1995

CPA letter, 1995

American Institute of Certified Public Accountants

AICPA
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The CPA Letter

A News Report to Members

The next issue of *The CPA Letter* will be a combined issue for the months of Feb. and Mar., to be published the beginning of Mar.

AICPA Library Can Help Members Tackle Tax Season

Forms, instructions for filings available

The AICPA Library provides a full range of support services to help members cope with tax season. From difficult-to-find forms to copies of sections of the Internal Revenue Service Code, members should look to the library as a resource.

Tax forms to accommodate almost any client need, including out-of-state real estate holdings, part-year employment out of state, and special financial obligations, are available from the library. In addition, state-specific forms or state forms that are the equivalent of particular federal forms can be researched for members. All federal, state and city forms, as well as forms for Puerto Rico and all Canadian provinces, may be obtained.

Besides forms, instructions are available and can be sent via overnight mail to ensure prompt delivery. Sections of the IRS Code, Private Letter Rulings, Tax Court cases, other federal tax cases, and articles on specific topics or sections of the code, among other things, can be furnished as well to members.

The library has geared up for tax season and is ready to help members help their clients. While many services are offered, the library does not, however, provide tax advice. Also, there are fees for services used. Members may call the library at 800/862–4272 (dept. #7) or visit it at 1211 Avenue of the Americas, New York City, Concourse Level 1.

Highlights of Board of Directors' December Meeting

Tax phone service to be established on a pilot basis

At its meeting on Dec. 1–2, 1994, the AICPA Board of Directors:

- Approved creation of a fee-based Tax Information Phone Service for members of the Tax section and Private Companies Practice Section on a pilot basis with expansion to all AICPA members within two years.
- Approved establishment of an annual Outstanding CPA in Government Award to recognize the achievements of individual CPAs employed in federal, state or local government. (See article on page 7 for nomination instructions.)
- Approved the process and program development schedule for a national communications initiative to help promote the appropriate image of the CPA and agreed that the details of the program would be reviewed at the Feb. board meeting. (More information to follow in future issues of *The CPA Letter*.)
- Heard a report from the chair of the Finance Committee who reported that performance was better than budget in the first quarter.
- Received a report from the president of the CPA/State Executives Association (an association of state CPA society chiefs of staff) on recent activities as well as collaborative efforts between the state CPA societies and the Institute.
- Received an update report from the chair of the Information Technology Executive Committee on the creation of the Accountants Forum online computer network (a full-featured electronic bulletin board on a national network).
- Received status reports on the newly established telephone outreach program to AICPA members as well as a communications audit currently underway to measure the amount and effectiveness of printed material the AICPA mails to members.
- Discussed issues relating to litigation against the Florida Board of Accountancy that would permit CPA employees of non-licensee organizations to hold themselves out as CPAs when performing non-attest services.
- Considered the impact on Institute membership of the mandatory CPE requirement, particularly as it relates to those not in public practice.

News Briefs

AICPA Amicus Brief Leads to Victory

The New York Court of Appeals on Dec. 6 issued a decision holding that the three-year statute of limitations for professional malpractice claims against accountants begins to run when accountants render their advice, regardless of whether clients were aware at that time that the advice received was incorrect. This case involved claims of erroneous tax advice, and plaintiffs argued that the statute of limitations should begin to run when the IRS notifies them that additional taxes are due. The AICPA had submitted an *amicus curiae* brief, prepared jointly by the Institute's general counsel and the New York law firm of Willkie Farr & Gallagher, that supported this ruling.

In reversing a decision of the state's Supreme Court, the Court of Appeals reasoned that its rule is consistent with the policy considerations underpinning a limitations period: to provide certainty, to prevent the litigation of stale claims and to promote the effective administration of the state's judicial system.

Professor/Practitioner Case Development Submissions Wanted

The AICPA's Professor/Practitioner Case Development Program, now in its fourth year, encourages accounting educators and practitioners to collaborate on the development of cases based on actual incidents encountered in practice for use in the accounting classroom. Eight winning cases were presented at the AICPA Accounting Educator's Mini-Conference in Portland in Nov. 1994; these and four alternate cases will be published by the AICPA for distribution to administrators of accounting programs across the United States this month.

Professors and practitioners are invited to submit joint case proposals by **Feb. 1.** Practitioner co-authors may be in public accounting, private industry, not-for-profit or governmental sectors. Participation may also qualify for CPE credit. For more information and to get a copy of the application form, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 247. For an index of selected cases and authors since inception of the program in 1992, select document no. 248.

Nanny Tax Law Description, Model Client Letter Available

The new "nanny tax" law, the Social Security Domestic Employment Reform Act of 1994, will affect taxpayers in 1995, when the new rules for reporting and paying domestic employee payroll taxes take effect. In addition, a number of employers and employees may be entitled to a refund of FICA taxes for 1994. The AICPA Tax Division has prepared a brief summary of the nanny tax provisions, along with a model client letter that members may use or adapt as needed. To obtain both items, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 933. For a list of all Tax Division documents on the system, select document no. 900.

Resource Data Base on Women and Family Issues Available

As the need to address women's upward mobility in the accounting profession and a better work/life balance for all CPAs becomes clear, so may the need to learn about effective strategies for individuals and organizations. To know what literature and other sources are available about such issues as gender awareness and diversity training, flexible work arrangements, sexual harassment, and the "glass ceiling," turn to the AICPA *Resource Data Base on Women and Family Issues in the Accounting Workplace.* The Institute's library can conduct searches based on specific research topics and provide bibliographies and/or photocopies of articles (fees apply). Call the AICPA Library at 800/862–4272 (dept. #7) to access the data base. Also available is a brochure (No. G00012) about the data base. For a free copy, call Shudine Covel at 212/596–6224.

Members Alerted to Deductibility of AICPA Dues

Members are reminded that the Omnibus Budget Reconciliation Act of 1993 eliminated the deductibility of the portion of membership dues used for lobbying purposes (IRC Sec. 162(e)). While AICPA dues may still be deducted as a business expense (not as a charitable contribution), members must reduce their 1994–95 dues payment by **6%**, the percentage of dues that the Institute allocated to its lobbying activities, to calculate the allowable deduction (this information also was provided on all 1994–95 dues bills). Therefore, a member who paid $100 in dues should only deduct $94 as a business expense on his/her 1994 tax return.

Export Information Available

The U.S. Trade Information Center offers export information to U.S. businesses. Its international trade specialists can advise businesses on how to locate and use government export programs and guide them through the export process. The center also maintains the National Export Directory, which lists export promotion assistance offered by state agencies and other local groups. For more information, call the center at 800/872–8723.

Public Meeting Notices

For detailed agendas, call 800/862–4272 (dept. #6) three weeks prior to these meetings.

Accounting Standards Executive Committee:
Jan. 24–25, Long Boat Key, Fla.; Feb. 28–Mar. 1, New York

Auditing Standards Board: Feb. 7–9, Long Boat Key, Fla.

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Geoffrey L. Pickard *Vice-President—Communications*
Ellen J. Goldstein *Editor*

Member to Member... Chair's Corner

By Robert L. Israeloff
Chair, AICPA Board of Directors

The Dec. AICPA Board of Directors' meeting provided early insight into the operations of the new member outreach program. It was reported that in its starting month, with staff still being trained and bugs being ironed out, approximately 6,000 calls were made to members. Additionally, members made about 200 calls to their staff liaisons for assistance or information. (See article on page 5 for the most current numbers as well as members' frequently asked questions).

AICPA staff has approached the program in a positive and enthusiastic manner. Liaisons are sporting buttons that read "Members Are Our Business," and their comments, especially after their first contacts with members, point to the beneficial effects of two-way communication.

I have received many letters and telephone calls in support of the member outreach initiative. A question that was asked more than once was, "What is the cost?" The answer is very little! The only significant additional expense is the telephone cost, and the AICPA has major usage discount programs to lessen the impact. Not one additional staff person has been hired. Employees have been asked to find the time to make calls as their schedules allow and to monitor the effects, if any, on regular programs.

Another activity in its early stages is an evaluation of the amount of mail (with an emphasis on marketing and promotional material) sent to members annually as well as its effectiveness. Members have long complained that they are inundated by mail from the AICPA, with much of it being duplicative or having no relation to their areas of practice. Geoff Pickard, vice–president of communications, is leading a team that hopes to have some definitive suggestions by Mar. 31.

Geoff reported that the problem is bigger than anyone imagined. The AICPA sends out more than 27 million pieces of mail each year. Whenever an attempt is made to limit the volume of mail, committee members and staff argue that it would have a negative effect on their particular activity, program or product. This effort is intended to cut through the various departments and provide an overall, rational solution.

Speaking of solutions, the election of so many new members of Congress presents us with an opportunity (we hope) to work towards solving our tort liability and work load compression problems. The AICPA Washington office is hard at work, analyzing the new congressional committee structure and strategizing as to the best way to emphasize our legislative agenda.

The AICPA Key Person Coordinator's Conference this month will provide much information for our members who are politically active in their local communities. If any of you have contact with a member of Congress, especially a newly elected one, or with a legislative staff aide, please let us know. It will continue to take a maximum effort by all of us to achieve our goals.

To contact Bob Israeloff, call 516/872–3300 or fax 516/872–3128.

SOP 94-6 on Risks and Uncertainties Issued by AcSEC

The Accounting Standards Executive Committee has issued Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties* (No. 014880CL). The SOP applies to financial statements prepared in conformity with generally accepted accounting principles applicable to nongovernmental entities, and it applies to all entities that issue such statements. It does not apply to summarized or condensed interim financial statements. The SOP, which includes extensive illustrations of its application, requires reporting entities to include in their financial statements disclosures about the nature of their operations and the use of estimates in the preparation of financial statements. In addition, if specified disclosure criteria are met, it requires entities to make disclosures about:

- Amounts reported in the financial statements or in the notes that are particularly sensitive to change in the near term—for example, inventory subject to rapid technological obsolescence, valuation allowances for commercial and real estate loans, and amounts reported for long-term contracts.
- Concentrations in the volume of business transacted with a particular customer, supplier, lender, grantor or contributor; in revenue from particular products, services or fund-raising events; in the available sources of supply of materials, labor or services, or of licenses or other rights used in the entity's operations; or in the market or geographic area in which an entity conducts its operations.

The SOP is effective for financial statements issued for fiscal years ending after Dec. 15, 1995, and for financial statements for interim periods in fiscal years subsequent to the year for which the SOP is first applied. Early application is encouraged but not required.

For a copy of the SOP, at $8 member or $9 non-member, contact the AICPA Order Department (see page 6). The SOP will be printed in a future issue of the *Journal of Accountancy*.

Practice Bulletin 13 on Direct-Response Advertising Issued

AcSEC also issued Practice Bulletin 13, *Direct-Response Advertising and Probable Future Benefits* (No. 033159CL). PB 13 clarifies that under Statement of Position 93-7, *Reporting on Advertising Costs,* probable future benefits should be limited to primary sources of revenue. Some entities have interpreted SOP 93-7 to allow the inclusion of revenue from sources other than customers receiving and responding to the direct-response advertising when determining probable future benefits. PB 13 is effective for advertising costs incurred after Dec. 31, 1994, or upon the adoption of SOP 93-7, if later. Price: $6.25 member, $7 non-member through the AICPA Order Department (see page 6).

Accounting & Auditing News

AICPA Issues Guidance for *Government Auditing Standards* Revisions

The 1994 revision to *Government Auditing Standards* (1994 Revision), commonly known as the "Yellow Book," changed the general, field work and reporting requirements for financial audits performed in accordance with those standards (*The CPA Letter*, July/Aug. 1994). The revisions are effective for financial audits of periods ending on or after Jan. 1, 1995.

Revised illustrative auditor's reports on a governmental entity's financial statement audit that conform with the 1994 Revision may be obtained through the AICPA Fax Hotline by dialing 201/938–3787 from a fax machine, following the voice cues and selecting document no. 309. Information concerning the availability of not-for-profit organization illustrative reports will be announced in a future issue of *The CPA Letter*. Auditors engaged to report on other types of entities in accordance with the 1994 Revision may tailor the illustrative reports for their specific engagements.

Auditor reports on internal controls and compliance relating to federal financial assistance included in the audit and accounting guide *Audits of State and Local Governmental Units* (the guide), and Statement of Position 92-9, *Audits of Not-for-Profit Organizations Receiving Federal Awards*, are not affected by the 1994 Revision. The following is a brief summary of the reporting changes:

- Auditors are now required to specifically cite *Government Auditing Standards* when the report on the financial statements is submitted to comply with a legal, regulatory or contractual requirement for an audit in accordance with *Government Auditing Standards*.
- Auditors are now required to refer to the separate reports on compliance with laws and regulations and internal controls in the report on the financial statements.
- Auditors are no longer required to provide a statement of positive assurance on those items tested for compliance and negative assurance on those items not tested in the report on compliance with laws and regulations.
- Auditors are no longer required to include a listing of an entity's significant internal control structure categories in the report on the internal control structure.

These and other general and field work changes required by the 1994 Revision will be incorporated in the guide through conforming changes to the AICPA's audit and accounting guides loose-leaf service, and in an updated bound volume of the guide with conforming changes as of May 1, 1995. Conforming changes to SOP 92-9 will be issued by mid-1995.

SOP 93-8 to Be Made Applicable to Property and Liability Insurance Companies

In 1993, the National Association of Insurance Commissioners implemented a risk-based capital program for life and health insurance enterprises. In Dec. 1993, the AICPA issued SOP 93-8, *Auditor's Consideration of Regulatory Risk-Based Capital for Life Insurance Enterprises*, which provides guidance on the consideration of risk-based capital in the planning stage of the audit, as well as guidance on auditors' reports. In 1994, the NAIC implemented a similar program for property and casualty insurance enterprises. Practitioners should be aware that the AICPA intends to incorporate the guidance in SOP 93-8 into the audit and accounting guide *Audits of Property and Liability Insurance Companies*.

FASB Issues Special Report on Asset Impairment

The Financial Accounting Standards Board has published a special report that summarizes a field test of its Nov. 1993 exposure draft on accounting for impaired assets.

Ten companies participated in the field test, which found that the proposed statement would have accelerated recognition or increased the dollar amount of impairment losses.

To obtain a copy of *Results of the Field Test on Accounting for the Impairment of Long-Lived Assets* (product code SRIMP), write: FASB Order Department, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856–5116; or call 203/847–0700, ext. 555. Price: $11.

Final Rule on Municipal Securities Disclosure Issued

The Securities and Exchange Commission has issued a final rule, *Municipal Securities Disclosure*, to amend Rule 15c2-12 under the Securities Exchange Act of 1934. Among its various requirements, this final rule will require municipalities that issue municipal securities to release annual financial information for fiscal years ending after Jan. 1, 1996, to various information repositories. Written agreements or contracts between municipalities and brokers/dealers will identify the type of financial information to be provided, the required accounting principles to be used, the date the information must be provided, and whether the financial information must be audited. Further, municipalities will also be required to release information on certain material events that could affect the value of the municipal securities. The final rule was published in the Nov. 17, 1994, *Federal Register*.

Changes Announced in Food Stamp Program Reimbursement Rates

Auditors of states and other municipalities participating in the federal Food Stamp Program are advised by the U.S. Department of Agriculture of legislative changes affecting the federal reimbursement rate. For a copy of the notice, dial 201/938–3787 from a fax machine, follow the voice cues and specify document no. 307.

Update on Member Outreach Program, Members' Common Questions About AICPA

With an official kick-off date of Nov. 14, Member Outreach Program results have come in for the first 23 business days of implementation. Approximately 15,250 calls were made by more than 300 staff liaisons to their assigned members, and more than 380 calls were made by members to their staff liaisons.

Members' questions or concerns are reviewed to note common issues. The following "Q & A" aims to address common questions members have had about the AICPA; this feature to *The CPA Letter* will appear as needed to help provide the best information possible to members.

1. Could you tell me what the CPE requirements are for AICPA membership?

Continuing professional education applies to all members, except those in the inactive or retired classifications. Members in public practice must complete 120 hours of CPE every three years, with no fewer than 20 hours each year. Members not in public practice must complete 90 hours of CPE every three years, with at least 15 hours each year. For frequently asked questions about the CPE membership requirement, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 151; for a copy of the CPE requirement policy, select document no. 150. Members should also contact their state boards of accountancy to determine what their states' CPE requirements are. For a list of all addresses and telephone numbers of the state boards of accountancy, select document no. 152.

2. Recently I changed my last name and switched jobs as well. What should I do?

Any name changes, job changes (especially from one membership group to another, such as from public accounting to industry), or address changes should be submitted to Membership Records. Write or call the department at the New Jersey location or fax the information to 201/938–3108 (change of member name or public accounting firm name or address must be submitted in writing). Membership Records will make sure that your name or address is changed for all publications included in your membership—there is no need to contact individual editors or departments. However, members who have purchased subscriptions need to notify the AICPA Customer Service Department located in New Jersey. Also, members who have insurance or other member benefits provided by outside parties should contact those companies directly.

3. If I'm looking for employment, or an employee, how can the AICPA help?

For starters, members may contact the CPA JOB BANK (800/939–1040), a national employment referral service, sponsored by the AICPA and 43 state CPA societies. Also, the *Journal of Accountancy* accepts such advertising; to place a display ad, call Cecilia Robin at 201/938–3296, and for a classified ad, call Madelaine Feldman at 201/938–3293. Members may also contact their state CPA societies to see if their publications accept these types of advertisements.

4. How can I become involved in Institute committee activities?

Each year a call is put out in the Nov. *CPA Letter* looking for members interested in applying for committee service. Applications are due the subsequent Feb. 15; for an application packet, fax L.J. Vendura at 212/596–6213 or write to Committee Appointments Coordinator at the New York location.

5. I saw in an issue of *The CPA Letter* a notice about a colleague being suspended from membership. Could you give me more information on that?

Any information that is not published is confidential. However, for confirmation or other inquiries on disciplinary actions, contact Jan Crozier at 212/596–6098.

6. What should members do who do not own fax machines but would like documents available on the AICPA's Fax Hotline?

Those members should call their staff liaisons (*The CPA Letter*, Nov. 1994) who will obtain a copy of the material and mail it to them.

7. I'd like to know more about the Institute's software products. Whom should I call?

For software product information or technical support, contact 800/226–5800 between 9:00 a.m. and 7:00 p.m., EST, or send a fax at any time to 800/226–6868. The Institute also has a member section for those interested in information technology (see article on page 7).

8. How do I find out about the Institute's affinity programs?

The full selection of member affinity programs appears in the Directory of AICPA Services (*The CPA Letter*, Nov. 1994, page 5; *Journal of Accountancy*, Jan.). Watch for announcements in these publications as new programs are added throughout the year.

9. Is it possible for me to have my name removed from the mailing lists the AICPA sells to vendors?

Yes. Call Membership Records at 201/938–3100 and request that your name be removed from the Institute's mailing lists available for sale.

The above questions and the Directory of AICPA Services should guide members' calls. If still in doubt, members should call their staff liaisons for assistance.

Update on Best Practices Benchmarking Study of Finance Activities

Since it was started in Apr. 1993, more than 400 companies ranging in size from $50 million to over $80 billion have participated in the best practices benchmarking study of finance. Almost 200 companies submitted their completed information and have received a quick and effective wake-up call on 27 processes and functions in the accounting and finance area. The study is designed to help identify and evaluate opportunities for improving productivity, cost-effectiveness and quality through process reengineering and adopting proven best practices. For more information, call John Morrow at 201/938–3011.

New Products & Publications

The Technical Information Division has prepared the ***Guide to Cash and Tax Basis Financial Statements*** (No. 006700CL), a helpful, nonauthoritative tool for preparers of cash and tax basis financial statements and for practitioners who compile, review and audit them. The information in this guide is based on the results of a survey of 2,000 members of the AICPA's Private Companies Practice Section as to how they handle various recognition, measurement and disclosure matters—matters such as presenting a statement of cash flows, disclosure of defined benefit pension plans, the most frequently used financial statement titles, and common modifications to the cash and modified cash bases.

The guide also includes specially designed practice aids, such as sample cash and tax basis financial statements, illustrations of unusual note disclosures, a financial statement disclosure checklist, and sample audit, compilation and review reports.

For additional information, call the AICPA's Technical Information Division at 201/938–3073. Price: $35 member, $38.50 non-member.

This busy season, practitioners who frequently need to conduct online research should consider subscribing to the **AICPA LEXIS® Value Plan.** Subscribers pay a flat monthly fee for unlimited access to the area of their choice: Tax ($150), Business/Financial ($165), Securities ($135), or Bankruptcy ($85). Those who subscribe by Feb. 28 receive one month's access to the entire LEXIS-NEXIS data base free of charge. Call 800/544–7390, ext. 6163 for more information; or fax 513/865–1666.

Help clients to be informed investors by mapping out a balanced approach to investing with ***Accumulating Wealth: An Investing Primer*** (No. 009153CL). The 30-page booklet covers such topics as setting up and maintaining an emergency fund; developing an investment program involving risk and diversification, stocks, bonds, real estate, mutual funds and other investment opportunities; IRAs, 401(k) plans, Keogh and SEPP-IRA, and 403(b) Plans; choosing asset allocation; and 10 investing tips. Price: $4.50 member, $5 non-member (prices include shipping and handling).

The latest addition to the **Business Advice from CPAs** series, ***Business Entities: Understanding Different Forms of Organization for Your Business*** (No. 889532CL), has been published. The brochure explains some of the tax and non-tax issues to consider when selecting a form of entity for a business. It also discusses proprietorships, partnerships, corporations and limited liability companies, and urges readers to consult CPAs before choosing a form of entity. Price: $23/100 member, $25/100 non-member. Also available is a speech, **Corporation: To Be or Not to Be? Choice of Entity Issues for Small Business** (No. 890680CL), that can accompany the brochure. Price: $5.50 member, $5.75 non-member.

Two New Software Products Available

ATB 4.0 (No. 016131CL), the just-released upgrade to the Accountant's Trial Balance series, is the state-of-the-art accountant's tool. The improvements made were in response to ATB's many users. First, the *single package* contains all the features of the industry-leading Accountant's Trial Balance, ATB Financial Statements, and Consolidations. These include trial balance preparation, flexible reporting, financial statement preparation, consolidations and departmental reporting. There also is a new electronic file importing and exporting feature that precludes the need to reenter data on an ongoing basis, saving time and avoiding errors. Finally, there are many time-saving enhancements, such as client search and retrieval, account number format flexibility, printing to screen and to disk, net income explanation in cash flow statements and color display options. Price: $595 member, $660 non-member. Upgrade from ATB 3.0 (No. 016130CL), $275 member, $310 non-member.

APG for Windows™ (No. 016142CL) will enable members to automate their audit programs in the flexible, user-friendly Windows™ environment. APG for Windows allows for customizing and revising programs, automatically links to third-party software that connects directly to popular spreadsheet and work processing packages, has an on-screen sign off capability that lets members sign off and date audit program steps right on the screen, features unlimited columns, and contains automatic workpaper references that use audit program stop numbers as workpapers, so that workpapers can be automatically referenced. Price: $595 members, $654.50 non-members.

To order, write: AICPA Order Department, CL195, P.O. Box 2209, Jersey City, NJ 07303–2209; order via fax, 800/362–5066, or call 800/862–4272 (dept. #1). Ask for Operator CL195. The best times to call are 8:30 to 11:30 a.m. and 2:00 to 5:30 p.m, EST. Orders for exposure drafts must be written or faxed. Prices do not include shipping or handling. Have membership number handy.

Quarterly List of Items Available on 24-Hour Fax Retrieval System

To access these documents, dial 201/938–3787 from a fax machine, follow the voice cues, and when prompted, select the number of the item to be retrieved.

Document Number	*Item*
253	*Accounting Educators: FYI,* Jan. 1995
263	SECPS *Practice Alert 95-1,* "Revenue Recognition Issues," Jan. 1995
277	*Financial Manager's Report,* Jan. 1995
451	AcSEC actions Dec. 13–14
600-606	Updated legislative information
740-790	Updated schedules by state—Group Study Seminars
815	National Conference on Employee Benefit Plans—conference/registration information
816	Tax Strategies for the High Income Individual—conference/registration information
817	PCPS—conference/registration information

AICPA
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FYI

Accounting Educators:

Volume VI, Number 3 — January 1995

Jenkins and Kirk: Implications for Accounting Educators

by Rick Elam

Accounting professors need to take a close look at two recent reports which illuminate future changes in accounting, financial reporting and auditing likely to be demanded by financial statement users and accounting practitioners.

