligible to interview and compete for internship experience. Internship should ideally be limited to one summer (2 to 4 months) preceding B.Com. final examination. In case where a student plans to do post graduate work and could not do internship earlier, he should be eligible to do internship during the summer following B.Com. final examination. Anybody who has failed a previous board or university examination should be ineligible for internship. Internship experience should be viewed as a privilege and not a right by anyone. It should be limited to those who are genuinely interested and motivated by the opportunity to learn and train themselves.

Summer would be the ideal time for student internship in India. It offers a period of two to four months which is in most cases whiled away by most of the students. Internship programmes will offer something useful to the young men and women who do not have much to do during the summer months. If a student is bright and does well in the summer internship preceding the year of graduation, he could have a job right there in that organisation. He does not have to pursue post-graduate studies -- as many end up doing in India -- just because no reasonable job is available on earning the first bacalaureate degree. If the programmes cut down even a fraction of this type of national waste, they would pay for themselves many times. An interning firm gets equally

interesting rewards of the scheme. A firm can avoid unnecessary and wasteful expenditure of poor recruitment or training people who do not have much potential and do not fit in the organisation by observing them as interns.

Rate of Remuneration and Academic Credits

The emphasis on the internship programmes should be on meaningful practical experience and not on remuneration. Internship should not be viewed as another employment scheme in the country. To avoid abuses, remuneration part should be deemphasized. Campus interviews and office visits for the summer internships should take place sometime during the preceding winter break (December-January) and before the interviews start each college and the interning firms should reach an understanding on the rate of compensation. The rate of compensation should be low, say, one-fourth to one-third of the regular employees salary with those qualifications and the latitude for changes in the rate should be kept low. This has to be done, of course, each year.

The question of granting academic credit for the internship experience is fraught with controversy. Those who favour granting of credit argue that the internship experience is a legitimate part of academic activity and represents valuable practical experience. It should receive a proportionate amount (based on time spent) of academic credit. Others who oppose strongly feel that internship is essentially a vocational experience and not academic work. Besides the interning student gets

financially rewarded for the experience and hence should not receive any academic credit for the experience. Regardless of the controversy, it seems that not granting academic credit would be better as it would minimise the operational problems. This would also remove a certain amount of inequity between interning and non-interning students.

Faculty Involvement

College faculty has to accept a large responsibility if the internship programmes are to succeed. Each college initiating the scheme should appoint a faculty incharge of internship programmes. Since this is a time consuming work -- maintaining relations with the firms, counselling and guiding students, arranging interviews and many other duties -- proportionate adjustment should be made in the teaching and other administrative assignments of the faculty incharge. There should be no other compensation for the duty. To avoid the possibility of developing vested interest, the faculty incharge should be appointed for a single non-renewable term of three years strictly on the basis of seniority. This assumes that anyone on the faculty does have the minimum academic qualifications of a lecturer and can handle the internship responsibilities competently. The faculty incharge should be from the primary area of internship -- commerce faculty. This will be helpful both to the students and the interning firms.

Area and Activity

Until experience is gained, internship programmes should be started first with accounting internship. There is already some experience in

the area to bank upon here and abroad. Much can be learnt from the article training offered by the chartered accountants in India. Besides, accounting jobs are more structured and the profession is a little more organised. The chartered accountants should be urged to share their experience of administering articleships and to offer internship on their own. Nationalised banks, Life Insurance Corporation and General Insurance Corporation can also contribute considerably by offering internships on a regular basis.

It will not serve much purpose at this stage to specify what accounting activities should the interns be engaged into. Much will depend on the ingenuity of the senior accountant or supervisor who takes an intern under him. Once experience is gained in accounting, internships could be offered in marketing, finance, general management and other areas and disciplines throughout the country. For obvious reasons the start will be slow. However, a good small start will be better than a gigantic poor leap.

CONCLUSION

Student internship programmes have come to be recognised as a valuable means of enriching student education in different disciplines in the United States. In the first part of the paper, results of a US survey on accounting internships and as they relate to the Indian economic environment were presented. In the second part of the paper a scheme to offer accounting internships to commerce students was enunciated. There is much criticism of the educational system in the country. The idea discussed in the paper can make a positive contribution in the educational experience of commerce students. It deserves a careful consideration by the colleges, business establishments and the government.

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2. See, American Accounting Association, Committee on Internship Programs, "Report of the Committee on Internship Programs," The Accounting Review (July 1952), pp. 316-23; Committee on Faculty Residency and Internship Programs and Committee on Accounting Personnel of the American Institute of Accountants, "Statement of Standards and Responsibilities Under Public Accounting Internship Programs," The Accounting Review (April 1955), pp. 206-10; and American Institute of Certified Public Accountants, Education Requirements for Entry Into Accountancy Profession: A Statement of AICPA Policies (New York: AICPA, 1978).
3. See, R.W. Koehler, "The Effect of Internship Programs on Subsequent College Performance," The Accounting Review (April 1974), pp. 382-84, and R.M. Zigli, op. cit.
4. In the interest of brevity, many of the details of the survey have been omitted here. Please refer to the following papers by the authors for some of these details: "Accounting Internships - An Aid to Recruiting," Applied Business and Administration Quarterly, Spring 1983, pp. 3-12; "Student Internships in Accounting," Proceedings of the American Accounting Association Midwest Regional Meeting, Chicago, March 1983, pp. 227-31; and "A Survey of Student Internship in Accounting," The Woman CPA, (forthcoming).

The "Big Eight" firms are known to include (in alphabetical order): Arthur Andersen & Co.; Arthur Young & Co.; Coopers and Lybrand; Deloitte Haskins & Sells; Ernst & Whinney; Peat Marwick Mitchell & Co., Price Waterhouse & Co.; and Touche Ross.

T A B L E 1

Internship Questionnaire Responses

	Subject Groups			
	<u>"Fortune 500"</u>	<u>CPAs</u>	<u>Schools</u>	<u>Total</u>
I Questionnaires Mailed	500	124	202	826
II Total No. of Responses Received	164	53	98	315
III Response Rate (I ÷ II)	32.8%	42.7%	48.5%	38.1%
IV Refusal to Participate	4	-	-	4
V Useable Responses	164	53	93	310

TABLE 2

Accounting Courses Required and Recommended
for Internship

<u>Courses</u>	<u>Required</u>			<u>Recommended</u>		
	<u>Subject Groups</u>			<u>Subject Groups</u>		
	<u>"Fortune 500"</u>	<u>CPA Firms</u>	<u>Schools</u>	<u>"Fortune 500"</u>	<u>CPA Firms</u>	<u>Schools</u>
1. Intermediate Financial Accounting - First Half	21	23	32	11	10	7
2. Intermediate Financial Accounting - All Parts	19	23	28	22	13	17
3. Cost Accounting	13	4	17	23	22	17
4. Auditing	2	7	10	27	26	16
5. Taxation	1	4	8	18	23	21
6. Accounting Systems	3	2	6	24	19	5
7. Other Courses	1	-	2	9	10	3

Because of multiple markings, the total of the responses could exceed the number of responses received in the survey.