The Jenkins Committee was formed as the natural next step from the white paper issued by the AICPA Board of Directors during 1993 which, in effect, promised that the AICPA would move aggressively to enhance utility of financial reporting, improve prevention and detection of fraud, assure independence and objectivity of the independent auditor, discourage unwarranted liability which inhibits innovation, and strengthen the auditing profession's disciplinary system.

The report of the AICPA Special Committee on Financial Reporting (Jenkins) made recommendations in four broad areas. These recommendations are to: "improve the types of information in business reporting, improve financial statements, improve auditor involvement, and facilitate change."

Two points in the Jenkins report seem to differ greatly from what is traditionally taught in financial accounting and auditing courses. The first is the suggestion that, in order to meet users' needs, external business reports must be more closely aligned with information reported to senior management. If this change is required, how will future accountants be taught to draw the line between what users should know and giving away the farm to the competition?

The second surprising point is the recommendation that standard setters should not study the following: value-based accounting, accounting for intangibles including goodwill, forecast financial statements, accounting for business combinations, and alternative accounting principles. Does this rec-

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In this issue...

Please call to get more information on programs or materials of interest to you.

Recruitment
(212) 596-6220

Accounting Career Materials
(212) 596-6222

Minority Initiatives
(212) 596-6227

Minority Scholarships & Doctoral Fellowships
(212) 596-6223

Professor/Practitioner Case Development
(212) 596-6219

Lifetime Achievement in Accounting Education Award
(212) 596-6225

CPE Educator Workshops/ Mini-Conference
(212) 596-6221

Doctoral Fellowships/ Carey Scholarships
(212) 596-6221

Women & Family Issues
(212) 596-6226

AICPA Resource Database on Women & Family Issues in the Workplace
(800) 862-4272, dept. 7

150-Hour Education Requirement
(800) 596-6225

From the Editor's Desk...

The AICPA held its 107th annual meeting on October 24–25, 1994, and launched the new committee year. This issue of FYI lists all **AICPA Academic and Career Development Division (ACD) committees** (pages 2, 4). To get more information on programs and activities of the ACD Division, please call the numbers provided to your left. The start of a new year is a great time to get involved and participate.

In this issue, you will also find information on the **Jenkins and Kirk** reports (above), the **AICPA Professor/Practitioner Case Program** (page 2) and upcoming **CPE Workshops for Accounting Educators** (page 3). For those of you who attended our Mini-Conference in Portland, Oregon, I hope you found it to be informative. The next AICPA Mini-Conference will be held on November 3–4, 1995 in Tampa, Florida. I look forward to hearing from you soon!

Elizabeth Scifo Koch
Editor

Case Program Prepares Students for Jobs in Industry

1994 Professor/ Practitioner Case Materials Available this Month

A recently issued report from the Institute of Management Accountants and the Financial Executives Institute stressed the importance of teaching students the skills unique to accounting positions in private industry. One way educators can expose students to real-world topics occurring in industry is to utilize and/or participate in the AICPA Professor/Practitioner Case Development Program.

The program selects several cases, based on actual incidents each year, which are developed jointly by a professor and practitioner. Cases are presented at the annual AICPA Accounting Educators Mini-Conference each November, copyrighted by the AICPA and distributed to accounting program administrators across the United States in January.

Please see your accounting program administrator to get a copy of the cases, so you can use them in the classroom. You are also encouraged to submit case proposals for 1995. An invitation letter was mailed to all AICPA educator and AAA members in December. If you did not receive the letter and would like to submit a proposal, dial (201) 938–3787 from a fax machine and request document 247. The deadline for case submissions is February 1, 1995. □

▶ Jenkins and Kirk
continued from page 1

ommendation mean that these subjects should no longer be the subject of classroom discussion or academic research?

In the auditing area, a special advisory panel on auditor independence created by the Public Oversight Board and chaired by Donald Kirk has issued a report that calls for a new level of candor from the auditor. "Auditors would not only apprise the board of directors of what is *acceptable* accounting, they would be expected to express their views, as accounting experts, on the *appropriateness* of the accounting principles used or proposed by the company, the clarity of its financial disclosures and the degree of aggressiveness or conservatism of the accounting principles and underlying estimates reflected in the company's financial statements." What changes will be needed in auditing curricula to prepare students to identify, but also communicate to a board of directors, the "appropriateness" and degrees of "aggressiveness" among accounting alternatives?

Everyone who teaches or researches accounting subjects needs to carefully review the Jenkins and Kirk reports. The reports are a very good indication of the types of changes that financial statement users and practicing accountants will demand over the years to come. While it is doubtful that all the recommendations will become GAAP or GAAS, many certainly will, and it is today's college students who will implement those changes. □

Reminder: See your accounting program administrator to obtain materials to help you teach the Jenkins Report in class.

1994–95 AICPA Academic and Career Development Committees

150-HOUR EDUCATION REQUIREMENT COMMITTEE

OBJECTIVE: To develop a program for legislative implementation of a 150-hour education requirement to sit for the CPA examination; to give advice and assistance in achieving a 150-hour education requirement to the states; and to seek the support, cooperation and participation of the state societies, of the state boards of accountancy, and of other professional organizations in developing and implementing the program.

Raymond E. Howard, CPA, Chair (Copeland-Gibson Corporation, MI). Kay C. Carnes, CPA (Gonzaga University, WA). Daryl J. Hill (Oklahoma Society of CPAs, OK). T. Edward Hollander, CPA (Rutgers University-Newark, NJ). Ray C. Hunt, Jr., CPA (University of Virginia, VA). Martha S. Marshall, CPA (UNC-Asheville, NC). Eugene J. Miller, CPA (Broan Manufacturing Company Inc., WI). B.J. Schwieger, CPA (St. Cloud State University, MN). Charles Hugh Smith, CPA (Pennsylvania State University, PA). Jenice P. Stewart, CPA (University of Missouri, MO). Janice I. Vincent, CPA (Ernst & Young LLP, CA). Staff Aides: Rick Elam, Bea Sanders, Sheri Bango.

ACADEMIC AND CAREER DEVELOPMENT EXECUTIVE COMMITTEE

OBJECTIVE: To formulate and recommend to the Board of Directors AICPA policy on recruitment, pre-certification education and the career development of Certified Public Accountants, and to coordinate the implementation of projects and programs that support the policy.

Belverd E. Needles, Jr., CPA, Chair (DePaul University, IL). Mary Beth Armstrong, CPA (California Polytechnic State University, CA). L. Gary Boomer, CPA (Varney Mills Rogers Burnett & Associates, KS). Joseph L. Boyd, CPA (Norfolk State University, VA). Miguel A. Cabrera, Jr., CPA (M.A. Cabrera & Company, FL). Mark M. Chain, CPA (Deloitte & Touche LLP, CT). Nita J. Clyde, CPA (Clyde Associates, TX). Edward Earl Milam, CPA (Mississippi State

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AICPA Academic and Career Development Division Announces

1995 CPE Workshops for Accounting Educators

INTEGRATING FRAUD DETECTION AND PREVENTION SKILLS INTO THE ACCOUNTING CURRICULUM

in cooperation with the **Southeast, Southwest, and Western Regions of the American Accounting Association**

☐ March 1 in Houston, Texas
☐ April 6 (1:00 p.m. to 5:00 p.m. and April 7 (8:30 a.m. to 12:00 p.m.) in Fort Lauderdale, Florida
☐ May 11 in Palm Desert, California

This brand-new workshop covers the timely topic of fraud detection and prevention. The recent proliferation of fraudulent acts makes this topic a crucial issue for CPAs.

Integrating fraud detection and prevention skills into the accounting curriculum is a task all educators must face. This workshop will define the different types of fraud, specify the types of environments susceptible to the occurrence of fraud, provide techniques to prevent and detect fraud, review an auditor's responsibility for fraud, and illustrate ways to integrate these topics into the curriculum.

The session will be co-presented by Professor Kevin D. Stocks, PhD, and Associate Professor James D. Stice, PhD, both from Brigham Young University.

COOPERATIVE LEARNING

in cooperation with the **Mid-Atlantic and Northeast Regions of the American Accounting Association**

☐ March 23 in Huntington, West Virginia
☐ April 20 in Hartford, Connecticut

Upon your request, this workshop is being presented as a full-day session instead of a half-day session. This highly interactive workshop will cover class management techniques and team-building skills that enhance learning in the accounting classroom. Participants will learn how to implement specific and practical cooperative learning structures at the basic and advanced levels through actual practice.

Presented by Phillip G. Cottell, Jr., DBA, and Professor of Accountancy at Miami University, Oxford, Ohio. Dr. Cottell is a recognized leader in group learning processes.

All Programs: 8:30 am – 5:00 pm
except as indicated
Recommended CPE: 8 hours

DESIGNING STUDENT-CENTERED PERFORMANCE ASSESSMENT

in cooperation with the **Midwest and Ohio Regions of the American Accounting Association**

☐ April 6 in Dearborn, Michigan
☐ May 4 in Toledo, Ohio

Accounting educators who want to develop or refine assessment processes within their courses or as broader comprehensive student learning experiences will benefit tremendously from this innovative program. Topics include: assessing in the accounting major, in-class and outside-class assessment, faculty designed criteria, self-assessment for students, teaching/assessing to develop student outcomes and using results for improvement.

Participants are encouraged to bring classroom materials (i.e., syllabi, assessments, simulations, cases) to stimulate group discussion.

This hands-on workshop is presented by William McEachern, an Associate Professor of Alverno College. He is the current Chair of the Division of Business and Management.

Registration and General Information

Please check workshop(s) you plan to attend in the boxes (☐) provided above.

Registration: $90/AICPA Members
$120/Non-members

Check one:

☐ Please bill my credit card: ☐ MasterCard ☐ Visa $________ Amount
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Mail to: AICPA Meetings Registration, P.O. Box 2210, Jersey City, NJ 07303-2210

Registrant's Last Name *First* *MI* *Nickname*

College or University Name or Affiliation

Street Address *Suite*

P.O. Box

City *State* *Zip Code*

Total Amount Enclosed *Area Code & Business Telephone*

AICPA Membership Number – (Required for Discounted Registration)

☐ Please provide information pertaining to services for the physically disabled.
What is the nature of your disability? ☐ Audio ☐ Visual ☐ Mobile

Fee includes the workshop session, materials, lunch (except for Integrating Fraud Detection, April 6 & 7), and two refreshment breaks. Hotel accommodations and other meals are not included. Full payment must accompany your registration. A confirmation letter will be sent to you upon receipt of your registration form and payment. If you pay by credit card, and approval is declined, we reserve the right to cancel registration if alternate payment is not supplied. *These workshops are expected to fill quickly, so register early.* The AICPA is not responsible for checks or letters lost or delayed in the mail.

HOTEL INFORMATION: Please reserve your hotel accommodations directly. You will be informed of the specific location for your meeting upon registration.

CANCELLATION POLICY: Full refunds will be issued on written cancellation requests received by three weeks before the specific workshop for which you are registered. Written cancellations received up to one week before the workshop will be issued a refund less a $25 administrative charge. No refunds will be issued on cancellation requests received within the seven days immediately preceding the workshop for which you are registered.

AIRLINE DISCOUNT: Consult the AAA at (813) 921-7747 for regional airline discounts.

For further information, call the AICPA at (201) 938-3232.

Bates #____________
(AICPA use only)

▶ 1994–95 Academic and Career Development Committees

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University, MS). Frank R. Rayburn, CPA (University of Alabama at Birmingham, AL). Dennis Reigle (Arthur Andersen & Company LLP, IL). Virginia Robinson, CPA (Joint Financial Management Improvement Program, D.C.). Leroy C. Schmidt, CPA (Wisconsin Institute of CPAs, WI). D. Gerald Searfoss, CPA (University of Utah, UT). Paula B. Thomas, CPA (Middle Tennessee State University, TN). Joseph G. Walsh, CPA (Golden Gate University, CA). Staff Aides: Bea Sanders, Rick Elam.

CURRICULUM AND INSTRUCTION IN ACCOUNTING EDUCATION SUBCOMMITTEE

OBJECTIVE: To maintain channels of regular communication with and increase the supply of qualified CPA educators; to encourage professional interaction; to recognize outstanding scholars through several award programs; and to encourage curricular and faculty development.

Paula B. Thomas, CPA, Chair (Middle Tennessee State University, TN). Leonard E. Berry, CPA (Georgia State University, GA). Charles Elliot Davis, CPA (Baylor University, TX). Richard H. Fern, CPA (Eastern Kentucky University, KY). Mary K. Giannini (Coopers & Lybrand LLP, NY). Gary L. Lawrence, CPA (GA). Kevin A. Michel, CPA (Merrill Lynch & Company, NJ). L. Martin Miller, CPA (Cogen Sklar Levick, PA). Loc T. Nguyen, CPA (California State University, CA). Linda M. Nichols, CPA (Texas Tech University, TX). Kevin D. Stocks, CPA (Brigham Young University, UT). Jack Edward Wilkerson, Jr, CPA (Wake Forest University, NC). Staff Aide: Elizabeth Koch.

ACCOUNTING CAREERS SUBCOMMITTEE

OBJECTIVE: To develop programs and activities to attract the best and brightest into accountancy and to assist the state CPA organizations in developing student recruiting programs.

Nita J. Clyde, CPA, Chair (Clyde Associates, TX). Maryan Ackley, CPA (Frank, Rimerman & Company, CA). Robert L. Brown, CPA (Price Waterhouse LLP, PA). Chrislynn Freed, CPA (University of Southern California, CA). Cindy M. Gray (Virginia Society of CPAs, VA). Bennie L. Hadnott, CPA (Watson Rice & Co., P.C., NY). Robert Hickman (McGladrey & Pullen, IA). Dieter M. Kiefer, CPA (U.S. General Accounting Office, KS). Sean D. Windsor, CPA (Brooklyn Union Gas Co., NY). Mary Wood, CPA (KPMG Peat Marwick LLP, FL). Staff Aide: John Daidone.

JOINT AAA/AICPA ACCOUNTING LITERATURE AWARDS COMMITTEE

OBJECTIVE: To select for recognition those articles, monographs or books, published in English, which in the view of the committee make outstanding contributions to the literature of accounting.

Jack Edward Wilkerson, Jr., CPA (AICPA), Chair (Wake Forest University, NC). Mary Beth Armstrong, CPA (AICPA) (California Polytechnic State University, CA). Barry J. Brinker, CPA (AICPA) (Warren Gorham & Lamont, NY). Richard A. Lambert (AAA) (Stanford University, CA). Baruch Lev (AAA) (University of California Berkeley, CA). Robert Libby (AAA) (Cornell University, NY). Ella May Matsumura (AAA) (University of Wisconsin-Madison, WI). D. Gerald Searfoss (AICPA) (University of Utah, UT). Terence Shevlin (AAA) (University of Washington, WA). Kevin D. Stocks, CPA (AICPA) (Brigham Young University, UT). Staff Aide: Bea Sanders.

MINORITY INITIATIVES COMMITTEE

OBJECTIVE: To implement the 1969 resolution of council to integrate the profession in fact as well as in ideal by encouraging and assisting young men and women from minority groups to prepare themselves for careers as CPAs and encouraging public accounting firms and other business organizations to take special affirmative action to recruit and promote qualified members of minority groups.

Miguel A. Cabrera, Jr., CPA, Chair (M.A. Cabrera & Company, P.A., FL). Carmen J. Aguiar, CPA (Carmen Julia Aguiar, WA). Beverly L. Everson-Jones, CPA (National Association of Black Accountants, Inc., MD). Hubert Darnell Glover, CPA (Clemson University, SC). Ruth C. Harris, CPA (Virginia Union University, VA). David B. Harrison, CPA (Empress Cruise Lines, FL). Michael James Hill, CPA (Proctor & Gamble, OH). Ladelle Marie Hyman, CPA (Texas Southern University, TX). Terence L. McGuire, CPA (Price Waterhouse LLP, NY). Kenneth L. Paige, CPA (Duquesne University, PA). John R. Plymyer (Washington Society of CPAs, WA). George Sill, CPA (Arthur Andersen & Company LLP, DC). Ralph Albert Thomas, CPA (Citibank N.A., NY). Staff Aide: Gregory Johnson.

WOMEN AND FAMILY ISSUES EXECUTIVE COMMITTEE

OBJECTIVE: To influence the accounting profession to effect the necessary change for developing and retaining a more competitive workforce, including representation of women at all levels of leadership, and assisting both males and females in balancing their work, personal and family responsibilities.

Karen L. Hooks, CPA, Chair (Arizona State University, AZ). Jeanne Sizoo-Bennett, CPA (Securities and Exchange Commission, VA). Patti Bissell, CPA (Potomac, MD). Sharon Sabba Fierstein, CPA (PW Funding Inc., NY). Ellen P. Gabriel, CPA (Deloitte & Touche LLP, MA). James Purcell Hayes, CPA (Coopers & Lybrand LLP, MI). Nancy Heimer, CPA (Ocel, Heimer & Associates, Ltd., MN). Richard P. Kearns, CPA (Price Waterhouse LLP, NY). Richard Layne, CPA (PG&E, CA). Michael D. Levy, CPA (Lozier Homes Corporation, WA). Mary E. Medley (Colorado Society of CPAs, CO). Daniel Charles Shogren, CPA (BDO Seidman, NY). JoAnn Byrne Wittenbach, CPA (Crowe, Chizek & Company, IN). Staff Aides: Bea Sanders and Cecelia Manley. □

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Elizabeth Scifo Koch, *editor*

AICPA
American Institute of Certified Public Accountants

Division for CPA Firms—Professional Issues Task Force

January 1995

PRACTICE ALERT

REVENUE RECOGNITION ISSUES

No. 95-1

NOTICE TO READERS
This practice alert is intended to provide auditors with information that may help them improve the efficiency and effectiveness of their audits. This document has been prepared by the SEC Practice Section Professional Issues Task Force and is based on the experiences of the individual members of the task force and matters arising from litigation and peer reviews. It has not been approved, disapproved or otherwise acted upon by any committee of the AICPA.

Introduction

A substantial portion of litigation and SEC investigations involving financial reporting and cases coming before the AICPA Professional Ethics Executive and Quality Control Inquiry Committees concerns some form of revenue recognition issue. Although some of these situations involve accounting for large, complex transactions, many result from improper accounting for routine sales recorded in the ordinary course of business. Therefore, auditors need to pay particular attention to warning signals that may indicate additional audit risk and respond with appropriate professional skepticism and possible additional audit procedures.

This practice alert is intended to remind auditors of conditions that can be indicative of increased audit risk with respect to improper and unusual revenue practices. It suggests ways in which auditors may reduce the risk of failing to detect such practices. The alert focuses on revenue recognition issues as they relate to sales of products and services. It is not intended to and does not provide comprehensive guidance on the design or performance of audit procedures.

Improper and Unusual Revenue Recognition Practices

Auditors need to be aware of the possibility that client personnel at various levels may knowingly participate and assist in schemes designed to overstate revenue. In some cases they have been aided by customers and suppliers or other third party participants. Improper and unusual revenue recognition practices vary by industry. Following are some examples of improper and unusual revenue transactions:

- Sales in which the customer's obligation to pay for the merchandise/service depends on:
  - receipt of financing from another (third) party;
  - resale to another (third) party (i.e., consignment sale);
  - fulfillment by the seller of material unsatisfied conditions; or
  - final acceptance by the customer following an evaluation period.
- Sales in which substantial uncertainty exists about either collectibility or the seller's ability to comply with performance guarantees.
- Sales that require substantial continuing vendor involvement after delivery of merchandise (e.g., software sales requiring installation, debugging, extensive modifications, other significant support commitments, etc.).
- Shipments to and held by a freight forwarder pending return to the company for required customer modifications.

CONTINUED ON PAGE 2

- Sales of merchandise shipped in advance of the scheduled shipment date without the customer's agreement or assent.
- Pre-invoicing of goods in process of being assembled or invoicing prior to, or in the absence of, actual shipment.
- Shipments made after the end of the period (i.e., books kept open to record revenue for products shipped after period end).
- Transactions involving the application of the percentage-of-completion method of accounting. (There have been instances in which overly optimistic percentage-of-completion estimates were used, reasonably dependable estimates could not be made or a historical basis for making estimates did not exist.)
- Sales not based on actual (firm) orders to buy.
- Shipments made on cancelled or duplicate orders.
- Shipments made to a warehouse or other intermediary location without the instruction of the customer.
- Sales billed to customers prior to delivery and held by the seller ("bill and hold" or "ship in place" sales). (There have been cases in which payments have not been required for a lengthy period and cases in which delivery to the customer never took place.)
- Sales on terms that do not comply with the company's normal policies.
- Transactions with related parties.
- Barter transactions.
- Significant, unusual transactions near year-end.
- Partial shipments when the portion not shipped is a critical component of the product (e.g., shipment of computer peripherals without the central processing unit).

Planning Considerations

Techniques used to recognize revenues improperly can be quite sophisticated. To reduce risk in this area, the audit needs to be planned and then executed with an appropriate degree of professional skepticism.

In planning an audit of revenue transactions, an auditor needs a sufficient understanding of the client's industry and business, its products, its internal control structure over revenue, and its accounting policies and procedures, particularly as they relate to revenue recognition. This understanding should include the procedures for receiving and accepting orders, shipping goods, relieving inventory, and billing and recording sales transactions. It also involves an understanding of the computer applications and key documents (e.g., purchase orders, shipping reports, bills of lading, invoices, credit memos, etc.) used during the processing of revenue transactions.

An understanding of the revenue cycle is particularly important when the company has new product or service introductions or begins new sales arrangements. New products may not work as envisioned or customer acceptance may not be as expected. Sales terms might differ from the company's customary terms and both the client's employees and the auditor may need to obtain an understanding of new procedures.

This knowledge base provides a perspective or "mindset" for determining the nature, timing, and extent of audit procedures to be applied. For example, a company operating in a declining industry or one characterized by more than infrequent business failures ordinarily will present different audit considerations and, therefore, could require different or more extensive audit procedures than a company operating in a ealthy industry. Similarly, the risk of management misrepresentation may be greater when management's compensation is based to a significant degree on reported earnings or when management places undue emphasis on meeting analysts' earnings projections. Risk also may be heightened when there are frequent disputes or disagreements with management about the "aggressive" application of accounting principles. SAS No. 53, "The Auditor's Responsibility to Detect and Report Errors and Irregularities" (AU section 316 of AICPA Professional Standards), provides additional factors to consider when assessing the risk of material misstatements or management misrepresentation.

A proper understanding of a client's business, its accounting policies and procedures, and the nature of its transactions with customers can also be helpful in assessing the extent of experience or supervision required of the personnel assigned to audit the revenue transactions. Unusual or complex sales contracts may call for consideration by more experienced engagement personnel.

Moreover, the performance of appropriate, well-planned analytical procedures during the audit planning process and in executing the audit itself (such as, a comparison of sales to corresponding periods of the prior year and to budget; a review of monthly and/or quarterly analyses of sales volume; and a ratio analysis of sales in the last month to total sales) may help the auditor identify situations that warrant additional consideration. A company with constantly increasing sales that "always meets or exceeds" budgeted sales targets may deserve extra attention. When a substantial portion of the company's sales occur very near the year-end or quarter-end, extra caution in auditing revenue transactions may be appropriate. Also, individually significant revenue transactions, which could be designed to ease short-term profit concerns, may merit specific attention. Auditors need to examine such transactions and obtain an understanding of their business purpose to evaluate whether revenue recognition is appropriate.

Confirmations and Representations

Unusual or complex revenue transactions may increase audit risk. Consequently, the auditor should consider the need to perform additional audit procedures to assess the propriety of revenue recognition. Examples of such additional audit procedures may include confirmation of sales terms, review of sales contracts, or the use of a specialist to interpret contractual agreements.

Standard confirmation requests (confirming only the outstanding balance) alone do not always provide sufficient audit evidence to determine that only appropriate revenue transactions have actually been recorded. Confirmations can be designed to help the auditor solicit information from customers about payment terms, right-of-return privileges, or other significant risks retained by the seller. In determining the information to confirm, an understanding of the client's arrangements and transactions with its customers is essential. If the auditor is aware of unusual arrangements or transactions (e.g., "bill and hold" or consignment sales), confirmations can be used to corroborate the terms of the agreements and inquire about the existence of any oral modifications or undocumented "side-agreements" (e.g., unusual payment terms, liberal rights of return). When the arrangements are unusual, auditors are well advised to consider the business purpose of the transactions from the perspectives of both the seller and the buyer, and evaluate responses to inquiries with appropriate professional skepticism. Also, because of the increased risk presented by individually significant revenue transactions, the auditor should consider confirming the terms of those sales.

Although representations from management are not a substitute for the application of those

CONTINUED ON PAGE 4

audit procedures necessary to afford a reasonable basis for an opinion on the financial statements, it might be useful to obtain written representations concerning the terms and conditions of unusual or complex sales agreements. Such representations may include things such as contingencies that affect the obligation of customers to pay for merchandise purchased. This is important when it is common industry practice to provide customers with certain rights of return or other privileges (e.g., in high-technology enterprises).

Conclusion

No audit can be designed to provide absolute assurance that all revenues recorded by the client are appropriate or that fraudulent financial reporting is discovered. However, an awareness of conditions that increase audit risk, along with an appropriate skeptical response to unusual items identified during the audit, can help auditors increase the likelihood that either inadvertent or intentional material misstatements of revenue will be detected.

THE FINANCIAL MANAGER'S REPORT

A Periodic Update for CPAs in Business & Industry ■ January 1995

A Straightforward Look at Business Computer Basics That Can Save You Money

— by Brooks L. Hilliard

The following is reprinted from Business Automation Bulletin, which is published bimonthly by Mr. Hilliard, President of Business Automation Associates, a consulting firm in Phoenix Arizona which focuses on the selection and use of computers for medium-sized and small businesses. Complementary subscriptions to the Bulletin are available by calling BAA at 602–264–9263.

This article focuses on the recent changes in the internal components of the computer itself. For each component, the article *emphasizes the importance of the change and whether businesses really need it.*

HOW COMPUTERS HAVE CHANGED

Advances in technology affect the computer's internal components as much or more than any other kind of hardware. The items of most interest are the central processors (i.e., the processor "chips"), monitors, disk drives, keyboard and mouse. Each of these is covered below.

Central Processors

It wasn't long ago that selecting a computer company was practically a lifetime commitment. All the common computers were incompatible with one another, creating nearly prohibitive conversion costs anytime a buyer moved from one to another. Intel 80-x86s (80386, 80486, etc.) were used only for PCs, Motorola 860x0s were used primarily for Macintoshes, and several manufacturer-specific (i.e., proprietary) processors dominated the market for larger machines (I've lumped these proprietary processors into a single group for simplicity, but there are dozens of processors in this group, all of which are incompatible).

Now all these processors are converging into two categories:

- Intel-type chips (including'486s, Pentiums and "clones" of these chips built by other chip makers).
- RISC chips (including the IBM/Apple/Motorola PowerPC) that are largely compatible with each other and can run much of the same software. (Note: they're called "RISC" chips because they use a technique known as "Reduced Instruction Set Computing," not because they're particularly risky.)

This change benefits computer buyers because there's lots of competition in both these areas, creating a rapid price decline in all computer prices.

Here are four things buyers need to know about these processor types:

- Some computer makers still sell systems built with proprietary chips (e.g., Digital, IBM and a few others) but, unless you need them to maintain compatibility with existing software, it's best to avoid them.
- PC software only runs effectively on Intel chips for now (but if IBM delivers on its promises, it should run as well or better on PowerPCs next year).
- Macintosh software only runs on PowerPC and 680x0 chips now (but that may be changing too).
- Network and multi-user business software can usually run on either RISC or Intel-based systems. But most network software is designed for Intel environments and most business software (i.e., those for sales, accounting, etc.) runs faster – and often better – on RISC systems.)

Despite the differences, the one thing all the different chips have in common is constantly improving performance and constantly declining prices. Normally, as soon as a newer, faster version comes out (which can happen several times a year), the chip-maker will price it at about the same level as the previous top-of-the-line chip, the price of which is then reduced. The good part about this is that many computer buyers (i.e., all but the most aggressive "power-users") can make a substantial savings by buying systems built on one- or two-generation-old chips, and never notice the difference. However, it usually isn't smart to buy PCs built on a chip that's been out for more than a year or so, because (even though it may still work perfectly well) it will soon become obsolete as new software begins to surpass its capabilities.

Another factor to consider is the central computer's internal memory, called RAM. Most mass market PCs now come with 4 megabytes (4MB) of RAM. This really isn't adequate to run most graphical-based software. (Ed. note: Most business computer applications already are or will soon be run off graphical-based platform, i.e Windows, Unix, etc.) Running the most widely used programs with reasonable speed takes at least 8 MB of RAM and 16 MB is seldom wasted.

There are fewer rules of thumb for picking multi-user computers and servers. One thing that's always true, however, is that matching the computer's speed and RAM to the application and the user count (including future growth) is much more important than obsolescence. In most cases, the software company is the best advisor when "sizing" a computer for a given application.

Another processor-related change is the incorporation of advanced "busses" that transfer data much faster

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Authors: Mark T. Czarnecki, MBA, CPA and Robert J. Hager, MS
Recommended CPE Credit: 8 hours
Format: Text (737070CLM) $119.00

NEW: Customer Service: The Key to Your Competitive Edge

In this climate where every dollar is important, you can't afford to lose a single customer. This eye-opening course uses worksheets, examples, checklists and case histories to reveal the complete process for implementing a radical change of corporate attitude toward the value of customers — throughout every level of the company. Find out how to:

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Author: Peggy Morrow
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Format: 1 VHS Tape/Manual (119327CLM) $129.00
Additional Manual (119527CLM) $30.00

NEW! 1994 Corporate Tax Returns Videocourse

This 3-hour video highlights key changes in the corporate tax law affecting preparation of 1120 and 1120S returns for the 1994 tax year.

Moderator/Author: Sidney Kess, CPA, JD, LL.M.
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Format: 2 VHS Tapes/Manual/Looseleaf (112560CLM) $199.00
Additional Manual/Looseleaf Text (112562CLM) $80.00
Additional Manual Only (112561CLM) $50.00

To order: Call 1-800-862-4272 (select submenu #1), fax to 1-800-362-5066, or write the AICPA Order Department, P.O. Box 2209, Jersey City, NJ 07303-2209. These courses are also available through your state society.

The Financial Manager's Report is a publication of the AICPA Members in Industry Executive Committee and is mailed four times per year to all AICPA members in industry as an insert to *The CPA Letter.* Opinions of the authors are their own and do not necessarily reflect policies of the Institute.

The Committee and Staff welcome your input on ways to make FMR more responsive to your needs. Please address comments in writing to AICPA, Industry Member Programs, 1211 Avenue of the Americas, New York, NY 10036-8775.

Target Costing as a Strategic Planning Tool

— by Joseph Fisher, CPA

Two major changes in the operating environment of business firms have led managers to focus on cost considerations earlier in the product/service life cycle. First, investment in automation has changed the cost structure of many companies. More costs are fixed in the short run, and this change in the cost mix has resulted in less emphasis on typical management accounting tools such as cost-volume-profit analysis and budgeting. A high level of automation and fixed cost implies that most production costs are determined in the product planning and design stages. Dramatically reducing product/service costs at the production stage appears to be extremely difficult, if not impossible.

Second, shortening of the product/service life cycle has increased the importance of delivering a competitive product to the market very quickly. Any errors in product cost or quality will be difficult to correct in a timely way. Many firms give cost limited attention at the product planning and design stages and this lack of concern about cost early in the process may result in reduced profitability at the end.

Target costing is a systematic process for addressing product cost prior to product design. Target cost is defined as the maximum manufactured cost for a product. The target cost is not determined through product design, but rather through strategic and profit planning. The target cost is set subsequent to determining target price, target profit, and target volume. Target costing is implemented at the design stage, but the benefits of this technique are realized over the entire life cycle of a product. Target costing is not a daily or monthly production cost control technique. It is a cost planning tool that addresses cost considerations through product specifications and product design.

I have studied the implementation of target costing at several Japanese and American firms. The results of this research can be found in the Winter, 1995 edition of *The Journal of Cost Management.*

The research has identified the following steps in target cost implementation:

1. The target costing process begins with a product concept developed by a new product committee. This proposal typically contains product specifications, features, options, and development schedules. In preparing the proposal, the committee evaluates whether product/service specifications meet customer requirements.
2. A cross functional committee estimates expected (target) product price, desired profitability, and volume. The major input into target price is perceived customer value. Expected product cost has very little impact on target price. Target cost is the difference between target price and desired profit.
3. A committee, typically comprised of engineers and accountants, estimates expected product or service cost. If possible, the estimated cost is based on adjusting costs from a product or service currently produced. The difference between target and estimated cost represents the cost reduction target. This overall cost reduction goal is spread to various cost (component) categories based on agreement between the engineering and accounting departments.
4. In the product design phase, the product specifications from the product planning stage are used to engineer a working prototype. The target costing techniques in this phase focus on value engineering. Value engineering proposes design and production methods for attaining the target cost. The evaluation of target cost attainment is possible only with a timely flow of product cost estimates, and prototypes are an essential component in estimating product cost. Throughout the design phase, estimated and target costs are compared. Designers are instructed not to proceed with a design without achieving the target cost reduction. In a manufacturing environment, for example, this phase culminates with the ordering of the production molds and dies.
5. Once production begins, the formal target costing method is completed. The Japanese define production as the cost maintenance phase. They believe that costs cannot be dramatically reduced at production, the costs can only be maintained. Consequently, the firms put little energy in attempting to reduce costs at production. A standard cost system is the chief form of cost control. Target costing continues to be important for two reasons. First, standards used in the standard cost system are based on the target cost numbers. Second, the actual costs from the current product or service are the starting point for estimating costs for the new generation of products.

In conclusion, traditional cost analysis has focused on the decisional roles of cost information in process determination. In addition, traditional cost analysis has been applied at the production stage on the mistaken notion that because many costs occur in production, the costs must also be determined in production. Traditional cost analysis can be misleading for several reasons:

1. Most production costs are determined prior to production. Therefore, cost reduction activities at the production stage are misguided.
2. Many product prices are market determined and not cost determined. Therefore, to focus on cost as a determinant of product price is to risk bringing to market a product that is not priced competitively or returns a low profit.
3. The absence of cost as a design specification may result in inefficient product design. For example, features that cannot be cost justified may be added to a product.

The changing environment of industry has resulted in more costs being determined in the product planning and product design stages. Target costing links strategic

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Immunize Yourself Against Burn-out

The following was included as handout material for a session at the AICPA's 1995 Fall National Industry Conference presented by Dr. Herb Agan, a psychologist, family therapist and public speaker from Houston, Texas. We believe it is sound advice for the busy CPA financial manager.

Burn-out is a term used by psychologists to describe a syndrome in which chronic emotional stress leaves one completely exhausted mentally, physically, and emotionally. Some of the symptoms include loss of interest in work, disillusionment with life, a tendency to "lash out" or "withdraw" from family and friends, proneness toward accidents or chronic illnesses, and a decrease in job efficiency.

Prime candidates for this condition are people who are enthusiastic and tend to over-extend themselves. It is particularly prevalent in occupations that: 1) require constant emotional stress in dealing with people who are sick, immature, irrational, hostile, angry, or emotionally starved, 2) require more overtime without a clear demarcation between one's work time and free time, 3) require the worker to feel very involved and somewhat responsible for other people, and 4) require so much time and energy in the job that there is little energy left over to enjoy the other aspects of one's life. This does not imply that people involved in occupations with the above mentioned hazards should not have idealism or dedication to their jobs. However, persons engaged in these occupations must immunize themselves emotionally to avoid the "burn-out" syndrome.

Here are some suggestions for emotional maintenance:

1. *Accept yourself* — physically, emotionally, and spiritually. Learn where and how you function best. Try not to tolerate people and situations that make you feel inadequate and badly about yourself. Place as much value on your own needs as those of others.
2. *Set priorities* — Notice how your life can be rearranged to save time and energy for things that have meaning and purpose in life. Refuse to get "bogged down" in tasks that have no meaning for you.
3. *Accept failures and disappointments* as stepping stones to help you make needed changes in your life. Refuse to continue behavior that has destructive consequences for you. Do not allow others to criticize you as a person. Let people know that you will accept feedback on your behavior and will learn from it or disregard it as it seems appropriate to you.
4. *Be responsible **TO** but not **FOR** other people* — Set limits and refuse to put more energy into a person or situation than the people themselves do.
5. *Put some surprises into your life* as well as into the lives of those around you. Take an unplanned mini-vacation on the spur of the moment; have a winter picnic in front of the fireplace; try things that you have not done before; challenge yourself in new areas and with new people.
6. *Show love to those around you* — If you are single, think of yourself as a one-person family and reach out to people of all ages. When you show love, it makes you a finer, better person.
7. *Accept the realities of life without guilt and bitterness* — If you cannot change the situation, accept it. If you do not have a compatible personality with one of your co-workers, adjust to the situation by being congenial but not spending much time with him/her. Minimize frustrations instead of dramatizing them. Problems are a normal part of life, so accept them.
8. *Give priority to proper diet and regular exercise.*

Target Costing as a Strategic Planning Tool

Continued from page 3

and profit planning to product cost by determining target costs subsequent to calculating target prices and profits. It should increase in importance as firms become more automated, as costs are determined earlier in the product life cycle, and as competition becomes more intense.

Joe Fisher is Associate Professor of Accounting at Indiana University. He was formerly on the faculty at the Amos Tuck School of Business of Dartmouth College, and was a visiting professor in the Graduate School of International Business of the International University of Japan.

Improving Profitability with Non-financial Performance Measures

— by Gary D. Zeune, CPA, Columbus, Ohio

The problem with financial statements is that they are lagging indicators of performance, not leading indicators, and they are results oriented, not process oriented. Non-financial performance measures measure the key success factors that drive the financial results. Think of business as a ball game. If you want to know who won the game, look at the scoreboard. But if you want to know how they won the game, you had to have watched. If you're the losing team and want to win the next time, you can't do that by watching the scoreboard. You have to learn how to hit, catch, field and pitch better — get better at the processes of playing the game.

The key to profitability is to measure the right information, which many times is not readily apparent. Finance and accounting professionals are very good at measuring what's evident, and exactly quantifiable, even if it's of little relevance. But, it's much better to be approximately right, than exactly wrong.

You must also challenge conventional wisdom. In 1988, Xerox began monthly surveys to find out what customers really wanted. Customers were to rate Xerox on a scale of 1 (very dissatisfied) to 5 (very satisfied). It's goal was to have all customers at the 4 or 5 level, by 1993. In 1991, after surveying 480,000 customers per year, Xerox analyzed the results. Conventional wisdom held that the relationship between customer satisfaction and revenue was one-to-one, that customers giving a 5 rating would buy 25 percent more Xerox equipment that a customer giving a 4 rating. However, Xerox found that very satisfied customers (5's), were six times more likely to buy more Xerox equipment that satisfied customers (4's). As a result, Xerox focused its efforts on creating apostles, customers so satisfied, they become your sales force, touting to others how satisfied they are.

What kind of non-financial performance measures might Xerox track. Let's assume that the copier repair unit's revenue declined 10% and costs were up 15% in the last quarter. No amount of analyzing the financial statements will reveal why. Only when the work orders are analyzed will the answer become apparent. For example, you might find that, on average, repair persons spent 15 more minutes on each call, making them late for the next call, resulting in a decrease in customer satisfaction, and customer retention declined as they sought out third party repair services. Digging deeper, you find that of 80% of the overruns on repair time were committed by 20% of the repair people, and 90% of them had been with the company less than 12 months, and had attended the training school which adopted a new training methodology 18 months ago.

On the other hand, Xerox wanted to avoid "terrorists", customers so unhappy that they complain to anyone who will listen. What's the answer. Fire your customers! Retain only those customers which generate high returns. But how do you identify them? Answer: Treat each customer as an investment center, and compute Return on Customer (ROC). Stop focusing just on sales revenue. Why? Because not all customers are equally profitable. You aren't in business to generate revenue, you're in business to generate profits. With ROC, you can reduce your revenue and make more money. How? Analyze each customer's total profitability. That means tracking the below the line cost of serving each customer. If yours is an average American company, you are likely to find that the top 20% of your customers provide 80% of your profits, the middle 60% provide 20% of your profits, and you lose your shirt on the bottom 20%. Your most unprofitable customers are very price sensitive, are willing to endure long waiting times, and demand a disproportionate amount of support services and staff time, which, in most companies, isn't tracked to specific customers.

But how do you fire your customers? Once you find out how much it's costing to support these customers, you won't hesitate to raise prices. Then one of two things will happen — they will pay the increased prices, making them profitable customers, or more likely, they refuse and become someone else's profit drain. Think about it. Giving your competitors your most unprofitable customers is one of your most potent competitive weapons.

Gary D. Zeune is a CPA based in Columbus, Ohio (614–885–0261) who specializes in strategic and financial consulting. This article was adapted from Mr. Zeune's training course on Non-financial Performance Measures.

than the main system bus (Note: a bus is an internal data path that connects different parts of the computer together). Fast general-purpose busses (e.g., "EISA" and "microchannel") have nearly been replaced by special purpose busses including the PCI bus (for monitors) and the SCSI bus (for disk drives, CD-ROMs, etc.). SCSI (short for "Small Computer Systems Interface," pronounced "scuzzy") busses are also becoming the most common way of connecting disks to RISC computers.

Finally, many newer computers have what's known as an "Energy Star" rating. These systems sense when they're idle and drop back into a "sleep" mode that consumes far less power, cutting energy costs significantly. Then, as soon as activity resumes, they revert to full speed immediately so no productivity is lost.

Disk Drives

For several years, disk prices have been dropping as fast or faster than any other computer component, but the demand for disk capacity has been rising just as fast. The net result is that you have to spend as much money on disk drives as ever. This isn't a coincidence. Software developers know that disk capacity is "cheap" so they feel free to use lots of it. This applies to both the programs and the data they create. A simple letter can easily gobble up five times as much disk space as it would have used five years ago. To keep up with this "capacity creep" you need bigger disk drives.

Size isn't the only way that disk drives improved . . . they're faster too. This is fortunate because, if it weren't for the faster speed, it would take much longer to find and read today's big files on today's big disks than used to be the case when everything was smaller. The most economical disks attach to computers using what's known as an "IDE" (integrated drive electronics) interface, the kind of interface that's now found on nearly all desktop PCs. IDE disks work well for individual users, but they're not nearly as fast as the newest "SCSI" disks (see above), the most advanced of which are called "fast and wide SCSI."

Because of the constant decline in disk prices, it may be best to buy less capacity initially than you'll ultimately need, then upgrade at a lower price later. As a practical matter, this means buying:

- 300-500 megabytes (MB) on a single non-networked PC.
- At least 200 MB on a networked PC where all or most of the applications programs will be stored on the PC.
- At least 25–50 MB of disk in the file server for each active PC user (with a minimum of one gigabyte) when a LAN is installed for the first time.

Whatever capacity you buy, make sure you can at least double it for user PCs, and triple or quadruple it for file servers.

(Ed. Note: Future issues of FMR will feature Mr. Hilliard's advice on more components and other devices, including printers, communications equipment, etc.)

1995 AICPA Conferences for Members in Industry

Remember to mark down the dates for the AICPA's four conferences designed specifically for CPA financial managers. One of these conferences should be the one which meets your professional needs and fits into your busy schedule.

The Spring and Fall National Industry Conferences
May 4–6 Stouffer Esmerelda Hotel, Palm Springs, California
October 26–28 Broadmoor Hotel, Colorado Springs, Colorado

The format for each National Industry Conference allows you to attend eight separate concurrent sessions and one forum over two and one-half days, allowing for a maximum of 21 CPE credits. Topics cover a wide variety of subject areas relevant to your job as an industry CPA and were chosen to meet the increasing demands of industry members for cost effective CPE. Concurrent Sessions are presented by experienced speakers who are selected for their proven records of expertise and success. The conference structure allows you to choose the topics that are most responsive and relevant to your interests and needs.

The AICPA Financial Management Symposia
June 15 The Waldorf=Astoria Hotel, New York, New York
June 22 The Nikko Hotel, San Francisco, California

Begun last year as part of AICPA's efforts to provide greater service to a vital segment of its membership, the Financial Management Symposia are designed to address the specific challenges facing senior financial executives of large companies. Speakers for the 1995 programs are among the most influential people in finance and accounting such as Jim Leisenring of the FASB and John Shank of the Amos Tuck School at Dartmouth.

Detailed program information will be provided in the conference brochures and in future issues of FMR. All AICPA members in industry will be mailed a brochure for the National Industry Conference 2 to 3 months in advance of the program. To be added to the mailing list for the Financial Management Symposia, you can call 212-596-6247 or write to Elaine Limandri, AICPA, 1211 Avenue of the Americas, New York, NY 10036-8775.

Technical Sections Are Provided for Members Offering Specific CPA Services

The AICPA's voluntary membership sections serve CPAs with special interests in the areas of tax, personal financial planning, management consulting services and information technology. Each of these sections offers its members a variety of benefits.

Taxation

Among the publications members of the Tax section receive automatically are the annual *Tax Practice Guides and Checklists* and other topical practice guides. In addition, members receive the monthly *Tax Adviser* magazine and a quarterly newsletter. To follow developments in specific areas of technical or tax practice interest, section members also receive agendas, minutes and major correspondence of technical, practice support, and policy and government committees.

In keeping with emerging technology, the tax section has utilized its aggregate buying power to negotiate discounts with most of the companies that produce tax research software on CD-ROM. Publications from other organizations, including the *Internal Revenue Code,* are available at a discount as well.

For more information, call William Stromsem at 202/434–9227.

Personal Financial Planning

Members of the Personal Financial Planning section benefit from a strong media relations campaign that strives to enhance continually the public's awareness of CPAs as financial planners. CPAs who are knowledgeable on a wide range of financial planning topics frequently are interviewed by national print and broadcast media.

Helping CPAs to sharpen their PFP skills, the section sponsors an annual technical conference to which section members receive a reduced registration fee. Section members are also entitled to the *PFP Manual,* a bimonthly newsletter, vendor discounts and numerous practice aids.

For more information, call Phyllis Bernstein at 201/938–3808.

Management Consulting Services

Members of the Management Consulting Services section are entitled to an exhaustive list of technical, small business, and industry consulting aids; practice administration aids; special reports; marketing brochures; and other publications. A quarterly newsletter keeps section members informed about emerging issues and services to help CPAs recognize opportunities that can develop into consulting services engagements. Also available is a data base referral service that puts members with specialized expertise in touch with each other to share information. Vendor discounts provide savings on publications, software and other products designed to make consulting work more effective and efficient.

For more information, call the MCS section at 201/938–3503.

Information Technology

For CPAs who want to capitalize on the "Information Superhighway," there is the Information Technology membership section. Practice aids and technology bulletins have been produced to explain such things as image processing and optical character recognition, memory management and computer disaster recovery. A quarterly newsletter provides information on a range of information technology subjects. *Technology Alerts* are issued as needed when a technology becomes "hot," such as fax-on-demand systems and the audit concerns of faxed material.

Section members' software research time and costs are reduced by using complimentary introductory copies of ICP's *InfoROM* software directory on CD-ROM. Subscriptions are available to members at discounted prices. Other vendor discounts provide significant savings on technology products and services.

For more information, call Nancy Cohen at 212/596–6010.

Application Information

To obtain information on and applications for the membership sections, write: AICPA Membership Administration, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311–3881; or call 201/938–3100. Membership begins Feb. 1 and expires July 31. Fees are as follows: Tax–$40, PFP–$75, MCS–$50, and IT–$50. Non-CPAs employed by CPA firms may enroll in technical sections as "section associates"; different fees apply.

Nominations Sought for Outstanding CPA in Government Award

At its Dec. meeting, the AICPA Board of Directors approved the creation of an Outstanding CPA in Government Award. The purpose of the award is to recognize the achievements of individual CPAs employed in government and to promote the CPA designation as the premier professional credential for accounting, auditing and finance professionals in government.

Nominations for the 1995 award currently are being sought by the Members in Government Committee. All members and members of state CPA societies are invited to nominate candidates. In choosing the award's winner, judges will consider the nominee's contributions to the increased efficiency and effectiveness of his or her government organization as well as the nominee's contributions to the growth and enhancement of the profession.

The award will be presented at the AICPA's 1995 12th Annual National Governmental Accounting and Auditing Update Conference. Nominations are due Apr. 1. For nomination instructions, call the AICPA's Fax Hotline by dialing 201/938–3787 from a fax machine, following the voice cues and selecting document no. 310. Questions should be directed to Mary Foelster at 202/434–9259.

CPE News

AICPA Guides to Preparing 1994 Tax Returns

(Order by Mar. 31 and save up to 25%—discounted prices listed)

1040 Planning and Review—Review returns systematically and plan for tax savings for clients, recommended CPE credit: 12 hours, format: text (No. 732014CLM), $105. **1994–1995 AICPA Guide to Preparing Form 1040**—The latest edition of the best-selling course that takes members step-by-step through the 1040 form, recommended CPE credit: 12 hours, format: 3 audiocassettes/workbook (No. 744239CLM), $105, additional workbook (No. 744240CLM), $59.50. **1994–1995 AICPA Guide to Preparing Form 1120**—Learn how the latest laws and regulations impact the preparation of Form 1120, recommended CPE credit: 17 hours, format: 2 audiocassettes/workbook (No. 744353CLM), $135, additional workbook (No. 744354CLM), $70. **1994–1995 AICPA Guide to Solving Advanced 1040 Problems—Parts I and II**—This 2-part course arms members with answers to the more difficult tax situations that may be encountered in preparing individual returns, recommended CPE credit: (each part) 8 hours, format: Part I: 2 audiocassettes/workbook (No. 754004CLM), $99, additional workbook (No. 754005CLM), $59.50; Part II: 2 audiocassettes/workbook (No. 754024CLM), $99, additional workbook (No. 754025CLM), $59.50; Parts I and II: 4 audiocassettes/2 workbooks (No. 754044CLM), $135, 2 additional workbooks (No. 754045CLM), $75.

These courses are available through the AICPA Order Department (see page 6) as well as through state CPA societies.

Conferences

Employee Benefit Plans Conference, Apr. 26–28, New Orleans, recommended CPE credit: 24 hours. **Tax Strategies for the High Income Individual,** Apr. 27–28, Las Vegas, recommended CPE credit: 16 hours. **Private Companies Practice Section Conference,** Apr. 29–May 3, Scottsdale, Ariz., recommended CPE credit: up to 38 hours. For more information on the tax conference, call the AICPA-CPE Division at 800/862–4272 (dept. #3, option #2); for the others, contact AICPA Meetings & Travel Services at 201/938–3232.

Group Study

Vacation Seminar Cluster Combines Top Instructors, Historic Setting

The second Leisure Learning CPE Cluster, featuring three top AICPA discussion leaders teaching a selection of popular seminars for members in industry, will be held Mar. 29–31 at the historic Mills House hotel in Charleston, S.C. The three-day event offers an opportunity to combine a vacation getaway with from one to three days of CPE. There is a choice of seminars each day; recommended CPE credit for the cluster ranges from 6–18 hours. Price: $149 for one day, $275 for two days and $375 for three days. Early hotel reservations are recommended. Author/instructor John Purtill will be teaching *Advanced Topics for Today's Controller: 1995 Edition, Personnel and Regulatory Issues for Today's Controller,* and *Budgeting—Practical Information, Techniques and Ideas.* South Carolina tax expert Bill Grooms will present *Tax Planning Opportunities During a Corporation's Lifecycle* and *Today's Corporate Tax Management Issues for CPAs in Industry,* and nationally recognized discussion leader Bill Haller will lead *Accounting Standards Update* and *Reporting and Disclosure Problems for Small Businesses.*

A similar cluster will be held on Apr. 10–12 at the Sheraton San Marcos resort in Phoenix. To be faxed program and registration information for both locations, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 704. To receive a brochure and be put on a mailing list for future Leisure Learning CPE Clusters, write: LaTanya Junior, LLCC, AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311–8775.

New Videocourse Available

In the **Profitable Business Succession Planning Videocourse,** a new 2-hour video, experts introduce the growing practice area of business succession planning engagements. Course highlights include gathering data, determining value, projecting estate taxes, setting goals, identifying successors, transfer tools, valuation discounts, interpersonal tools, communicating and implementing the plan, and marketing and managing the engagement. Recommended CPE credit: 8 hours group study and self study. Format: 1 VHS tape/manual (No. 180416CLM), $129, additional manual (No. 350728CLM), $30. Available through the AICPA Order Department (see page 6) and state CPA societies.

1994 Tax Forms Available on CD-ROM

The IRS has developed an expanded package of tax returns and information for the 1994 filing season on CD-ROM. In addition to the 1994 tax forms, the CD-ROM will include IRS Taxpayer Information Publications—3,000 pages of topic-oriented tax information. Users will be able to electronically search, view-on-screen, or print any of the items contained on the CD.

The CD-ROM will utilize the Adobe Acrobat Exchange-LE, Version 2.0, with cross-document links and the Verity search engine. The CD will be fully functional under MS-Windows 3.1, and will contain tax forms, instructions and publications in Adobe's Portable Document Format, a file format accessible by several operating systems.

The 1994 Federal Tax Forms CD-ROM (Stock No. 648-094-00004-3) will be released on a three-issue subscription basis with cumulative CDs released in Dec., Jan. and Feb. Price: $69. To order, write: Superintendent of Documents, Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250–7954; or call 202/512–1800; or fax 202/512–2250; or use the GPO's Federal Bulletin Board at 202/512–1387. The CD may also be ordered using the GPO order form included in IRS Publication 1045.

Disciplinary Actions

As a result of investigations of alleged violations of the Code of Professional Conduct of the AICPA and/or state CPA societies, the following ethics cases have been resolved by settlement agreements under the Joint Ethics Enforcement Program:

- On July 6, 1994, Bob M. Steinberg of Merrick, N.Y., settled charges of violating Rule 201B—Due Professional Care, Rule 202—Compliance with Standards and Rule 203—Accounting Principles in connection with his audit of the financial statements of an employee benefit pension plan. Without admitting or denying the charges, Mr. Steinberg agreed to complete 80 hours of specified CPE courses within two years and to be suspended from membership in the AICPA and the New York State Society of CPAs during the time that he completes the required CPE courses.
- On July 25, 1994, Louis Z. Warren of Livingston, N.J., settled charges of violating Rule 201B—Due Professional Care, Rule 202—Compliance with Standards and Rule 203—Accounting Principles in connection with his audit of the financial statements of an employee benefit pension plan. Without admitting or denying the charges, Mr. Warren agreed to a two-year suspension of his membership in the AICPA and the New Jersey Society of CPAs and to complete 80 hours of specified CPE courses during the suspension period.
- On Sept. 26, 1994, Walter F. Buce Jr. of Mesquite, Texas, settled charges of violating Rule 201A—Professional Competence and Rule 201B—Due Professional Care in connection with his conduct as chief financial officer of a publicly held entity. Without admitting or denying the charges, Mr. Buce agreed to be expelled from membership in the AICPA and the Texas Society of CPAs.
- On Sept. 26, 1994, Phillip R. McClendon of Durango, Colo., settled charges of violating Rule 201B—Due Professional Care, Rule 202—Compliance with Standards, Rule 203—Accounting Principles and Rule 501—Acts Discreditable in connection with his performance of a governmental audit. Without admitting or denying the charges, Mr. McClendon agreed to a two-year suspension of his membership in the AICPA and the Colorado Society of CPAs, to complete 80 hours of specified CPE courses during the suspension period and to submit a sample of his work product to the Professional Ethics Division for review.
- On Oct. 26, 1994, Frank O. Walker of Bay City, Texas, settled charges of violating Rule 202—Compliance with Standards and Rule 203—Accounting Principles in connection with his audit of a municipal utility district. Without admitting or denying the charges, Mr. Walker agreed to a two-year suspension of his membership in the AICPA and the Texas Society of CPAs, to complete 80 hours of specified CPE courses during the suspension period and to submit one work product to the Professional Ethics Division for review.
- On Nov. 10, 1994, John P. Graves of Pilot Point, Texas, settled charges of violating Rule 201B—Due Professional Care, Rule 202—Compliance with Standards and Rule 203—Accounting Principles in connection with his performance of a governmental audit. Without admitting or denying the charges, Mr. Graves agreed to a two-year suspension of his membership in the AICPA and the Texas Society of CPAs, to complete 72 hours of specified CPE courses during the suspension period and to submit a sample of his work product to the Professional Ethics Division for review.

Under the automatic disciplinary provisions of the Institute's bylaws, the following members have had their memberships:

—*Terminated* because of final convictions of crimes punishable by imprisonment for more than one year:

- Lance Harrison of Livingston, N.J., on Sept. 26 after pleading guilty to mail fraud and tax evasion.
- Robert V. Yeo Jr. of Birmingham, Mich., on Sept. 1 after pleading guilty to mail fraud and structuring transactions to evade reporting requirements.
- David M. Lamoreaux of Sandy, Utah, on Sept. 7 after pleading guilty to securities fraud.

—*Terminated* following revocation of their CPA certificates, licenses and/or permits by their state accountancy boards:

- Neal F. Van Vlymen of San Diego, Calif., on Oct. 5 for violating California's Business and Professions Code and Code of Regulations based upon his conviction for filing a false tax return and for grand theft of personal property.
- Robert J. Ray of Baton Rouge, La., on Sept. 7 based upon a consent order with the State Board of Louisiana.
- Lawrence W. Stoulig Jr. of Metairie, La., on Sept. 16 based upon a consent order with the State Board of Louisiana.

—*Suspended* following suspension of their CPA certificates, licenses and/or permits by their state accountancy boards:

- William H. Kelley of Tucson, Ariz., from June 14 to Aug. 8, 1994, for failing to submit proof of compliance with CPE requirements to the board.
- Julius A. Klausner of Scarsdale, N.Y., from June 24 to Sept. 24, 1994, for gross negligence in connection with the audit of a client, erroneously preparing a client's Federal Income Tax return and failing to make available a client's records upon request.

As a result of a decision by a hearing panel of the Joint Trial Board, Paul H. Tompkins of Webster, Texas, was suspended from membership in the AICPA from Jan. 27, 1994, to Jan. 27, 1996, for failing to exercise due professional care, failing to comply with auditing standards and for failing to comply with GAAP in connection with his audit of a municipal utility district. He is required to complete specified CPE courses within the suspension period and to submit to the Professional Ethics Division a list of audits performed from which one engagement will be selected for review.

Washington At A Glance

Final Rule Issued on Federal Research Awards

A new Cost Accounting Standards Board rule will require educational institutions awarded negotiated contracts or subcontracts in excess of $500,000 to comply with four new cost accounting standards. They are: 1) CAS No. 501, *Consistency in Estimating, Accumulating and Reporting Costs by Educational Institutions;* 2) CAS No. 502, *Consistency in Allocating Costs Incurred for the Same Purpose by Educational Institutions;* 3) CAS No. 505, *Accounting for Unallowable Costs—Educational Institutions;* and 4) CAS No. 506, *Cost Accounting Period—Educational Institutions.* These new standards prescribe essentially the same practices that are embodied in CAS Nos. 401, 402, 405 and 406. They are set forth in a new FAR Part 9905, *Cost Accounting Standards for Educational Institutions,* and are generally effective as of Jan. 9, 1995. The OMB has indicated it will amend OMB Circular A-21, *Cost Principles for Educational Institutions,* to incorporate the CAS requirements. For more information, see the *Federal Register,* Nov. 8, 1994.

Department of Education to Issue Lender Audit Guide

At press time, the U.S. Department of Education expected to issue an audit guide for all lenders participating in the Federal Family Education Loan programs (*The CPA Letter,* Feb./Mar. 1994 and Sept. 1993). The FFEL programs include the Federal Stafford Loan Program, the Federal Supplemental Loans for Students Program, the Federal PLUS Program, and the Federal Consolidated Loan Program. The guide *Compliance Audits (Attestation Engagements) of the Federal Family Education Loan Program at Participating Lenders* (ED Guide), requires an examination-level attestation engagement relative to lender management's assertions about compliance aspects related to information in the *Lender's Interest and Special Request and Reports* (ED Form 799). The first independent accountant's examination is required for the lender's first fiscal year that began after July 23, 1992. Lenders with fiscal years ending July through Dec. must submit a summary audit report to ED covering their FYs '93 and '94 examination(s), along with their ED Form 799 covering the period including June 30, 1995. Lenders with fiscal years ending Jan. through June must submit a summary audit report covering their FY '94 examination. The ED expects to mail copies of the guide to lenders.

Key Persons Needed

The AICPA needs CPAs who personally know members of Congress to participate in the Key Person Program, the foundation of the Institute's political and legislative initiatives. For information, write: John Sharbaugh, AICPA, 1455 Pennsylvania Avenue, NW, Washington, DC 20004; or call 202/434-9257.

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February/March 1995 Vol. 75 No. 2

The CPA Letter

A News Report to Members

Highlights of What's Inside

Highlights of Board of Directors' February Meeting

At its meeting on Feb. 2–3, the AICPA Board of Directors:

- Unanimously approved the recommendation of the Search Committee to recommend Barry C. Melancon for election by Council as the next president of the AICPA (see sidebar).
- Heard a report from the chair of the Finance Committee who reported that performance exceeded budget for the first five months of this fiscal year.
- Received reports from the chair of the CPE Board of Management on operations and from the chairs of the Auditing Standards Board on projects relating to fraud and the SEC Practice Section Task Force that is considering the Public Oversight Board's task force recommendations on independence.
- Adopted a resolution that urges the Accounting and Review Services Committee and the Private Companies Practice Executive Committee to move as swiftly as possible to develop a solution to the problems faced by CPAs in meeting the needs of small, privately held businesses for timely, useful and cost-effective financial information.
- Approved the presentation to be given at the regional meetings of members of Council (to take place later this month) on a national external image program developed by Hill, Holliday (a nationally recognized advertising and marketing communications agency) that would include print, radio and television ads, and an internal communications campaign for members and state CPA societies.
- Was briefed on the current system of regulation of the profession.
- Received a status report on the newly instituted staff telephone outreach program to AICPA members.

New AICPA President Chosen

Barry C. Melancon, 36, currently the executive director of the Society of Louisiana CPAs, has been named to succeed Philip B. Chenok as AICPA President. His five-year term begins July 1.

According to AICPA Chair of the Board Robert L. Israeloff, Melancon, a CPA, is known for his vision, vitality and dedication to serving all members of the profession. "...We all look forward to benefiting from his personal leadership qualities as the Institute tackles the dynamics of complex professional issues going into the 21st century," Israeloff said. Dom Tarantino, the AICPA's immediate past chair, said "The board was extremely enthusiastic about the candidacy of Barry Melancon.... Barry represents a new generation of leadership."

Prior to joining the state society, Melancon was a partner with the firm of Bergeron & Company in Houma, La., and an adjunct professor of accounting at Nicholls State University.

The Council's vote on Melancon was 230 "yes," 4 "no," 1 abstention and 27 did not return ballots. Chenok will have served as AICPA President for 15 years when he retires on June 30.

AICPA Supports Securities Litigation Bill House Committee Clears

The AICPA supports the bipartisan securities litigation reform bill that Republicans pushed out of the House Commerce Committee recently. The Institute vigorously lobbied for the bill, which would provide CPAs meaningful protection from being caught up in meritless shareholder suits as peripheral defendants, and has been fighting for such reforms for years. The bill (H.R. 10) is one part of the tort reform plank in the House Republicans' *Contract With America* and, as such, is guaranteed an early vote by the full House. Some Democrats on the committee crossed the party line to vote for H.R. 10 after the bill's author, Rep. Christopher Cox (R-Calif.), and the long-time House champion for securities litigation reform, Rep. Billy Tauzin (D-La.), negotiated a compromise on some of H.R. 10's most controversial provisions.

News Briefs

Communications Audit Survey Completed

A survey to elicit members' opinions on the amount of mail the AICPA sends them has been completed. The survey was sent to 6,700 members, of whom more than 2,700 responded — an outstanding response rate of 41%. Members were asked, among other things, to assess the amount of promotional and other mail they routinely receive on a myriad of topics, ranging from technical publications to insurance programs.

Preliminary findings of the survey indicate that members are nearly equally divided between "too much" and "just right" when it comes to the amount of marketing and promotional mailings they receive overall from the AICPA. By comparison, roughly two-thirds feel the amount of other AICPA mail (e.g., *The CPA Letter, Journal of Accountancy*) they receive is "just right." A task force appointed to evaluate promotional mailings to members will make specific recommendations for immediate implementation. The primary objective of the communications audit is to reduce the amount of promotional and other material sent to members as well as lower its cost.

AICPA Benevolent Fund Needs Donations

The AICPA Benevolent Fund is the Institute's second oldest membership program, and has provided assistance to needy members and their families for over 60 years. This humanitarian effort has saved lives and relieved suffering for those who have financial difficulties due to medical or emotional illness. Contributions are tax deductible. Send checks (made payable to AICPA Benevolent Fund) to: AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311–3881.

Invite CPA Exam Passers to Join AICPA

Members are always encouraged to invite individuals who pass the CPA Exam to join their colleagues in AICPA membership. Members could be particularly helpful in three states where privacy statutes prevent the Institute from obtaining the names of those who have passed the CPA Exam; those states are New York, Maryland and Hawaii. To obtain an application for membership or to become an "AICPA associate" (for those who have passed the exam but have not yet fulfilled their states' experience requirements), dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 100; or call 201/938–3100 or fax 201/938–3108.

GASB, IASC Appoint New Leaders

Tom L. Allen, the state auditor of Utah and a part-time member of the Governmental Accounting Standards Board, has been named chairman of the GASB. His five-year term begins July 1.

The International Accounting Standards Committee has announced the appointment of Sir Bryan Carsberg as its secretary-general. The appointment takes effect in May.

133 CPAs Pass PFS Exam, Next Test Sept. 22

The number of members holding the Personal Financial Specialist designation has climbed to more than 1,000 now that 133 CPAs passed the PFS exam given last Sept. Additionally, 42 members took the exam, in computer format, in Jan.; the next exam date is Sept. 22 at various sites nationwide.

For CPAs with either the certified financial planner or chartered financial consultant specialty designation, a waiver exempting the PFS exam requirement to become a PFS is available until Dec. 31, 1996 (50 members have already applied for such waivers). All other conditions for eligibility must still be met. For more information, contact the AICPA Order Department (see page 7) for a free copy of the *PFS Test Substitution Packet* (No. G00105CL).

1995 McCloy Award Goes to Philip L. Defliese

At the AICPA's annual SEC Conference in Washington, D.C., the Public Oversight Board of the SEC Practice Section presented its 1995 John J. McCloy Award to Philip L. Defliese, a retired chairman of Coopers & Lybrand and a former chairman of the AICPA Board of Directors. The award was made in recognition of his distinguished career and outstanding service to the accounting profession.

Fax Hotline Service Continually Updated

The AICPA continually updates its 24-hour Fax Hotline service with new documents. A list of all items available at any given time may obtained from the Fax Hotline, which is accessed by dialing 201/938-3787 from a fax machine, following the voice cues and selecting whichever document is desired.

Individuals who do not have fax machines, or who experience other problems obtaining material on the system, should contact their AICPA Staff Liaisons (*The CPA Letter*, Nov. 1994) for assistance.

Public Meeting Notices

For detailed agendas, call 800/862–4272 (dept. #6) three weeks prior to these meetings.
Accounting & Review Services Committee:
Mar. 31, New York
Accounting Standards Executive Committee:
Apr. 11–13, New York
Auditing Standards Board: Apr. 4–6, New York

Other Meetings
Council: May 22–24, West Palm Beach, Fla.
Peer Review Board: Apr. 27–28, Scottsdale, Ariz.

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Geoffrey L. Pickard *Vice–President—Communications*
Ellen J. Goldstein *Editor*

Accounting & Auditing News

Auditing Standards Board Issues SAS No. 74, Two Exposure Drafts

Statement on Auditing Standards No. 74, *Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance* (No. 060446CL), has been issued by the Auditing Standards Board. The statement supersedes SAS No. 68, *Compliance Auditing Applicable to Governmental Entities and Other Recipients of Federal Financial Assistance* (AICPA, *Professional Standards,* vol. 1, AU sec. 801). The new statement, which is effective for audits of financial statements and of compliance with laws and regulations for fiscal periods ending after Dec. 31, 1994, provides generic guidance to practitioners engaged to perform compliance audits of governmental entities and recipients of federal financial assistance. It reduces the level of detail included in the auditing standards because specific performance and reporting guidance is included in the audit and accounting guide *Audits of State and Local Governmental Units,* and in Statement of Position 92-9, *Audits of Not-for-Profit Organizations Receiving Federal Awards.* To obtain a copy of SAS No. 74, which will be published in the May issue of the *Journal of Accountancy,* contact the AICPA Order Department (see page 7). Price: $8 member, $9 non-member.

The Auditing Standards Board also has issued an exposure draft of proposed *Amendments to Statements on Auditing Standards and Statements on Standards for Attestation Engagements to Incorporate the* Internal Control—Integrated Framework *Report* (No. 800081CL). This proposed statement would amend SAS No. 55, *Consideration of the Internal Control Structure in a Financial Statement Audit;* SSAE No. 2, *Reporting on an Entity's Internal Control Structure over Financial Reporting;* SAS No. 60, *Communication of Internal Control Structure Related Matters Noted in an Audit;* and SAS No. 70, *Reports on the Processing of Transactions by Service Organizations.*

The proposed statement would revise the definition and description of the internal control structure contained in the statements on auditing standards and statements on standards for attestation engagements to incorporate the definition and description contained in *Internal Control—Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission, formed to address the National Commission on Fraudulent Financial Reporting report. The Auditing Standards Board believes the COSO Report is rapidly becoming a widely accepted framework for sound internal control among U.S. organizations and that its acceptance and use will continue to grow. Therefore, the amendments to incorporate the COSO Report will provide timely and useful guidance to auditors.

Also issued was an exposure draft of a proposed *Omnibus Statement on Auditing Standards and Statement on Standards for Attestation Engagements—1995* (No. 800082CL). The proposed statement will amend SAS No. 22, *Planning and Supervision;* SAS No. 59, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern;* SAS No. 62, *Special Reports;* and SSAE No. 1, *Attestation Standards.* The amendments will clarify the requirement to prepare a written audit program for every audit; preclude the auditor from using conditional language in a going-concern explanatory paragraph, such as "If the company is unable to obtain refinancing, there may be substantial doubt about the company's ability to continue as a going concern"; preclude an AICPA accounting or audit guide or auditing interpretation from allowing additional distribution of statutory financial statements under an other comprehensive basis of accounting; and provide working paper documentation requirements for attestation engagements.

Comments on both exposure drafts are due June 30. One copy of each exposure draft will be mailed to those on the standing order list to receive exposure drafts; for others, one copy of each is free with each additional copy costing $6 for members and $6.75 for non-members from the AICPA Order Department (see page 7).

Amendment Issued to Interpretation

An amendment to an interpretation of AU sec. 711 titled "Consenting to Be Named as an Expert in an Offering Document Other Than Those Registered Under the Securities Act of 1933" has been issued. The amendment, which appears in the Mar. *Journal of Accountancy,* will enable accountants to "consent" to be named as experts in offerings registered with the Office of Thrift Supervision.

APS on Auditing in Computer Environments Published

A new Auditing Procedure Study titled *Auditing in Common Computer Environments* (No. 021059CL) has been published. The APS describes various technologies and their possible effects on a financial statement audit. Price: $27.50 member, $30.25 non-member from the AICPA Order Department (see page 7).

Regulators Propose Reporting Changes for FDIC-Insured Institutions

The Federal Deposit Insurance Corporation has proposed additional guidance on annual audit requirements of the FDIC Improvement Act. In part, the FDIC is proposing technical changes to required compliance attestation procedures. The FDIC also is referring managements and accountants to the May 1994 addendum to COSO's Sept. 1992 *Internal Control—Integrated Framework* report for reporting guidance on internal controls involving safeguarding of assets. Although comments on its proposal are due Apr. 17, the FDIC says it will not object if a bank or savings institution chooses to follow the proposal when preparing year-end 1994 reports. For more information, see the *Federal Register,* Feb. 15. Some related issues were first addressed in FDIC Financial Institution Letter (FIL) 86-94. To get a copy of FIL 86-94, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 311.

AcSEC and FASB Issue Statements on Mutual Life Insurance Companies

The Accounting Standards Executive Committee has issued Statement of Position 95-1, *Accounting for Certain Insurance Activities of Mutual Life Insurance Enterprises* (No. 014889CL). This statement of position provides accounting guidance for certain "participating insurance contracts" of mutual life insurance enterprises.

The contracts covered by the SOP have the following characteristics:

- They are long-duration participating contracts that are expected to pay dividends to policyholders based on actual experience of the insurance enterprise.
- Annual policyholder dividends are paid in a manner that identifies divisible surplus and distributes that surplus in approximately the same proportion as the contracts are considered to have contributed to divisible surplus (commonly referred to in actuarial literature as the contribution principle).

Also, the Financial Accounting Standards Board has issued Statement No. 120, *Accounting and Reporting by Mutual Life Insurance Enterprises and by Insurance Enterprises for Certain Long-Duration Participating Contracts,* which extends the requirements of FASB Statement Nos. 60, 97 and 113 to mutual life insurance enterprises. Those FASB statements should be applied to the contracts not covered by SOP 95-1.

To obtain a copy of SOP 95-1, contact the AICPA Order Department (see page 7). Price: $8 member, $9 non-member. The conclusion section of SOP 95-1 will be published in the Apr. issue of the *Journal of Accountancy,* along with FASB Statement 120. For a copy of SFAS No. 120 (product code S120), call the FASB Order Department at 203/847–0700, ext. 555, or write: 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856–5116. Price: $11.

Both the SOP and the FASB statement are effective for financial statements issued for fiscal years beginning after Dec. 15, 1995.

Financial Accounting Standards Board Issues Interpretation on Offsetting

The FASB has issued Interpretation 41 which permits offsetting on the balance sheet of receivables and payables that represent repurchase and reverse repurchase agreements provided certain conditions are met. The interpretation is effective for financial statements issued for periods ending after Dec. 15, 1994.

The interpretation allows offsetting if receivables and payables that represent repurchase and reverse repurchase agreements are executed with the same counterparty, have the same explicit settlement date, are executed in accordance with a "master netting arrangement," involve securities that exist only as items in accounting records, and will be settled on a securities transfer system that meets characteristics described in the interpretation.

For a copy (product code I41), write: FASB Order Department at 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856–5116; or call 203/847–0700, ext. 555. Price: $10.

GASB Issues Bulletin on Derivatives, Three Proposals

The Governmental Accounting Standards Board has released a technical bulletin that clarifies disclosure requirements for state and local governments' derivatives transactions. The bulletin is effective for periods ending after Dec. 15, 1994.

Also released was a proposed interpretation that addresses "conduit debt." It would require that all conduit debt obligations be disclosed in the notes to the financial statements. If adopted as a final interpretation, it would become effective for periods beginning after Dec. 15, 1995. Comments are due Apr. 28.

The GASB also had issued two exposure drafts for which comments were due Feb. 28. One proposed standards for defining and reporting affiliated organizations (product code GE33). If adopted as a final statement, the exposure draft would be effective for periods beginning after Dec. 15, 1995. The other was a proposal that would specify the accounting for securities lending transactions undertaken by state and local governments (product code GE32). If adopted as a final statement, this proposal also would be effective for periods beginning after Dec. 15, 1995.

For a copy of either the technical bulletin (product code GTB94-1, price: $5.75) or the proposal on conduit debt (available free until Apr. 28), write: GASB Order Department, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856–5116; or call 203/847–0700, ext. 555. Copies of the other two exposure drafts cost $7.75 each.

Exposure Draft on Ethics Interpretations and Rulings Issued for Comment

The Professional Ethics Executive Committee has issued an exposure draft that would add to and revise interpretations and rulings included in the *AICPA Code of Professional Conduct.* The exposure draft, *Omnibus Proposal of Professional Ethics Division Interpretations and Rulings* (No. 800083CL), proposes an interpretation which would clarify the application of the Code to situations where members perform "advocacy" services for clients. It also proposes revisions to existing interpretations and a proposed ruling dealing with conflicts of interest and the effect on independence of relationships with entities included in the governmental financial statements. Comments are due May 31. One copy of the exposure draft will be mailed to those on the standing order list to receive exposure drafts; for others, one copy is free and each additional costs $6 member, $6.75 non-member through the AICPA Order Department (see page 7).

The Professional Ethics Division has a new telephone number. Call the division at 800/862–4272 (dept. #4) for inquiries regarding application of the *AICPA Code of Professional Conduct* concerning independence, objectivity, integrity and other behavioral matters.

THE FINANCIAL MANAGER'S REPORT

A Periodic Update for CPAs in Business & Industry ■ March 1995

Join Us In Palm Springs for the National Industry Conference!!!

Spring is just around the corner and so too is the **AICPA 1995 Spring National Industry Conference.** The conference is sponsored by the Industry CPE Liaison Subcommittee of the Members In Industry Executive Committee and will be held **May 4–6, 1995, at The Stouffer Esmeralda Resort in Palm Springs, California.**

The Spring '95 program will follow the same successful format as prior Fall and Spring National Industry Conferences. Within a two and one-half day period, you can earn up to **21 hours of CPE credit** by attending eight concurrent sessions and one forum. The conference sessions cover a variety of topics and were chosen to address the expanding business and educational needs of CPA financial managers.


Morton Kondracke

The featured speakers in Palm Springs will include **Dr. Charles Dwyer** of the Wharton School, who will open the program with his moving and enlightening session on **"Self Design." Muriel Siebert,** President of Muriel Siebert & Co., Inc., will share her views on Technology, Regulations and the Securities Industry. **Mort Kondracke of the McLaughlin Group** and *Roll Call* magazine will give us "A View From Washington." This spring's program also features the return of **Dr. John Shank** from Dartmouth College, who will present "Strategic Cost Management — A Value Chain Perspective." **Mike Harnish** of Lotus will conduct a very special session on Lotus Notes entitled "The ENTERPRISE of Tomorrow — To Boldly Go Where No Business Has Gone Before."

Concurrent session topics will include: **How To Avoid Becoming Roadkill on the Information Superhighway; Managing People; The Role of Strategic Performance Measures in Business Analysis; Helping Senior Management Get More Out of Their Financial Statements; How To Sucessfully Integrate Your Business and Finance Function; How to Get More Stress Into Your Life** and **How To Make Economic Value Added (EVA) Work,** just to name a few.


Muriel Siebert

We will continue to have our networking breakfasts, welcome reception on Wednesday evening and our fabulous Thursday evening cocktail reception. This year we will be saying **"HOORAY FOR HOLLYWOOD"** so don't forget to bring your camera and autograph book. **NEW!!!** This year is the **AICPA NATIONAL INDUSTRY CONFERENCE GOLF TOURNAMENT** which will be held Saturday, May 6, immediately following the close of the conference. Keep this in mind when you make your plane reservations and don't forget your clubs.

Another very special moment at this year's conference will be the presentation of the annual **AICPA OUTSTANDING CPA IN BUSINESS AND INDUSTRY AWARD.** The Members In Industry Executive Committee developed this award to properly recognize the achievements of the CPA employed in business and industry and to promote the CPA designation as the premier professional credential for financial managers. The award will be presented during Thursday's luncheon and we hope to see all of you there to help us honor this distinguished individual.

We think you will find this program to be very exciting, timely and informative and we look forward to seeing you in Palm Springs.

For a conference brochure, or further information, please call the AICPA Meetings and Travel Department at (201) 938–3232.

Don't Ignore Potential Savings/ Take Advantage of Postal Discounts

by Jack Davis, CCS Group, Inc.

Postal rate increases always cause business mailers to search for ways to cut back on their mailing costs. One strategy might be to stop mailing those letters, cards, bills and checks to reduce the cost, but as of yet, no one's invented a better or cheaper method to physically deliver paper documents across town or across the country than the U.S. Postal Service. In fact, the use of the mail has jumped substantially for two years in a row to a total of 177 billion pieces last year.

The new 32¢ stamp is both bad news and good news. The good news is that the incentive discounts for correctly prepared letter mail have gone up too.

The Postal Service is striving to convert mail to an electronic sorting process that speeds its delivery and reduces cost. Correctly addressing your mail for machine sorting drops their cost from a present $21 per thousand letters down to $3 per thousand. Only about half the mail

Continued on page 4

AICPA Promotes Subchapter "S" Improvement Proposal

Should Congress improve Subchapter S of the Internal Revenue Code to make S corporations more available and more useful for small business? A proposal supported by the AICPA calls for such a change.

BACKGROUND

Following enactment of the Tax Reform Act of 1986, many businesses opted to change their tax status from the traditional two-tier system of corporate taxation to the single-level tax permitted by subchapter S. Currently, over 1,600,000 corporations file as S corporations. This is more than 44% of all corporations that file tax returns.

Subchapter S is only available for certain corporations that can meet sharply defined requirements such as a maximum number of shareholders, a single class of stock, and certain types of shareholders. These strictures make subchapter S more complicated to use, foreclose certain types of financing vehicles, necessitate unnecessarily complex corporate structures to manage liability concerns, and create a number of "traps" which business owners can unwittingly fall into with serious tax consequences. These problems make subchapter S less useful for small businesses. Also, many CPAs have found the rules for subchapter S to be unnecessarily complicated.

Since 1992, the AICPA has worked with members of the American Bar Association's Section of Taxation (ABA), and the U.S. Chamber of Commerce (the Chamber) to develop a proposal to modernize subchapter S. The S Corporation Reform Act introduced last Congress in the Senate and House of Representatives incorporated many of the proposals developed by the AICPA, the ABA, and the Chamber. They included the following:

- Increase the allowable number of shareholders from 35 to 50;
- Aggregate members of one family so they can be counted as one shareholder;
- Permit tax-exempt organizations, such as pension funds (including ESOPs) and charities, to own shares of S corporation stock;
- Expand "safe harbor debt" to permit convertible debt, and permit venture capitalists and lending institutions to hold safe harbor debt;
- Expand the types of trusts that can own S corporation stock;
- Remove tax traps by permitting the Secretary of the Treasury to treat invalid elections as effective and by providing for automatic waivers of certain inadvertent terminations; and
- Change the S corporation laws so that S corporation shareholders are treated the same as owners of regular corporations with respect to fringe benefits. The legislation received broad, bipartisan support, but was not passed before the 103rd Congress adjourned.

RECENT ACTION

Subchapter S reform legislation is expected to be reintroduced early in the 104th Congress. S corporation reform proposals were not included in the House Republicans' *Contract with America,* but such provisions could be considered as part of a second tax bill later this year.

The AICPA strongly supported the S Corporation Reform Act in the last Congress and will continue its fight to modernize subchapter S. Last Congress, AICPA Key Persons[1] were called on to ask their representatives to cosponsor the bills and to explain what S corporations are, how they operate, and what the bills would achieve. Once the legislation is reintroduced in this Congress, we likely will ask Key Persons to help us reach Congressional members again. We anticipate that odds of passage in this Congress are good.

For more information on Subchapter S reform, write to Thom Fritz, Technical Manager, AICPA Tax Division, 1455 Pennsylvania Avenue, NW, Washington, DC 20004–1081. Please include a phone number where Thom can reach you.

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[1]*__The Key Person Program__ is utilized when it becomes important to make Congress aware of the profession's position on legislative issues. Federal key persons are CPAs with close personal and/or professional relationships with elected members of Congress. For more information on the Key Person Program, write to John Sharbaugh, AICPA Vice President, State Legislation and Legislative Relations, 1455 Pennsylvania Avenue, NW, Washington, DC 20004–1081.*

The Financial Manager's Report is a publication of the AICPA Members in Industry Executive Committee and is mailed four times per year to all AICPA members in industry as an insert to *The CPA Letter.* Opinions of the authors are their own and do not necessarily reflect policies of the Institute.

The Committee and Staff welcome your input on ways to make FMR *more responsive to your needs. Please address comments in writing to AICPA, Industry Member Programs, 1211 Avenue of the Americas, New York, NY 10036–8775.*

The Power of Non-Financial Information

by Nat Goodman

First class accountants should not relegate non-financial information to a second class status.

Companies are stating their objectives more in terms of long run competitive relationships for customers. Business Process Reengineering has concentrated on linking processes with real outputs in terms of the customer. Consequently, many companies have modified their traditional measurement emphasis on return on investment, return on sales, etc. as they recognize that view as being too short term. They understand that a reduced investment in areas such as training, morale- builders, innovative product development, quality, safety, health, software development, image advertising, preventive maintenance, distribution pipelines, customer service and system development programs can increase quarterly earnings but may not be in the long run competitive interest.

There is a trend toward longer term measurements and away from the 1970s–80s emphasis on the short term. American companies have studied the Japanese, who have always regarded market share as important as ROI; although many U.S. firms will criticize their focus as too long term and investor-market insensitive.

Traditional measurements stressed financial goals. Accordingly, the financial manager was designated the ultimate scorekeeper. Now with redefined goals, data covering customer service, employees and system development are receiving an increased focus. However, in many companies, these reports are coming from marketing and operations — not finance.

Unfortunately, the financial staff has been generally viewed as treating customers, employees and systems as secondary abstractions — not bottom line items. Finance concentrates on the income statement, balance sheet, and the statement of cash flows while marketing determines how customers behave and operations primarily focuses on costs. Traditionally, the CEO evaluates each function's agenda in a competitive arena. The strongest, most influential, or most vocal function frequently wins and their issues are promoted at the expense of the others. This behavior is not in tune with the nineties!

As non-financial data becomes increasingly meaningful, financial managers will lose influence unless they radically change the way things are done. The gains of the past two decades that liberated accountants from *green eyeshades* could be reversed.

Let's review a simple example, the process/cost of employee training. As part of the monthly financial package produced on the 7th workday, the financial manager releases human resource department costs. Financial reports reveal that expenses were a *whopping* 32% below budget. This positive information results in applause for HR. Three weeks later, HR produces a report stating that the level of training has significantly eroded. Readers become concerned! Revoke the applause at the beginning of the month and invert optimistic impressions during the past three weeks! To evaluate the data, executives have to recall the positive cost information and relate the diminished state of training. The bottom line is that data in a vacuum does not provide the reader all the relevant facts and more specifically the trade-offs.

If the financial manager would report the status of training relative to HR costs, the user would be much better informed. Furthermore, reengineering gurus would argue that HR expense tells about the functional organization and does not relate to the processes that should drive companies. Reporting costs and outputs of processes/subprocesses that HR performs or participates in namely: recruiting employees, developing employees, compensating employees and providing employee information is more appropriate. Consequently, the process of developing employees should be reported separately and related to the state of training.

Nowhere are trade-offs more consequential than those affecting the customer. All levels of management constantly attempt to optimize the delicate balance between service and cost. Accountants must enable managers to evaluate the results by providing the complete picture.

When financial managers incorporate non-financial key performance indicators into the professionally-prepared monthly financial package, these elements acquire added prestige, credibility, and significance. In the past this data may have been prepared by marketing or operations on an *ad hoc* basis without the benefit of finance's discipline, objectivity and analytical resources.

Typically, finance departments are not popular organizations among lower level employees due to their bureaucracy and their orientation. Employees view finance as primarily serving senior management due to their financial reporting responsibility. Lower and many middle level associates identify more strongly with customers, employee programs and systems than income statements, balance sheets and statements of cash flows. Today, we are reengineering our companies to empower and unify our workforce in cross-functional teams. Finance can achieve a higher level of acceptance in an enhanced atmosphere of teamwork through greater involvement with customers, employee programs, system development, etc.

In order to become a more effective business partner, financial executives must involve themselves more in non-financially strategically-linked factors; report and analyze relationships between financial and non-financial objectives; and finally, monitor the company's progress toward total goal achievement.

Nathaniel Goodman, CPA, *is a pioneer in business process reengineering, is president of an independent management consulting firm. He has 26 years of diversified operational and financial management experience which include comptroller for Sears Roebuck de Mexico and controller for Hartmarx Specialty Stores. He is a featured speaker at the Spring National Industry Conference.*

AICPA/THG Benchmark Study Reports Updated Conclusions

Finance costs are dropping quickly, as companies make a concerted effort to eliminate unnecessary activities, streamline their organizations and leverage technology.

According to updated results of the AICPA/Hackett Group Benchmark Study of Finance released in December, the overall cost of finance has declined 32% since 1988 when it was 2.2% of revenue. On average, it now costs a company 1.47% of its annual revenues to provide financial services. This includes processing of basic transactions such as payables, payroll and receivables, as well as management reporting, budgeting and activities like tax, treasury and financial analysis. The cost of these functions as a percentage of revenue ranges from 0.5% to 7.1% among companies participating in the study.

Since the study findings were last analyzed, one year ago, finance staffing has decreased 10%, mostly in the processing of transactions. The average fully loaded (labor, systems and overhead) cost per finance employee is $92,000, up from $88,000 — validating a shifting employee skill mix from transaction processing to the higher-value activities of control and risk management, and decision support.

Similarly, the percentage of labor devoted to lower value-adding activities dropped in 1994 from 86% to 84%. The fourth quartile in the database has more than seven times more employees involved in transaction processing than the first quartile, an increase over the prior year. While total numbers have dropped in each quartile, first quartile performers have made proportionally more progress than fourth-quartile companies.

With respect to best practices, the study indicates that there still is plenty of room for improvement. Only 14% of companies are able to close their books in fewer than four days. The average is 6.8 days, and an additional four days are required to produce the monthly reports. Only nine percent of companies do a hard close of their books on a quarterly basis. The companies in the study take almost four months to prepare their budgets, with the average being 106 days, a drop of six days since the data was examined a year ago.

The number of accounting systems per billion dollars of revenue has declined from 75 to 52 between the 1993 and 1994 studies of the data. Given the average age of these systems – 6.6 years – many companies in the study are due to update and replace numerous systems.

Spans of control are increasing for all business processes, and stand at 1:6 on average. This signals the trend towards flattening organizations. Turnover averages approximately 10% annually.

Close to 500 companies are now participating in the benchmark study. About two-thirds of participants are in the manufacturing sector, while one-third are service businesses. A wide range of industries and all sizes of companies are represented. Finance staff sizes range from fewer than 100 to nearly 14,000. 1994 averages are based on 65 companies with completed data submitted at the time of the study. 1995 averages are based on 144 companies with completed data. In 1988, 15 companies had submitted completed benchmarking data that was used to calculate averages.

The study collects data across 27 processes organized into three broad categories of transaction processing, control and risk management, and decision support. Stringent process definitions enable solid comparisons to be made between different sizes of companies, and across industries. Participants receive detailed reports comparing their performance to average and best-in-class in the database.

Companies with at least $50 million in annual revenues, and employing at least one AICPA member are invited to participate in the AICPA/Hackett Group Best Practices Benchmarking Study of Finance. **For additional information, contact John Morrow, AICPA Director of Management Accounting, on 201–938–3011.**

Take Advantage of Postal Discounts

Continued from page 1

being processed today lends itself to machine barcoding and sorting. To help fix that situation, all mail will be reclassified in 1996, meaning you can look for another change in the rules and the rates.

Any size business can benefit from a review of how their mail is being produced particularly from the standpoint of addressing. Most businesses consider deliverability more important than cost, so if you want to be sure your letters are delivered quickly, follow the new USPS addressing guidelines which make delivery addresses machine readable. The Postal Service reports that one-third of the mail they deliver contains errors in the address. Another 20% is printed too lightly or is handwritten, so that a machine can't be sure where to send it. Bad mail is diverted to hand sorting which slows down the delivery process and increases the cost.

Discounts are not just for large mailers. Computer matched addressing (Zip+4), clear unobstructed print, and proper envelope sizes are the secrets to speeding up delivery and minimizing postage costs. Many large companies and outsourcing services have been following these guidelines since automation discounts were introduced four years ago. If your business needs to cut its mailing costs it will take some effort to do it right, but you'll be surprised, maybe even shocked by the savings.

When doing bulk mailings of 200 pieces or more, be sure to send the list in digital form to someone who can do address correction, ink jetting, laser printing, and presorting. If you don't like the work, but still want the discounts, think about sharing the discounts with an automated mail presorting and processing service who can do it for you.

Computer people call it "Snail Mail," but even they have to depend on it to deliver hard copy documents to distant locations who are not connected to E-Mail systems or fax machines. Believe it or not, business mail is a growth industry. Call your local USPS Business Center for help and think about mail as one of your most important business communication tools . . . which is what it is.

***Jack Davis** is President of Cost Control Strategies Group Inc., in Leawood, Kansas. Call Jack at 913–491–1748 or write to CCS Group, Inc., 12208 Alhambra St., Leawood, KS 66209–2233.*

New & Noteworthy Self-Study for CPA Financial Managers

NEW: Investment Strategies for Risk: Derivatives, Options, Straddles and Other Hedges

This indispensable course clearly defines and explains new investment tools to help you knowledgeably analyze the advantages and pitfalls of each. Find out how to:

- Correctly use new financial instruments.
- Analyze the underlying risks.
- Estimate probable cash flow.
- Understand tax advantages and tax consequences.

Author: David B. Lippman, CPA, JD
Recommended CPE Credit: 8 hours
Course Format: Text (737052CLN) $119.00

CPE Now Offered Based on *Journal of Accountancy* Articles

CPE DIRECT, the AICPA subscription series that enables members to earn CPE credit for reading certain *Journal of Accountancy* articles and completing a study guide, is fast becoming a popular choice with the membership. Up to 24 hours a year may be earned at a cost of just $129.

The price includes four study guides, issued quarterly, which are based on designated articles in the three preceding monthly issues of the *Journal*. The articles will cover information on a broad range of subjects, including financial accounting, auditing, taxation, international business, consulting services and human resources. CPE DIRECT study guides will also contain other readings, checklists or practice aids to enhance members' insight. The study guides will be released in March, June, September and December.

To receive CPE credit, members need to read the designated articles, complete the study guide, answer the questions and return the answer sheet for grading. A passing grade affords the member an AICPA Certificate of Completion stating that the member has earned 6 recommended CPE credits in a specified field of study. Six credits in specified fields of study will be given each time a quarterly answer sheet is sent in, for a total of 24 credits. Since CPE requirements vary from state to state, please contact your State Board of Accountancy for information concerning your State requirements as to the number of CPE credit hours which you must earn and the acceptable fields of study.

Order now to receive the March 1995 study guide. CPE DIRECT (No. GO1051CLN) call the AICPA Order Department (give Operator Code CLN and AICPA membership number) or state CPA societies. Price: $129. Recommended CPE credits: 24 hours.

For more information on CPE DIRECT, call the AICPA's CPE Division 1-800-862-4272 (dept. #3).

NEW! The Computer-Ready CPA: Selected Readings

To keep you up to date on computer technology, this new course contains eight generous chapters crammed with all-new readings on:

- CPAs and computers — what's the competition using?
- Networking to save money.
- How to prevent computer disaster.
- The latest on computer telephony business.
- The best of what's new.
- Emerging CD-ROM services.
- Tips for choosing the best accounting software.

Recommended CPE Credit: 8 hours
Format: Text (730537CLN) $79.00

New! Environmental Alert Videocourse

This 2-hour video shows you the steps that you can take to minimize your company's risk of exposure to environmental liabilities. Highlights include:

- Major areas of environmental law and regulation.
- Areas of inquiry during financial audit or review.
- SEC environmental disclosure requirements.
- Elements of an environmental compliance program.
- Evaluating an environmental compliance program.

Moderator: John S. Guttmann, JD
Authors: John S. Guttmann, JD and Holly Cannon, JD
Recommended CPE Credit: 8 hours group study and self study
Format: 1 VHS Tape/Manual (180230CLN) $129.00
Additional Manual (350230CLN) $30.00

Produced in cooperation with the CPE Liaison Subcommittee of the Members in Industry Executive Committee.

Business Valuation Videocourse

Moderated by Shannon P. Pratt, an acknowledged authority in Business Valuation, this 2½-hour video is packed with valuable insights. Highlights include:

- Valuation approaches and methods
- Minority interest discounts
- Company analysis
- Comparative company data sources and criteria
- Professional standards
- Common questions. . . common errors

Recommended CPE Credit: 10 hours group study; 8 hours self study
Format: 1 VHS Tape/Manual (180010CLN) $194.00
Additional Manual (350115CLN) $50.00

To order: Call 1-800-862-4272 (dept. #1), fax to 1-800-362-5066, or write the AICPA Order Department, P.O. Box 2209, Jersey City, NJ 07303-2209. These courses are also available through your state society.

New Publication!! Mexico: A Business and Investment Guide

The first of a planned series of international business guides has recently been made available through the efforts of the AICPA Members in Industry Executive Committee.

NAFTA has put Mexico at the forefront of the international business scene. If your company is considering expanding into the Mexican market either through exporting or opening a facility south of the border, this new publication serves as an excellent general guide. Areas covered include:

- The emerging economy — the country and its people, political organization, education, an extensive discussion of the economic environment under NAFTA, copyrights, and much more.
- Communication and transportation — telecommunication, air, highway and rail transportation, press, etc.
- Foreign investment — regulations, real estate, required procedures.
- Forms of business organization — the standard corporate form, the limited liability company, branch of a foreign corporation, maquiladoras (in-bond industries), etc.
- Taxation — fiscal code, commercial and individual income tax.
- Employment — unions, employing Mexican management, labor regulations, mandatory profit sharing, and much more.

Look for information about future publications in this series (focusing on Canada, China and other countries) in future issues of FMR.

AICPA Order Department, **1–800–862–4272,** publication number **090301CJ.** Cost: **$10;** (nonmembers $11).

AICPA Seeks Industry Voices on Technical Issues

The AICPA, through its Industry Professional Issues Subcommittee (PIC) is establishing a pool of members in industry with a strong interest in and knowledge of professional and technical issues. The PIC, by establishing this resource, will be able to provide, to the Institute's technical committees, the names of volunteers for possible future service on AICPA task forces.

The length of assignments and time commitments will vary, depending on the assignment. AICPA policy generally permits reimbursement of travel expenses for task force members.

The PIC is particularly interested in members who work for companies that are **not** in the **$1 billion** (annual sales) club. According to Mike Bohan, PIC Chairman, "The perspective of the 'Fortune 500' company is well represented in the standard setting process. We are looking to get the views of companies large enough to employ a full-time professional accounting staff but small enough where their viewpoint has historically been underrepresented."

If you have the aptitude, the interest, and can make the commitment to work with the AICPA to have an impact on professional standards, fill in the form below and return to: Thomas J. Lemmon, CPA, Sr. Technical Manager, Industry Member Programs, American Institute of CPAs, 1211 Avenue of the Americas, New York, NY 10036–8775

To be added to the database described above and considered for appointment to an AICPA technical task force, please complete all applicable portions of this form. Be specific and reply in as much detail as **space permits. Feel free to attach a maximum of two additional pages if necessary.**

(PLEASE PRINT)

BIOGRAPHICAL INFORMATION

NAME: ____

First Middle Last Member Number

FIRM OR ORGANIZATION: ____

BUSINESS ADDRESS: ____

If no business address please give home address) ____

____

City State Zip Code

DAYTIME PHONE NUMBER ( ) ____________ EX: ______ Fax Number ( ) ____________

Company Size (annual sales) ☐ **>$1 billion** ☐ **$500 million to $1 billion** ☐ **$50 million to $100 million** ☐ **<$50 million**

Primary Industry of Your Company ____

Your title ____

I have responsibility for the preparation of external financial reports for review by ☐ CFO ☐ Controller ☐ CEO ☐ Other (Explain) ____________

State CPA Society membership and service (name, state and list officer and committee position, if any): ____________

____

Other Relevant Committee Experience (e.g., IMA, FEI, trade association): ____________

COMMENTS: Any Additional relevant experience, pertinent background and qualifications for service on a technical task force or committee.

____

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____

____

Date: ____________________ Submitted by: ____________________

AICPA
American Institute of Certified Public Accountants

FYI

Accounting Educators:

Volume VI, Number 4 — March 1995

Model Language for 150-Hour Requirement Encourages Curriculum Innovation

by Rick Elam

In this issue...

Accounting faculty have a responsibility to work with their state board of accountancy as that board sets the rules and regulations that will give detail to the 150-semester-hour requirement for new CPAs. The AICPA and the National Association of State Boards of Accountancy (NASBA) have created model language for state statutes, regulations, and rules that will ensure future CPAs have the appropriate minimum education while allowing accounting programs the maximum flexibility to implement innovative curricula.

The AICPA and NASBA recently published the *Uniform Accountancy Act Rules* which clarify differences in the three levels of accreditation (educational institution, business school, and accounting program or department) and explain the extent to which state boards can rely on each accreditation level. The rules include some subtle but important new elements including, limiting candidates to a maximum of six hours for internships or life experience and the elimination of specified dates for the CPA Examination. Removing specified dates for the Examination opens the possibility of on-demand computerized testing some day in the future. These rules are endorsed by the Accounting Education Change Commission, the Administrators of Accounting Programs Group and the Federation of Schools of Accountancy.

Faculty involvement with state boards is especially important now, since this year more than a half-dozen states are introducing or reintroducing bills for the 150-semester-hour requirement to become a CPA. Other states will include the 150-hour

continued on page 4 ▶

From the Editor's Desk...

The spring is full of opportunities to participate in programs for accounting educators. Seven workshops are being offered by the AICPA in conjunction with the AAA Regional Meetings from March through May. These workshops offer innovative teaching techniques like cooperative learning and student assessment in addition to technical knowledge in the area of fraud detection and prevention.

Deadlines for the AICPA's Doctoral Fellowship Programs, Carey Scholarships and Lifetime Achievement in Accounting Education Award all fall within the next three months. The AICPA has also offered to develop customized videos for schools seeking to promote their accounting programs. The FSA is publishing new pedagogical resource catalogs, and KPMG Peat Marwick is promoting various diversity initiatives. Please take advantage of these available resources as you plan your spring calendar.

Elizabeth Scifo Koch
Editor

News and Notes

The **Federation of Schools of Accountancy** (FSA) has begun to publish a series of **resource catalogs** for accounting faculty interested in enhancing classroom pedagogy. Each resource catalog focuses and provides information on a particular pedagogical issue or approach. The catalogs are the outcome of the FSA Pedagogical Resources Committee and are authored by accounting educators with experience and expertise in the particular pedagogy.

The first two publications in the series are ***A Catalog of Resource Materials for Teaching Accounting Students Critical Thinking*** and ***A Catalog of Resource Materials for Teaching Accounting Students Cooperative Learning.*** These catalogs have been distributed to administrators of FSA member schools. The two-volume set of these catalogs is also available to nonmembers of the FSA at a cost of $10. Interested faculty should contact the FSA administrator by phone at (314) 872–0211, by fax at (314) 872–8495, or by mail at the FSA, 600 Emerson Road, Suite 300, St. Louis, MO 63141–6762.

In response to numerous requests from schools for **further assistance regarding the 150-hour requirement,** the AICPA will be mailing a brief **survey** in the coming months. The survey's objective is to specifically determine what more can be done to assist schools with implementation of programs to meet the 150-hour requirement. Your responses are important since they will determine the type of support the AICPA is to provide.

KPMG Peat Marwick Foundation has taken a comprehensive approach to **diversity** with the launching of four major diversity initiatives: an **African-American Accounting Doctoral Students Association (AADSA)** to provide a support network for the 41 African-American accounting doctoral students in the U.S., including the creation of a directory of African-American accounting faculty and doctoral students to be distributed nationally; a **minority accounting doctoral scholarship program** with a $2 million commitment, to include African, Hispanic and Native Americans; an **HBCU accreditation program** to offer grants to encourage historically black colleges and universities (HBCUs) to seek accreditation, since only 5 out of 116 HBCUs have business accreditation; and the **PhD Project** which strives to attract a new generation of minority business school students by persuading those in today's business world to leave their corporate jobs and pursue teaching careers, where they can become mentors and role models for minorities in the future. KPMG partnered with Citibank, Texaco, Chrysler Corporation Fund, Graduate Management Admission Council and the American Assembly of Collegiate Schools of Business to launch the PhD project.

In December 1994, over 265 minorities attended a KPMG conference to learn more about careers in higher education. Attendees had the opportunity to meet with representatives of the nation's top business schools. KPMG is optimistic that at least 100 minorities will start doctoral programs this fall.

For more information please contact Bernard J. Milano, Partner in Charge of Recruiting and Personnel Administration, KPMG Peat Marwick, LLP, 3 Chestnut Ridge Road, Montvale, NJ 06745; phone (201) 307–7662; fax (201) 307–7093.

1995 AICPA Doctoral Fellowship applications are due April 1, 1995. A letter, inviting applications, was sent to all administrators of accounting programs and directors of accounting doctoral programs in January. Fellowship awards of $5,000 per year, for a maximum of three years, are granted to practicing CPAs with at least five years' experience, to complete full-time study in a PhD program in accounting and become accounting educators. Applicants must be U.S. citizens, fluent in English and either in the process of applying to, or accepted by, a doctoral program in accounting at a college or university whose business administration programs are accredited by the AACSB (American Assembly of Collegiate Schools of Business). Applications for **1995 John L. Carey Scholarships** are also due April 1, 1995. Awards of $4,000, renewable for one year, are awarded to liberal arts undergraduates of the University of Georgia, the University of Illinois at Urbana-Champaign and Yale University toward graduate accounting study at any institution. For further information on requirements and application procedures for either program contact the AICPA at (212) 596–6221.

Applications for 1995 AICPA Fellowships for Minority Doctoral Students are due April 1, 1995. This program is designed to make it possible for more minorities to enter or move ahead in the accounting professorate. Competitive awards of $12,000 per year are provided to accounting scholars who show significant potential to become accounting educators and are renewable for up to an additional four years. The fellowships are available to minority candidates who have applied to and/or been accepted into a doctorate program. Fellowships were awarded to eight Ph.D. candidates for the 1994–95 academic year. Four candidates were fellowship recipients from the previous year. To date, the program has assisted 20 candidates obtain their doctorate. For more information, contact the AICPA at (212) 596–6223.

Nominations for the **1995 AICPA Lifetime Achievement in Accounting Education Award** are due by May 15, 1995. The award recognizes full-time accounting educators distinguished for excellence in classroom teaching and for active involvement in the accounting profession. Nominees must have a teaching career of at least 20 years. Any AICPA member can make a nomination, but self-nominations will not be accepted. For more information and to obtain a copy of the nomination form and procedure, dial (201) 938–3787 from a fax machine, follow the voice cues and select document number 249.

AICPA Academic and Career Development Division Announces

1995 CPE Workshops for Accounting Educators

INTEGRATING FRAUD DETECTION AND PREVENTION SKILLS INTO THE ACCOUNTING CURRICULUM

in cooperation with the **Southeast, Southwest, and Western Regions of the American Accounting Association**

☐ **March 1 in Houston, Texas**
☐ **April 6 (1:00 p.m. to 5:00 p.m. and April 7 (8:30 a.m. to 12:00 p.m.) in Fort Lauderdale, Florida**
☐ **May 11 in Palm Desert, California**

This brand-new workshop covers the timely topic of fraud detection and prevention. The recent proliferation of fraudulent acts makes this topic a crucial issue for CPAs.

Integrating fraud detection and prevention skills into the accounting curriculum is a task all educators must face. This workshop will define the different types of fraud, specify the types of environments susceptible to the occurrence of fraud, provide techniques to prevent and detect fraud, review an auditor's responsibility for fraud, and illustrate ways to integrate these topics into the curriculum.

The session will be co-presented by Professor Kevin D. Stocks, PhD, and Associate Professor James D. Stice, PhD, both from Brigham Young University.

COOPERATIVE LEARNING

in cooperation with the **Mid-Atlantic and Northeast Regions of the American Accounting Association**

☐ **March 23 in Huntington, West Virginia**
☐ **April 20 in Hartford, Connecticut**

Upon your request, this workshop is being presented as a full-day session instead of a half-day session. This highly interactive workshop will cover class management techniques and team-building skills that enhance learning in the accounting classroom. Participants will learn how to implement specific and practical cooperative learning structures at the basic and advanced levels through actual practice.

Presented by Phillip G. Cottell, Jr., DBA, and Professor of Accountancy at Miami University, Oxford, Ohio. Dr. Cottell is a recognized leader in group learning processes.

All Programs: 8:30 am – 5:00 pm
except as indicated
Recommended CPE: 8 hours

DESIGNING STUDENT-CENTERED PERFORMANCE ASSESSMENT

in cooperation with the **Midwest and Ohio Regions of the American Accounting Association**

☐ **April 6 in Dearborn, Michigan**
☐ **May 4 in Toledo, Ohio**

Accounting educators who want to develop or refine assessment processes within their courses or as broader comprehensive student learning experiences will benefit tremendously from this innovative program. Topics include: assessing in the accounting major, in-class and outside-class assessment, faculty-designed criteria, self-assessment for students, teaching/assessing to develop student outcomes and using results for improvement.

Participants are encouraged to bring classroom materials (i.e., syllabi, assessments, simulations, cases) to stimulate group discussion.

This hands-on workshop is presented by William McEachern, an Associate Professor of Alverno College. He is the current Chair of the Division of Business and Management.

Registration and General Information

Please check workshop(s) you plan to attend in the boxes (☐) provided above.

Registration: $90/AICPA Members
$120/Nonmembers

Check one:

☐ Please bill my credit card: ☐ MasterCard ☐ Visa $________ Amount
Fax **only** credit card registrations to: 201–938–3169
Complete the following information:
Card #________________
Exp. Date________________
Signature________________

☐ My check for $__________ is enclosed. (Full payment must accompany registration.)

Mail to: AICPA Meetings Registration, P.O. Box 2210, Jersey City, NJ 07303–2210

Registrant's Last Name *First* *MI* *Nickname*

College or University Name or Affiliation

Street Address *Suite*

P.O. Box

City *State* *Zip Code*

Total Amount Enclosed *Area Code & Business Telephone*

AICPA Membership Number — (Required for Discounted Registration)

☐ Please provide information pertaining to services for the physically disabled.
What is the nature of your disability? ☐ Audio ☐ Visual ☐ Mobile

Fee includes the workshop session, materials, lunch (except for Integrating Fraud Detection, April 6 & 7), and two refreshment breaks. Hotel accommodations and other meals are not included. Full payment must accompany your registration. A confirmation letter will be sent to you upon receipt of your registration form and payment. If you pay by credit card, and approval is declined, we reserve the right to cancel registration if alternate payment is not supplied. *These workshops are expected to fill quickly, so register early.* The AICPA is not responsible for checks or letters lost or delayed in the mail.

HOTEL INFORMATION: Please reserve your hotel accommodations directly. You will be informed of the specific location for your meeting upon registration.

CANCELLATION POLICY: Full refunds will be issued on written cancellation requests received by three weeks before the specific workshop for which you are registered. Written cancellations received up to one week before the workshop will be issued a refund less a $25 administrative charge. No refunds will be issued on cancellation requests received within the seven days immediately preceding the workshop for which you are registered.

AIRLINE DISCOUNT: Consult the AAA at (813) 921–7747 for regional airline discounts.

For further information, call the AICPA at (201) 938–3232.

Bates #__________
(AICPA use only)

AICPA Offers Customized Promotional Video to Schools

by John Daidone

The AICPA is offering to create customized videos for colleges and universities to promote their accounting programs. This new promotional product would integrate the AICPA's award-winning recruiting tape, *Accounting. The One Degree With 360° of Possibilities*, with a video produced by the school.

The joint presentation leads with the AICPA video, which describes the diverse career opportunities available in accounting in a fast-paced, "MTV" style. Once a student's interest has been piqued, the tape segues into the school's promotional video describing the benefits of enrolling in its accounting program. The tape concludes with a credit providing students with contact information for the accounting program.

The cost of the customized video is $500. Schools interested in this offer are encouraged to produce a video no more than 3 minutes in length (the AICPA recruiting video is just under 12 minutes) and submit it by September 1 to John Daidone, Manager of Recruiting Programs, AICPA, 1211 Avenue of the Americas, New York, NY 10036–8775. The tape format should either be M-II, Betacam or 3/4" (1/2" tapes are not acceptable). Schools should also submit the credit information for the trailer (see below for requirements and sample).

Schools will receive a 3/4" master of the customized video within a month from the date that the AICPA receives the promotional video and credit information. □

Credit information for the customized video should contain the name of the school and accounting department, address and phone number. Schools may also opt to include the name of a contact and FAX number. The credit should be no more than eight lines, with a maximum of 31 characters per line (including spaces). Following is a sample:

For further information on accounting education, contact:
Chrislynn Freed, Director
Master's Programs
University of Southern California
School of Accounting MC 1421
Los Angeles, CA 90089–1421
Tel: 213–740–4867
FAX: 213–747–2815

AICPA Recruiting Video Earns More Accolades

Accounting. The One Degree With 360° of Possibilities has received two more honors from the American Society of Association Executives' (ASAE) and the New York Festivals' video competitions.

The ASAE awarded the video a certificate of achievement in the 1994 Gold Circle Awards. The video finished second in the films/videos category for associations with a total budget of $2 million or more in 1993. The ASAE competition recognizes the most creative and professional publications and public relations projects by associations as chosen by a panel of peer judges.

The New York Festivals awarded the video a gold medal in the career guidance category at its annual international non-broadcast awards competition. The New York Festivals was founded in 1957 as an international awards competition designed primarily to reward outstanding achievements in non-broadcast media.

Previously, the video earned awards from the American Corporate Video Awards and Telly Awards competitions and was a finalist in the International Television Association's Video Festival. □

▶ Model Language. . .
continued from page 1

requirement when they rewrite their entire accountancy statute to conform to the *Uniform Accountancy Act*, published in December 1994 by the AICPA and NASBA. Many of the thirty-two jurisdictions with the 150-hour requirement already on the books are in the process of writing the supporting rules and regulations. □

To obtain a complete description of the model act and revised rules described in this article, dial (201) 938–3787 from a fax machine and request document 153.

Published five times each academic year by the AICPA Academic and Career Development Division, 1211 Avenue of the Americas, New York, NY 10036–8775, telephone (212) 596–6219. In addition, we welcome submissions for consideration for publication. Please send all submissions and inquiries to the editor at the address above. Opinions expressed in the publication do not necessarily reflect policy of the American Institute of Certified Public Accountants.
Elizabeth Scifo Koch, *editor*

Member to Member... Chair's Corner

By Robert L. Israeloff
Chair, AICPA Board of Directors

Much has been written and said about the AICPA's supposed lack of effort and focus on small-firm issues. Over and over, the leadership of the Institute has been criticized for favoring large firms at the expense of small firms.

However, any observer of the Feb. meeting of the AICPA Board of Directors would have concluded that smaller practice units do get their "due." The agenda dealt primarily with issues high on the list of local-firm advocates.

Of course, since tort reform remains one of the main objectives of the AICPA and state societies, the board spent some time being briefed on the latest efforts in the new Congress to achieve tort reform.

The board then turned its attention to the highest-ranking problems on any survey of small firms: work load compression, standards overload, CPA image enhancement and AICPA staff responsiveness.

I am pleased to report that the board received an upbeat review of the Institute's efforts to obtain fiscal-year election for pass-through entities in the tax law. At our Key Person Conference in Washington, D.C., in late Jan., attendees made the case for fiscal years to members of Congress. The reception was extremely positive, and we will have a bill introduced in this session of Congress. When the time comes, every member of the AICPA will be called upon to lobby for our bill.

As for the standards overload problem, the board passed a resolution that it "recognizes that the cost and complexity of financial reporting for small, privately held businesses is a serious problem for those businesses and the CPAs who serve them. The board urges the Accounting and Review Services Committee and the Private Companies Practice Executive Committee to move as swiftly as possible to develop a solution. The board believes that a meaningful resolution of the problems faced by CPAs in meeting the needs of their small, privately held clients for timely, useful and cost-effective financial information will greatly assist members in serving their clients and the public interest."

The board also considered a plan for a long-term, far-reaching, innovative, not inexpensive program to raise the image of the CPA—one for which you have been asking. It gave approval to present the program to Council. More about this in future columns.

And finally, the board received an update on our Member Outreach Program. More than 30,000 telephone calls have been made to members to establish a staff communications link. The member and staff response has been overwhelmingly positive, with members stating that they appreciate the fact that their Institute cares for them.

So—there you have it—a board agenda devoted to local-firm concerns. I hope this report convinces some of you that the Institute serves *all* of us.

To contact Bob Israeloff, call 516/872–3300 or fax 516/872–3128.

Succession Is Major Concern of American Businesses, Says MCS Survey

The question of who will take over the helm as the corporate and entrepreneurial leaders of the 1970s and 1980s reach retirement age will be a major concern at every level of American business in 1995, according to a survey of CPAs conducted by the Management Consulting Services Division.

Over 58% of respondents to the survey, which was sent to more than 4,200 consultants nationwide and had a response rate of 25%, ranked inadequate succession planning as the biggest threat facing businesses with sales of under $3 million over the next 12 months. Another major challenge for these companies will be the lack of managerial skills in key positions, a condition cited by almost 46% of the small-business consultants.

The chief problem for larger companies, more than 38% of respondents said, will be environmental regulations. The survey results suggested that larger companies are more likely to be threatened by outside, macroeconomic forces—such as market changes, cited by 30.6% of the consultants; an economic slowdown, mentioned by over 25%; and foreign competition, expressed by 24%.

The survey also sought to identify trends in small-business consulting, which respondents predict will have a boom year in 1995, with 75% of the consultants polled expecting revenues to grow. Practice areas with the greatest potential growth in the next five years, respondents expect, will be business valuation and computer consulting, and the industries representing the greatest opportunities will include health care, environmental services and professional service firms.

To obtain a copy of the survey's results, call the MCS Division at 201/938–3503.

CPA Financial Planners See Inadequate Savings, Poor Planning for Retirement

Fear of not being able to retire comfortably due to poor savings habits, including a "live-for-today" attitude, is the main concern among people who use CPAs for their financial planning needs, according to a poll of CPA financial planners at the AICPA's eighth annual Personal Financial Planning Conference. Fully 41% of respondents said the inability to reach retirement goals was their clients' biggest personal financial concern for the rest of the decade. Furthermore, more than 31% of CPAs answering the survey said their clients were most concerned about income taxes taking a larger share of their income.

Lack of knowledge and insufficient income, along with poor investment strategies, also were acknowledged as primary reasons people avoid or delay planning and saving for retirement. CPA financial planners also noted improper planning and clients being unsure of what their needs are as the most common problems in terms of estate planning and life insurance, respectively.

Minority CPAs Still Small in Number: AICPA Report

A recently published AICPA report reveals that minorities account for only 5% of all CPAs in public accounting. Asian/Pacific Islanders accounted for more than half (54%) of all minority CPAs in public accounting, followed by Hispanics with 25%, Blacks 12%, Native Americans 3%, and other minorities 6%. Data from the *Report on Minority Accounting Graduates, Enrollment and Public Accounting Professionals—1994* (No. G00104CL) also indicates that minorities accounted for only 8% of all new accounting graduates employed by public accounting firms in 1993. The report provides detailed information from a survey of colleges, universities and public accounting firms.

The report shows that minorities accounted for about 23% of all accounting students enrolled in bachelor's and master's degree programs. It also shows that minority students represented approximately 18% of all accounting graduates with bachelor's and master's degrees for the 1992–93 academic year. Overall, business/industry was the largest placement area for minority accounting graduates with bachelor's and master's degrees. Nearly two-thirds (62%) of White students with master's degrees went into public accounting, as compared with only 23% of Asian/Pacific Islanders, 25% of Blacks, 39% of Hispanics, and 15% of other minorities with master's degrees.

In previous years, information on the supply of new minority accounting graduates and the demand for new minority accounting graduates employed by public accounting firms/practices was presented in the AICPA *Minority Recruitment and Equal Opportunity Committee Report* (known as the Red Report).

A copy of the *Report on Minority Accounting Graduates, Enrollment and Public Accounting Professionals—1994* is available without charge through the AICPA Order Department (see page 7).

CPE News

Self Study and Video

The new, comprehensive **LIFO Inventory: Tax and Accounting Issues** course doubles as an implementation manual. It is full of practical examples, case studies, financial statement disclosures, and a walk-through of IRS Form 970 to adopt LIFO. Find out how to apply different LIFO methods and select LIFO pools, decide which inflation index is right for the situation, satisfy both IRS regulations and financial reporting needs, change LIFO methods or terminate LIFO, and use LIFO in specific industries, including extended coverage of automobile dealers. Author: John S. Purtill Jr. Recommended CPE credit: 8 hours. Format: Text (No. 735150CLN), $119.

1994 SAS/SSARS Update Videocourse

In this 2-hour video presentation, experts provide guidance on new pronouncements of the Auditing Standards Board and the Accounting and Review Services Committee that affect the way members conduct an audit, review or compilation. Highlights include the auditor's responsibility to detect fraud; Statement on Standards for Attestation Engagements No. 2, *Reporting on an Entity's Internal Control Structure;* Statement on Standards for Attestation Engagements No. 3, *Compliance Attestation;* and agreed-upon procedure engagements. Recommended CPE credit: 8 hours group study and self study. Moderator: Dan Guy. Format: 1 VHS tape/manual (No. 182227CLN), $129; additional manual (No. 352227CLN), $30.

The courses are available from the AICPA Order Department as well as from state CPA societies.

Conferences

Employee Benefit Plans Conference*, Apr. 26–28, New Orleans, recommended CPE credit: 24 hours. **Tax Strategies for the High Income Individual,** Apr. 27–28, Las Vegas, recommended CPE credit: 16 hours. **Private Companies Practice Section Conference*,** Apr. 29–May 3, Scottsdale, Ariz., recommended CPE credit: up to 38 hours. **Marketing and Managing a Tax Practice Conference,** May 4–6, San Diego, Calif., recommended CPE credit: 16 hours. **Spring National Industry Conference,** May 4–6, Palm Springs, Calif., recommended CPE credit: 21 hours. **Strategies for Achieving Work/Life Balance in the Accounting Work Place*,** May 11, Chicago, recommended CPE credit: 7 hours. **The CPA and the Older Client,** May 11–12, Tempe, Ariz., recommended CPE credit: 16 hours. **National Banking School Level I,** May 14–19, University of Virginia, Charlottesville, recommended CPE credit: 40 hours. For more information, call the AICPA-CPE Division at 800/862–4272 (dept. #3). For conferences indicated by "*," contact AICPA Meetings & Travel Services at 201/938–3232.

Group Study

A revised **Governmental/Nonprofit Accounting and Auditing Certificate of Educational Achievement Program,** including a track for nonprofit auditors, is now offered. The successful Governmental Accounting and Auditing CEA Program has been redesigned so that its benefits, enjoyed by almost 3,000 practitioners and governmental employees since its introduction in 1988, are now available to those in the **nonprofit audit** area. CPAs may select the "track" that best meets their needs and earn a CEA in either Governmental or Nonprofit Accounting and Auditing for 64 CPE credit hours or earn a combined CEA for 96 CPE credit hours (previous enrollees in the original GAA CEA Program are automatically enrolled in the GNP CEA Program).

In addition to the six-course CEA program, the AICPA is offering 18 governmental or nonprofit accounting, auditing and taxation courses, including five new titles. Topics include the latest GASB/FASB pronouncements, including SFAS Nos. 116 and 117; the recent revisions to the Yellow Book; OMB Circulars A-128 and A-133; and much more. For complete course, enrollment and registration details, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 705. Or write: LaTanya Junior, CPE Marketing, AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311–3881.

New Products & Publications

Four new books in the **professional accounting in foreign countries** series have been published: ***The Accounting Profession in Denmark*** (No. 010141CL), ***The Accounting Profession in Argentina, Second Edition—Revised*** (No. 010142CL), ***The Accounting Profession in China*** (No. 010139CL) and ***The Accounting Profession in Canada, Third Edition*** (No. 010038CL). Each describes accounting and auditing standards in a particular country and compares them to those generally accepted in the United States. Price: $31 member, $34 non-member.

Mexico—A Business and Investment Guide (No. 090301CL2) serves as an excellent general guide for members or clients considering starting businesses in Mexico or investing in the country. Price: $10 member, $11 non-member.

The Marketing Advantage: How to Get and Keep the Clients You Want (No. 090404CL2) is the one-stop authority on how to market a CPA firm. Learn to develop a marketing strategy that brings in clients; enhance the firm's reputation in the community; determine if consultants or marketing director are needed; develop, nurture and maintain referral sources and select promotional tactics that are right for the firm. Price: $77.25 member, $84.95 non-member.

Two publications have been released to help in **management of an accounting practice.** Prepublication prices are offered on orders placed before May 15.

The ***Management of an Accounting Practice Handbook*** (No. 090407CL2) is a comprehensive, three-volume, looseleaf service that is an invaluable practice management tool. It covers all aspects of practice management from how to start a firm to how to dissolve one. Members will get practical analysis on compensation and benefits, operating statistics, office administration, billing and collection, marketing, partnership issues and more. The handbook's many sample forms, letters, checklists and worksheets are all easy to reproduce or adapt to a firm's needs. Subscribers automatically receive annual supplements with the option to return them within 30 days. Price: $125 member, $137.50 non-member before May 15; $170 member, $187 non-member after May 15.

MAP Selected Readings (No. 090406CL2) is a reader's digest of more than 160 articles on successful firm management. The articles are packed with valuable, profit-making ideas for a member's practice and are cross-referenced with the MAP Handbook (see above). Price: $27.50 member, $30.25 non-member before May 15; $45 member, $49 non-member after May 15.

Two publications dealing with **information technology** have been released. Both guides, which have been sent to IT section members automatically and without charge, cost $17 for AICPA members and $18.75 for non-members.

Information Security (No. 043007CL) explores the various elements of information security in relation to audit implications, MAS opportunities, client service delivery and general awareness. No practitioner or client can ignore potential threats to information security. Information is arguably the most valuable resource of organizations, and the practitioner who addresses information security should gain a competitive advantage.

Client/Server Computing and Cooperative Processing (No. 043006CL) examines the capabilities and features of client/server computing, which has become widespread as organizations discover they can reduce their computing costs by off-loading processing from the mainframe to more affordable, smaller machines. Learn about the basic components of a client/server system, its benefits and pitfalls, and the future trends and directions.

To order, write: AICPA Order Department, CL395, P.O. Box 2209, Jersey City, NJ 07303–2209; order via fax, 800/362–5066; or call 800/862–4272 (dept. #1). Ask for Operator CL395. The best times to call are 8:30 to 11:30 a.m. and 2:00 to 5:30 p.m., EST. Orders for exposure drafts must be written or faxed. **Prices do not include shipping or handling. Have membership number handy.**

All Americans 60+ to Receive Personal Earnings Statements This Year

The Social Security Administration wants CPAs and their clients to be advised that all Americans over age 60 who are not already receiving Social Security benefits will get a Personal Earnings and Benefit Estimate Statement this year. The statements will be mailed to more than nine million people between now and Oct.

The PEBES lists yearly earnings reported to Social Security for each individual and also shows the retirement benefit amount workers under age 62 can anticipate at ages 62, 65 and 70, as well as estimates for older Americans.

Any individual age 60 or older who does not receive a statement by Sept. 30 should call Social Security at 800/772–1213 (line is open around the clock) and request Form SSA-7004 (*Request for Personal Earnings and Benefit Estimate Statement*). Also, discrepancies in income earned or incorrect name or Social Security number should be reported using that toll-free number.

AICPA Recruitment Video Garners More Accolades

The AICPA recruitment video, *Accounting. The One Degree With 360° of Possibilities,* recently won a second place certificate of achievement in the American Society of Association Executives' 1994 Gold Circle Award competition which recognizes the most creative and professional publications and public relations projects by associations as chosen by a panel of peer judges. The video also earned a gold medal in the career guidance category from the New York Festivals in its annual international non-broadcast awards competition.

Previously, the video received awards from the American Corporate Video Awards and Telly Awards competitions, and was a finalist in the International Television Association's Video Festival.

Washington At A Glance

Many *Contract With America* Tax Provisions Win AICPA Support

In testimony before the House Ways and Means Committee, the AICPA endorsed a number of tax provisions in the House Republicans' *Contract With America* but continued to stress simplification. Provisions that got a thumbs down from the Institute generally did so because of their complexity. The AICPA supported two of the contract's high-profile proposals—reinstatement of tax relief for net long-term capital gains and the establishment of American Dream Savings Accounts (ADSA). Deborah Walker, chair of the AICPA Tax Executive Committee, said "Reducing taxes on capital gains will 'unlock,' for more productive uses, a significant amount of capital...." While supporting ADSA, Walker cautioned that taxpayers should not be allowed to convert existing retirement savings assets to ADSA because such transfers would not increase savings. In addition, the Institute supported increasing unified estate and gift tax credits. (The AICPA also testified at a related House Small Business Committee hearing about the importance of changing the estate and gift tax laws.) The AICPA opposed the contract's proposal to increase the value of investment depreciation to equal the full value of the original investment (Neutral Cost Recovery System) because of its complexity. As for the proposal to index assets for purposes of determining gain or loss, Walker told the committee that the AICPA's opposition to it was three-pronged: the complexity of the proposal, the different treatment accorded different types of assets and the opportunities it would produce for abuse. The AICPA supports the social objectives of implementing a family tax credit and eliminating the marriage penalty, but contract proposals are too complex, Walker said. She offered simpler ways to provide tax relief to these groups.

Walker also urged committee members to exempt the IRS and Department of Treasury from any moratorium on issuing regulations, as has been proposed by legislation introduced in the House and Senate. She warned the panel that without such regulations, the complexity of the law would leave both the taxpaying public and government monitors at a loss to understand many provisions.

For a copy of the testimony, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 934.

OCC Seeks Accounting Fellow

The Office of the Comptroller of the Currency is accepting applications through Apr. 28 for its two-year Professional Accounting Fellowship Program. This position is scheduled to begin in July. Candidates should have a minimum of five years' experience in public accounting. Academic experience at the college level or banking industry experience would also qualify. For more information, call the OCC at 202/874–5180.

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The CPA Letter

A News Report to Members

Highlights of What's Inside

Securities Litigation Reform Act Sweeps Through House

The Securities Litigation Reform Act, which the AICPA pushed hard, swept through the House Mar. 8 on a bipartisan, veto-proof vote of 325 to 99. House passage of the bill (H.R. 1058) is a significant victory for the accounting profession and others advocating reform of the way the nation's securities class action lawsuits are conducted.

The bill's enactment into law would serve as a powerful shield to accountants from being caught up as peripheral defendants in meritless shareholder suits. H.R. 1058 would provide protection because it:

- Establishes proportionate liability except in cases where defendants engaged in "knowing" securities fraud.
- Prevents abusive practices by eliminating bounty payments to plaintiffs, banning payment of plaintiff referral fees and limiting "professional plaintiffs" to five class actions every three years.
- Creates a safe harbor for forward-looking corporate statements that encourages the voluntary disclosure of more information to investors.
- Prohibits the Racketeer Influenced and Corrupt Organizations Act from being used in civil cases involving securities fraud.
- Adds an AICPA-backed bill that expands auditors' responsibilities in reporting and detecting fraud by basically codifying existing audit literature.

The scene of action now shifts to the Senate, which has already held hearings on securities litigation reform. While strong, bipartisan support also exists in the Senate for passage of this legislation, opponents—most notably consumer advocates and members of the trial bar—are sure to redouble their efforts.

The Institute expects a fierce battle on this issue. AICPA Key Persons and AICPA staff are already fighting in the Senate trenches to keep the momentum going for enactment of securities litigation reform legislation.

AICPA Urges Congress to Strengthen Taxpayers' Rights

The AICPA urged Congress to strengthen taxpayers' rights at a hearing before the House Ways and Means Oversight Subcommittee on Mar. 24. Deborah Walker, chair of the AICPA Tax Executive Committee, made recommendations about what should be included in a second taxpayer bill of rights. In 1988, Congress passed the first Taxpayer Bill of Rights, which granted more than a dozen procedural safeguards to taxpayers.

Walker told the subcommittee that taxpayer representation and examination location remain troublesome areas. The solution, she said, is legislation to ensure that taxpayers are notified of their rights to have representatives appear on their behalf during examinations and that the examinations can take place somewhere other than their homes or offices. Walker made several recommendations regarding interest payments. She particularly noted the need for legislation requiring comprehensive crediting procedures for the netting of overpayments and underpayments for the calculation of interest. She also emphasized taxpayers' need for statutory protection for actions they take to try to comply with the law before final regulations are issued, and she told panelists the Taxpayer Ombudsman position should be elevated within the IRS. Walker agreed with other witnesses that the burden of proof in civil cases should not be shifted from the taxpayer to the IRS. While there are a number of situations where a burden shift might be appropriate, the proposal being considered by Congress is overly broad in that it would shift the burden in all civil court proceedings.

News Briefs

Elijah Watt Sells Winners Announced

Vitaly Sorkin of North Providence, R.I., has won the AICPA Elijah Watt Sells Gold Medal Award for achieving the highest grade on the Nov. 1994 Uniform CPA Examination.

Jeffrey Jay Johnson of Carol Stream, Ill., and Jennifer Goebel of Taylorsville, Ky., won the silver and bronze awards, respectively. Approximately 69,000 CPA candidates had taken that exam.

Dell Announces Improved Discounts

As a result of strong member participation, Dell Computer Corporation has increased its AICPA member discounts on Optiplex desktop and Latitude XP notebook computers and on PowerEdge file servers by 2% (member discount now ranges from 5% to 13%). For more information or to order, call 800/568–8313.

Proceedings from Women in Accounting Conference Published

The AICPA, along with Catalyst and the New York State Society of CPAs, sponsored a conference in June 1994 on women in the accounting profession and how all CPAs can achieve a work/life balance. Proceedings from select portions of the conference have been compiled into ***Achieving a Balance in the Accounting Work Place*** (price: $25 plus shipping and handling), which is available from Catalyst, a not-for-profit organization with a focus on women and family issues. To order, call Catalyst at 212/777–8900 or fax 212/477–4252.

Top 10 Technologies for 1995 Announced by IT Division

Electronic data interchange once again placed first on the AICPA Information Technology Division's list of top 10 technologies. The other top technologies are as follows: (2) image processing (the process of converting, through scanning, paper images into electronic documents); (3) area networks (computers at different locations linked by data communications technology to share computer resources, such as local area networks); (4) cooperative and client/server computing (the distribution of processing functions between two or more computers); (5) communications technologies (the process of packaging and transmitting data, text and/or video information among its users); (6) electronic commerce (means of doing business on the Internet, including E-cash, payment systems and fax on demand); (7) collaborative computing and groupware (the use of technology to bring together the thoughts and ideas of multiple workers); (8) business process re-engineering (a new approach to improving business processes which fuses information technology and continuous improvement); (9) expert systems (computer programs that incorporate expertise or knowledge derived from human sources); and (10) workflow technology (automatically routing work or documents to the next person due to handle the information).

These technologies will affect the way members and their clients work and conduct business. To remain competitive, it is important to stay abreast of such changes in information technology and to understand their impact on the work place.

More information on the impact of various technologies are covered in these practice aids published by the division and available through the AICPA Order Department (see page 7): *Image Processing and Optical Character Recognition—How They Work and How to Implement Them* (No. 043000CL), $14.50 member, $16 non-member, and *Client/Server Computing and Cooperative Processing* (No. 043006CL), $17 member, $18.75 non-member. Publications soon to be released include *EDI Control, Management and Audit Issues* and *Auditing LANS.* In addition, these topics are extensively covered in the division's newsletter, *InfoTech Update.*

For details on the top 10 technologies list, see the Winter 1995 issue of *InfoTech Update.* To obtain a gratis copy of either the newsletter or a practice aid titled *Audit and Security Issues with Expert Systems,* call Nancy Cohen of the Information Technology membership section at 212/596–6010.

Registration Open for Employee Benefit Plans Conference

Registration is now taking place for the 1995 AICPA National Conference on Employee Benefit Plans. The conference, which will be held Apr. 26–28 at the Hyatt Regency New Orleans, will provide participants with information on the accounting, auditing, reporting and tax aspects of all types of plans. Call AICPA Meetings & Travel Services at 201/938–3232 for details. Recommended CPE credit: 24 hours. Price: $645; group discounts for three or more are available.

Ethics Division Has New Number

Call the Professional Ethics Division at 800/862–4272 (dept. #4) for inquiries regarding application of the *AICPA Code of Professional Conduct* concerning independence, objectivity, integrity and other behavioral matters.

Public Meeting Notices

For detailed agendas, call 800/862–4272 (dept. #6) three weeks prior to these meetings.

Accounting Standards Executive Committee: May 23–24, San Francisco

Auditing Standards Board: June 6–8, New York

Professional Ethics Executive Committee: June 16, Lake Buena Vista, Fla.

Other Meetings

Council: May 22–24, West Palm Beach, Fla.

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Geoffrey L. Pickard *Vice-President—Communications*

Ellen J. Goldstein *Editor*

Accounting & Auditing News

Three New Interpretations of SASs Issued

Three new interpretations of statements on auditing standards have been issued. Interpretation No. 3 of SAS No. 7, *Communications Between Predecessor and Successor Auditors* (AU sec. 315), is titled "Audits of Financial Statements That Had Been Previously Audited by a Predecessor Auditor" and provides guidance to an auditor who has been engaged to "reaudit" an entity's financial statements. The interpretation:

- Describes the communications the successor should attempt with the predecessor.
- States that information obtained from the successor's review of the predecessor's working papers, report and inquiries of the predecessor, in and of themselves, are not sufficient competent evidential matter to afford the successor a reasonable basis for expressing an opinion on the reaudited financial statements.
- States that the successor may consider the information obtained from inquiries of the predecessor and any review of the predecessor's working papers and report in planning a reaudit.
- Addresses the observation of inventories.

SAS No. 70, *Reports on the Processing of Transactions by Service Organizations* (AU sec. 324), provides guidance to a service auditor engaged to issue a report on the control structure policies and procedures of a service organization. It also provides guidance to user auditors engaged to audit the financial statements of an entity that uses a service organization. When service auditors issue reports on policies and procedures placed in operation and tests of operating effectiveness, they perform tests of the operating effectiveness of specified control structure policies and procedures and describe the results of those tests. Interpretation No. 1 of SAS No. 70, "Describing Tests of Operating Effectiveness and the Results of Such Tests," clarifies what information and how much detail should be included in a service auditor's description of the tests.

Interpretation No. 2 of SAS No. 70, "Service Organizations That Use the Services of Other Service Organizations (Subservice Organizations)," provides guidance on how a user auditor's and a service auditor's procedures are affected when a service organization uses a subservice organization. It describes how a user auditor may obtain information about relevant control structure policies and procedures at a subservice organization, identifies what information about a subservice organization should be included in the service organization's description of policies and procedures, and indicates how a service auditor's report is affected when a service organization uses a subservice organization.

The interpretations appear in the Apr. issue of the *Journal of Accountancy* and are effective upon publication.

Two Audit and Accounting Guide Exposure Drafts to Be Issued

Exposure drafts of two proposed AICPA audit and accounting guides are scheduled for issuance by Apr. 14. Comments will be due 120 days after issuance.

Not-for-Profit Organizations (No. 800087CL) combines and would supersede the AICPA audit and accounting guides *Audits of Colleges and Universities, Audits of Voluntary Health and Welfare Organizations,* and *Audits of Certain Nonprofit Organizations. Health Care Organizations* (No. 800086CL) would supersede the audit and accounting guide *Audits of Providers of Health Care Services.*

The proposed guides incorporate new accounting and financial reporting requirements, in particular the provisions of FASB Statement Nos. 116, *Accounting for Contributions Received and Contributions Made,* and 117, *Financial Statements of Not-for-Profit Organizations,* as well as auditing standards issued since publication of the original editions of the guides.

One copy of each will be mailed to those on the standing order list to receive exposure drafts; others may obtain one free copy (with each additional costing $6 member, $6.75 non-member) through the AICPA Order Department (see page 7).

Department of Education Lender Audit Guide Available

The U.S. Department of Education issued an audit guide for all lenders participating in the Federal Family Education Loan programs (*The CPA Letter,* Jan. 1995). The audit (attestation) guide will be mailed by the ED to lenders; to find out how to obtain copies of the guide, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 317. The first audit reports are due Sept. 30, 1995, based on examinations of fiscal years that began after July 23, 1992, through Dec. 31, 1994. Questions about the guide should be made in writing to the ED by sending a fax to the Regional Inspectors General for Audit listed in the guide or to Ms. Chris Press, ED Office of Inspector General, at 202/205–8238.

GASB Clarifies Special Entities' Accounting Principles

The Governmental Accounting Standards Board has issued a proposal that clarifies the use of not-for-profit accounting and reporting principles by governmental entities. Generally, if adopted as a final statement, the proposal would take effect for periods beginning after Dec. 15, 1994. Comments are due May 1.

The proposal would provide that governmental entities that currently use certain private-sector accounting and reporting principles established for not-for-profit organizations may continue to do so, as modified for certain GASB and Financial Accounting Standards Board standards.

For a free copy of the proposal (available until May 1), write: GASB Order Department, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856–5116; or call 203/847–0700, ext. 555.

IRS Disallows Installment Payment Election for 1993 Returns "Not Timely Filed"

As a part of the Revenue Reconciliation Act of 1993, Congress provided taxpayers the election to pay their additional 1993 income taxes due to the retroactive increase in the tax rates in three equal annual installments. The installments are due each Apr. 15, beginning Apr. 15, 1994. One of the issues raised by the AICPA Tax Practice and Procedures Committee at its Jan. meeting with IRS National Office executives was the IRS's current policy regarding the election to pay the additional 1993 taxes in installments.

The AICPA specifically brought to the IRS's attention circumstances in which extensions were determined to be invalid and those in which 1993 tax returns were returned to taxpayers for signatures because their signatures were inadvertently omitted. In both circumstances, the IRS deemed the tax return "not timely filed" and therefore disallowed the installment payment election—resulting in penalty and interest assessments and the immediate payment of all of the deferred tax. The IRS is disallowing the installment payment election in these circumstances with *no statutory authority*. Further, the legislative history indicates that the first installment must be paid "on or before the due date for the individual's taxable year that begins in calendar year 1993." Thus, based on the statute and the legislative history, the OBRA '93 installment payment election requires timely payment, but does not impose a timely filing return requirement for a valid election.

The IRS, however, has interpreted the statute and legislative history to require a timely filed return for an installment payment election. On Oct. 8, 1993, the IRS issued Notice 93-51, (1993-33 I.R.B. 18, IR-93-96), providing that the election for installment payments must be made on a taxpayer's timely filed original 1993 tax return. Also, the notice provided that amended returns and returns filed late are not eligible for the installment payment election. The statute, however, is clear in what it requires (i.e., payment of the first installment by Apr. 15, 1994, with no requirement for an election on a timely filed return). The AICPA firmly believes that the provisions of Notice 93-51 relating to a timely filed return are inappropriate because such an interpretation is clearly beyond the scope of the statute.

In Mar., the AICPA submitted a letter to the IRS regarding this issue which is now under review by the Department of Treasury and the IRS.

Update for Second 1993 Installment

Based on recent discussions with the IRS National Office regarding procedures for payment of the second installment of the 1993 tax deferral for electing taxpayers under the Revenue Reconciliation Act of 1993, Form 1040-V cannot be used as a substitute voucher. In Jan., the IRS mailed every deferral taxpayer a "reminder notice" with a tear-off voucher for the second installment payment. While the voucher notices provided a mechanism for taxpayers to pay their second installments, many taxpayers will misplace their vouchers before the Apr. 17 filing deadline. The AICPA urged the IRS, and it is considering (at press time), to issue another reminder notice in late Mar.

The IRS prefers taxpayers use the tear-off vouchers from the notices with their payments. Alternatively, Rev. Proc. 94-58 provides that the payment may be made without a voucher by mailing a check or money order with "1993 OBRA Installment" in the memo section. However, a transmittal letter is another alternative that the IRS said it will accept if the voucher is not available and the taxpayer prefers to send correspondence with the payment. Nonetheless, the IRS does not want taxpayers to use Form 1040-V as the programming, for this form does not provide for use with the 1993 tax deferral payments.

AICPA Urges SEC to Strengthen Safe Harbor for Forward-Looking Statements

"The AICPA believes that the current safe-harbor provisions for forward-looking statements are not effective and do not adequately protect issuers, their independent accountants, and other professional advisers from unwarranted litigation," AICPA President Philip B. Chenok told members of the SEC at a recent hearing on the Commission's concept release on a safe harbor for forward-looking statements. He strongly urged the SEC to strengthen the current safe-harbor provisions, and told the Commission that users need additional disclosures of forward-looking information but are unlikely to get them until effective regulatory safe harbors are in place and appropriate legislative remedies are enacted to reduce to acceptable levels the legal risk. To obtain a copy of Chenok's testimony, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 402.

Quarterly List of Items Available on 24-Hour Fax Retrieval System

To access these documents, dial 201/938–3787 from a fax machine, follow the voice cues, and when prompted, select the number of the item to be retrieved.

Document Number	***Item***
152	State Boards of Accountancy Address/Phone List
254	*Accounting Educators: FYI*, Mar. 1995
278	*Financial Manager's Report*, Mar. 1995
312	U.S. Department of Education proposed revised federal program audit guide
314	U.S. Department of Health and Human Services proposal on non-federal audit
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452	AcSEC actions Jan. 24–25
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602	Form-of-Practice chart (an indication of state status with regard to LLCs, LLPs and states that have amended their accountancy statutes to provide for the use of these expanded forms of organization).
935	Response letter to Chairman Archer—*Contract With America* testimony
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REPORT OF THE NOMINATIONS COMMITTEE

To: Members of the American Institute of Certified Public Accountants

Pursuant to Article VI, Section 6.1.6 and 3.3 of the bylaws, the following report of the Nominations Committee is submitted.

Frank J. Katusak, *Secretary*
March 2, 1995

The Nominations Committee hereby proposes the following nominees as Officers, members of the Board of Directors, members of Council-at-Large, elected members of Council, members of the Joint Trial Board and members of the AICPA Peer Review Board.

- ***Chair of the Board:*** The Committee affirmed the nomination of the following as Chair of the Board of the Institute for 1995–96:

  Ronald S. Cohen, *Indiana*

- ***Vice Chair of the Board:*** The Committee nominated the following as Vice Chair of the Board of the Institute for 1995–96:

  Robert Mednick, *Illinois*

Upon election, the candidates will serve in the positions indicated from the Annual Members' Meeting in 1995 until the Annual Members' Meeting in 1996 or until their successors shall be elected.

- ***Board of Directors:*** The Committee nominated the following for election as members of the Board of Directors for three-year terms ending in 1998:

  Harvey L. Coustan, *Illinois*
  Lawrence D. Handler, *Connecticut*
  Robert R. Harris, *Florida*
  Judith H. O'Dell, *Pennsylvania*
  Marilyn A. Pendergast, *New York*
  Gary John Previts, *Ohio*
  Dennis E. Eckart, *Washington, D.C.* (public member)

- ***Council Members-at-Large:*** The Committee nominated the following as Council Members-at-Large for three-year terms ending in 1998:

  Miguel A. Cabrera Jr., *Florida*
  Arthur S. Hoffman, *New York*
  William W. Holder, *California*
  Paul K. Mendenhall, *Utah*
  James H. Naus, *Indiana*
  Joel J. Rogoff, *New Jersey*
  Jean L. Rothbarth, *Illinois*

- ***Elected Members of Council:*** After consideration of the recommendations submitted by the state CPA societies, in accordance with the provisions of Article VI, Section 6.1.5 of the bylaws, the Committee nominated the following 39 members from 26 jurisdictions as directly elected members of Council. Unless otherwise noted, upon election nominees will serve three-year terms commencing in the fall of 1995 and ending in 1998:

California — Gale L. Case
Stuart E. Robken
Dennis A. Young
Janice Bowling Wilson
Colorado — Thomas J. Kundinger
Connecticut — Theodore H. Kreinik
Washington, D.C. — Antonia Browning Smiley
Delaware — Robert D. Mosch
Florida — Randy Wendell Moore
Ramon A. Rodriguez
Georgia — Bobby L. Whitmire
Idaho — Larry A. Jeffries
Illinois — William A. Gifford Jr.
Louisiana — Richard J. Roth Jr.
Maryland — J. Thomas Hood III
Massachusetts — Paul J. Gerry
Michigan — Edward J. Dupke
Minnesota — Dean R. Ager
Mississippi — Name to come
New Jersey — Andrew L. DuBoff
Allan D. Weingarten
New York — George T. Foundotos
Richard D. Isserman
Nancy Newman-Limata
Harvey L. Sonnenberg
North Carolina — Robert E. Gresham Jr.
Ohio — Robert David Smith
Jerry L. Esselstein
Oklahoma — James E. Thielke
Oregon — Alan L. Steiger
Pennsylvania — Daniel J. O'Mara
B. Michael Watkins
Puerto Rico — Sonia Gomez
Texas — Nita J. Clyde
John A. Eads
William H. Shireman Jr.
Pat L. Wilson
Utah — Kevin L. Simister
Virginia — William A. Broadus Jr.
Wisconsin — Donald S. Wagner

continued

- ***Joint Trial Board:*** The Committee nominated the following to serve on the Joint Trial Board for three-year terms ending in 1998:

Leroy R. Bergstrom, *Nevada*
Phillip W. Crawford, *Maine*
Harry F. Dodge, *Arkansas*
James E. Feeney, *Rhode Island*
William Fisk, *Vermont*
Emmitte J. Haddox, *Mississippi*
James P. Hannon, *New Jersey*
Earl A. Jensen, *Colorado*
Sharon A. Jensen, *Wyoming*
Wayne C. Landes, *Ohio*
Alvin M. Marcus, *Kansas*
John Walker, *South Dakota*
James C. Wright, *Oklahoma*

- ***AICPA Peer Review Board:*** The Committee nominated the following members to fill five vacancies on the AICPA Peer Review Board for three-year terms ending in 1998:

John Bellitto, *California*
John A. Demetrius, *New Jersey*
Lisa L. O'Dell, *West Virginia*
Raymond C. Roberts, *New Mexico*
David W. Truesdell, *Massachusetts*

The Committee will nominate the Officers, Directors, Council Members-at-Large, elected members of Council, members of the Joint Trial Board and the AICPA Peer Review Board at the Council Meeting on Monday, Oct. 23, 1995, in Palm Springs, Calif. No nominations from the floor will be recognized. However, independent nominations may be made by any 20 members of Council if filed with the Secretary by June 23, 1995, which is four months prior to the Annual Members' Meeting of the Institute to be held in Palm Springs, Calif., on Oct. 23, 1995.

Pursuant to the bylaws, balloting for directly elected Council members in any state where vacancies shall arise will occur only if a contest for one or more seats develops as a result of submission of independent nominations to the Secretary by any 20 Institute members in the state at least four months prior to Oct. 23, 1995. In the absence of any contest, all Council nominations will be declared elected by the Secretary and they will assume office at the Council Meeting on Oct. 23, 1995.

Respectfully submitted,

Nominations Committee:

Dominic A. Tarantino, *New York, Chair*
Diane M. Brogan, *Colorado*
Gayl W. Doster, *Rhode Island*
Arthur Farber, *Illinois*
Carolyn R. Garfield, *Vermont*
Larzette G. Hale, *Utah*
J. F. Kubik, *Kansas*
Z. H. Montgomery, *South Carolina*
Robert A. Petersen, *California*
Richard E. Piluso, *New York*
Leonard Podolin, *Illinois*

Member to Member... Chair's Corner

By Robert L. Israeloff
Chair, AICPA Board of Directors

Who is Barry Melancon and why has he been elected the next president and CEO of the AICPA? What does this election mean for our members?

At age 37, he clearly represents the next generation of leadership. After eight years of public practice with a local CPA firm in Louisiana, he has been executive director of the Society of Louisiana CPAs since 1987. Thus, he has familiarity with the accounting profession and a record of successful management experience.

More important, he has shown a sense of vision about the profession's future and the ability to anticipate issues of concern to our many diverse segments. For example, Barry has campaigned for smaller practice units by adopting procedures to make quality review more economically acceptable to them. He also has led efforts of the largest firms in his state in seeking tort reform. And he has helped to achieve numerous victories for the profession in the state legislature and has spoken out forcefully on the economic issues facing smaller practitioners.

As to possible future directions of the AICPA, he is openly member-oriented. He has advocated for our membership organizations to do things "for" our members, not do things "to" the members. While fully aware of the self-regulatory nature of many of the AICPA's activities, he believes we must be more responsive to each and every member.

Nothing typifies Barry's thinking more than his response to a question from an AICPA executive at a recent gathering held in New York to introduce him to the senior staff. He was asked what he thinks the average member wants from the AICPA. Barry instantly said that the member wants direction and leadership in dealing with business and professional complexities; he/she needs practical advice on how to use technology and on how to cope in today's competitive environment. In a nutshell, the AICPA has to recognize that "members are its business."

This positive philosophy fits well with the member orientation of some of our current activities. It will use the member outreach program as a foundation. Barry believes in more than telephone calls; he has visited more than 150 Louisiana firms in their offices and will continue that form of member relations at the AICPA. Such visits will keep the new CEO in direct touch with his constituents.

Other programs with a member focus that Barry will be overseeing are the benchmarking project for industry members, a solution to work load compression, a reduction in standards overload and a comprehensive national image campaign.

Barry Melancon has the membership in his sights.

To contact Bob Israeloff, call 516/872–3300 or fax 516/872–3128.

Members Thanked for Contributions to Minority Fund, Report Available

On behalf of the AICPA Foundation, the Minority Initiatives Committee wishes to thank the 44,000 members who contributed to AICPA Scholarships for Minority Accounting Students. The funds will be used to award scholarships to deserving minority accounting students for the 1995–96 academic year.

AICPA Scholarships for Minority Accounting Students are competitive merit- and need-based awards of up to $5,000 for outstanding minority accounting students who show significant potential to become CPAs. To be eligible, students must have completed at least 30 semester hours of college work (with at least 6 hours in accounting), be enrolled on a full-time basis, and maintain an overall and accounting grade point average of at least 3.0. The application deadline is July 1.

Scholarships are awarded by the Minority Initiatives Committee and are funded by the AICPA Foundation from monies contributed by the AICPA, public accounting firms and individual CPAs. The Minority Initiatives Committee has published a brochure that provides detailed information on the minority scholarships program and other committee programs and activities for the 1994–95 committee year. To obtain a free copy of the brochure (No. 876801CL), write or fax the AICPA Order Department (see below). For more information on AICPA minority initiatives, contact Gregory Johnson of the Academic and Career Development Division at 212/596–6227.

New Products & Publications

Advisory Comments for Growth and Profitability: A Guide for Accountants and Consultants (No. 090408CL) shows CPAs how to prepare effective management advisory letters—ones that identify areas of concern for clients and outline practical recommendations for improvement—and how to follow up on cross-selling opportunities. Price: $45 member, $50 non-member.

A newly issued Auditing Procedure Study titled ***Auditing in Common Computer Environments*** (No. 021059CL) describes the following five technologies and their possible effects on a financial statement audit: microcomputers, local area networks, end-user computing, data base management systems and telecommunications. Price: $27.50 member, $30.25 non-member.

To order, write: AICPA Order Department, CL495, P.O. Box 2209, Jersey City, NJ 07303–2209; order via fax, 800/362–5066, or call 800/862–4272 (dept. #1). Ask for Operator CL495. Orders for exposure drafts must be written or faxed. Prices do not include shipping and handling. Have membership number handy.

Disciplinary Actions

As a result of decisions by hearing panels of the Joint Trial Board, the following members have had their memberships:

—Terminated for failing to cooperate with the AICPA or their state CPA societies ethics committees in disciplinary investigations of complaints:

- Nancy Gililland of Billings, Mont.
- Robert S. Rosen of Suffern, N.Y.
- Dick Walker of Nederland, Texas

Also *terminated* was Willis A. Batten of Ennis, Texas, for failure to comply with education directives issued in a letter of required corrective action.

—Suspended from the AICPA and his state society:

- Gregory B. Gill of St. Louis, Mo., from Jan. 27, 1995, until Oct. 18, 1996, for violating Rule 501—Acts Discreditable of the AICPA and his state CPA society.

—Admonished:

- Joel E. Youngblood of San Antonio, Texas, on Jan. 7, 1995, for failing to cooperate with the AICPA and his state CPA society ethics committee in a disciplinary investigation of complaints.
- Meshulemn Auerbach of Brooklyn, N.Y., on Jan. 12, 1995, for failure to timely comply with the directives issued in a letter of required corrective action.

Under the automatic disciplinary provisions of the Institute's bylaws, the following members have had their memberships:

—Terminated because of final judgments of conviction for crimes punishable by imprisonment for more than one year:

- Sam Antar of Brooklyn, N.Y., on Dec. 1, 1994, for conspiracy to commit securities fraud, mail fraud and obstruction of justice.
- W. Gilbert Jones of Vidalia, Ga., on Nov. 21, 1994, for conspiracy to embezzle from an employee health and welfare plan and to make false statements in documents required by ERISA.

—Also terminated was Jerrold A. Black of Baton Rouge, La., on Nov. 22, 1994, following revocation of his certificate and license to practice public accounting in Louisiana based on his conviction for mail fraud.

—Suspended:

- Richard F. Saccoccia of Warwick, R.I., from Oct. 16, 1994, to Jan. 14, 1995, following his suspension from engaging in the practice of public accounting by the Rhode Island Board of Accountancy for intentionally deceiving and assisting the evasion of lending limits by serving as a straw borrower which actions created a conflict of interest in his service as a CPA.
- Ross A. Johnson of Sacramento, Calif., following suspension of his license by the California State Board of Accountancy, for violating the California Business and Professions Code (Section 5061), from July 7, 1994, for four months and continuously thereafter until such time as Mr. Johnson's license is reinstated.

As a result of investigations of alleged violations of the Code of Professional Conduct of the AICPA and/or state CPA societies, the following ethics cases have been resolved by settlement agreements under the Joint Ethics Enforcement Program:

- Reynaldo C. Cruz of Manhasset Hills, N.Y., settled charges on Nov. 7, 1994, of violating Rules 202—Compliance with Standards and 203—Accounting Principles in connection with his audit of the financial statements of an employee benefit plan. Without admitting or denying the charges, Mr. Cruz agreed to a two-year suspension of his membership in the AICPA, to complete 80 hours of specified CPE courses, and to submit a sample of his work product to the Professional Ethics Division for review.
- Robert F. Sabo of Willoughby, Ohio, settled charges on Dec. 2, 1994, of violating Rules 202—Compliance with Standards, 203—Accounting Principles and 501—Acts Discreditable in connection with his audit of a housing project. Without admitting or denying the charges, Mr. Sabo agreed to a two-year suspension of his membership in the AICPA and Ohio Society of CPAs, to complete 80 hours of required CPE courses, and to submit a sample of his work product to the Professional Ethics Division for review.
- Gilbert J. Stielow of Kingwood, Texas, settled charges on Dec. 23, 1994, of violating Rule 101—Independence in connection with his audit of a financial institution. Admitting the charges, Mr. Stielow agreed to a one-year suspension from membership in the AICPA, Oklahoma Society of CPAs, Texas Society of CPAs and Wisconsin Institute of CPAs; to comply with AU sec. 561 with respect to the financial statements issued while he was not independent; and to successfully complete a CPE course in ethics during the suspension period.
- Wallace D. Carden of Albany, Ga., settled charges on Dec. 27, 1994, of violating Rules 202—Compliance with Standards and 203—Accounting Principles by failing to comply with GAAS and GAAP in the performance of a governmental audit. Without admitting or denying the charges, Mr. Carden agreed to a two-year suspension of his membership in the AICPA and Georgia Society of CPAs, to complete 72 hours of specified CPE courses, and to submit a sample of his work product to the Professional Ethics Division for review.
- Peter P. Pucillo of New Rochelle, N.Y., settled charges on Jan. 6, 1995, of violating Rules 201 A—Professional Competence, 202—Compliance with Standards and 203—Accounting Principles in connection with his audit of the financial statements of an employee benefit pension plan. Without admitting or denying the charges, Mr. Pucillo agreed to be suspended from membership in the AICPA and New York State Society of CPAs for a period of two years, to complete 40 hours of specified CPE courses within one year, and to provide proof to the AICPA Professional Ethics Division that he is voluntarily limiting his practice to tax and write-up work during the suspension period.

CPE News

Self Study and Video Courses

The 1995 edition of the **Accounting and Auditing Update Workshop** course is the latest word on all the new authoritative pronouncements. Course highlights include derivatives and other financial instruments; the new SOP on risks and uncertainties; auditing and computers; the new Financial Reporting Model; environmental concerns; employee benefits; compilation and review update; current practice problems; new developments in internal control; not-for-profit organizations; and new FASBs, SOPs and FASB interpretations. Recommended CPE credit: 16 hours. Format: Text (No. 737064CLO), $159.

Preventing Malpractice Claims: Compilations, Reviews and Other Accounting Services is a nearly 90-minute video consisting of dramatic enactments of common accounting services practice situations and commentary by experts on the liability implications and the procedures that should be followed. Course highlights include client acceptance; planning the engagement; engagement letters; and performing, reviewing, concluding and continuing the engagement. The course also includes the booklet *Codification of Statements on Standards for Accounting and Review Services.* Recommended CPE credit: 6 hours self study and 8 hours group study. Format: 1 VHS tape/manual (No. 180170CLO), $144; additional manual (No. 350170CLO), $50.

These courses are available from the AICPA Order Department (see page 7) and from state CPA societies.

Conferences

Marketing and Managing a Tax Practice Conference, May 4–6, San Diego, Calif., recommended CPE credit: 16 hours. **Strategies for Achieving Work/Life Balance in the Accounting Work Place*,** May 11, Chicago, recommended CPE credit: 7 hours. **The CPA and the Older Client,** May 11–12, Tempe, Ariz., recommended CPE credit: 16 hours. **National Banking School Level I,** May 14–19, University of Virginia, Charlottesville, recommended CPE credit: 40 hours. **Tax Strategies for the High Income Individual Conference,** May 22–23, Orlando, Fla., recommended CPE credit: 16 hours. **MICRO95: The AICPA Microcomputer Technology Conference,** June 4–7, Phoenix, recommended CPE credit: Full three-day conference: 24 hours (8 hours per day). **Spring Tax Division Meeting,** June 5–7, Washington, D.C., recommended CPE credit: 8 hours. **Investment Planning Conference,** June 12–13, Chicago, recommended CPE credit: 16 hours. **AICPA Divorce Conference,** June 14–16, Las Vegas, recommended CPE credit: up to 17 hours. **Financial Management Symposium*,** June 15, New York, *and* June 22, San Francisco, recommended CPE credit: 8 hours. **National Tax Education Program,** June 19–23 (Week 1), June 26–30 (Week 2), University of Illinois, Champaign-Urbana, recommended CPE credit: 40 hours per week. **National Accounting and Auditing Advanced Technical Symposium,** June 26–27, Washington, D.C., recommended CPE credit: 16 hours. **National Small Firm Conference,** June 28–30, Charleston, S.C., recommended CPE credit: up to 24 hours.

For more information, call the AICPA-CPE Division at 800/862–4272 (dept. #3, option #2). For conferences indicated by "*," call AICPA Meetings & Travel Services at 201/938–3232.

Discover the CEA Advantage

In the classroom and in the field, AICPA Certificate of Educational Achievement Programs mean business for practitioners. Now entering its third successful season, the **Personal Financial Planning Process Certificate of Educational Achievement Program** offers five challenging courses—72 CPE hours—built around a real world, "life-cycle" approach to personal financial planning. Each course teaches a specific aspect of the PFP process, allowing the CPA to leave the classroom with skills that can be put to work with the next client contact. The **Tax Planning and Advising for Closely Held Businesses Certificate of Educational Achievement Program** provides 96 CPE hours of advanced training for tax practitioners serving small business clients in today's complex environment. The program's seven courses are designed to help CPAs resolve challenging tax issues in the formation, operation, restructuring and termination of a closely held business. Coverage includes new tax developments on intangible provisions, self-employment income applicable to LLCs and final regulations on built-in gains and losses. For more information on these programs, available through state CPA societies, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 706. To request by phone, call 800/862–4272 (dept. #3), or write: LaTanya Junior, AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311–3881. Written and phone requests should include code no. ADV100.

AICPA Offers Second Annual Investment Planning Conference

The AICPA Personal Financial Planning Division, in conjunction with the Management Accounting Division, is sponsoring its second annual conference on investment planning. Participants will learn ideas and strategies for assisting those making investment decisions.

Technical seminars are geared toward members in private practice who assist clients in monitoring investment performance, making investment decisions, or in other investment matters; members in industry who make decisions regarding the investment of corporate funds, endowment funds or funds in employee benefit plans; and members who want to refine their personal investment strategies.

The conference will be held June 12–13 in Chicago. Recommended CPE credit: 16 hours. Price: $545; early-bird and group discounts are available. For a conference brochure, call AICPA Meetings & Travel Services at 201/938–3232.

Washington At A Glance

Congress Poised to Reinstate Health Insurance Deduction

At press time, both the House and Senate had passed legislation (H.R. 831) to reinstate the tax deduction for the cost of health insurance premiums paid by self-employed individuals and are poised for final action. Before final action can occur, Congress must resolve the differences between the two versions of the bill; after that, it can be sent to President Clinton for his signature. Both versions of H.R. 831 allow a 25% deduction for 1994. One of the major differences to be resolved is what the deduction should be for 1995 and thereafter. The House version would keep it at 25%; the Senate's would raise it to 30%. The Senate's passage of H.R. 831 on Mar. 24 dramatically improved the odds that a retroactive deduction will be approved before the Apr. 17 filing date.

IRS Issues Ruling on Insurance Payments for Property Destroyed by Disasters

The IRS has issued Revenue Ruling 95-22 clarifying the tax treatment of insurance proceeds received for residences and contents destroyed by Presidentially declared disasters, and the use of such proceeds. Specifically, the tax treatment is: No gain is recognized on insurance proceeds received for unscheduled (general) personal property, regardless of how the proceeds are used; proceeds received for the residence and scheduled (itemized) personal property are treated as a common pool of funds; and no gain is recognized to the extent that the common pool of funds is reinvested in property similar or related in service or use to the original residence or its contents, *regardless of whether the replacement contents are scheduled.*

Previously, the IRS Western Regional Counsel, under guidance from the IRS National Office, had taken the position that to avoid gain recognition, the common pool of funds had to be reinvested *only* in property similar or related in service or use to the residence or the *scheduled* property (a position with which the AICPA had disagreed). Now, the IRS is taking a more favorable position by allowing taxpayers to defer the gain if the proceeds are reinvested in a replacement residence and/or any type of replacement property—scheduled or unscheduled. This permits taxpayers who suffer from the devastating consequences of a disaster loss to replace the necessities of life (without tax consequence) before replacing luxury items of the type which are typically scheduled, such as jewelry and artwork.

Copies of the AICPA's *Disaster Area Practice Guide* (with new addendum and incorporating changes made by the Omnibus Budget Reconciliation Act of 1993) are available. Send a self-addressed, stamped envelope with $2.39 in postage per copy to: *Disaster Area Practice Guide,* AICPA Tax Division, 1455 Pennsylvania Avenue, NW, Washington, DC 20004–1081. Related documents also are available from the AICPA Fax Hotline (see page 4).

The CPA Letter
American Institute of Certified Public Accountants, Inc.
1211 AVENUE OF THE AMERICAS, NEW YORK, N.Y. 10036–8775

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AICPA
American Institute of Certified Public Accountants

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The CPA Letter

A News Report to Members

Highlights of What's Inside

AICPA Backs Florida Board in Lawsuit Filed by IDS

Amicus brief says state's regulatory scheme survives constitutional scrutiny

IDS Financial Services, now named American Express Tax and Business Services Inc., has taken to task the Florida Board of Accountancy for what it says is a regulatory scheme that suppresses its "freedom of speech" and stifles competition. In an affidavit filed in connection with its lawsuit against the board of accountancy, IDS says Florida's statute mandating that CPAs practice in firms owned by CPAs when they "hold out" as CPAs while performing public accounting services violates IDS's "free speech" rights (in that it cannot promote its CPA employees as such). IDS also seeks to prevent enforcement of the statute on grounds that it violates the anti-trust laws.

IDS began purchasing accounting firms in 1986 so it could employ CPAs as providers of tax, accounting and consulting services—but not attest or audit work—to businesses and individuals. IDS currently has 52 offices in 26 states, and with Florida's statutory structure being core components of public accounting regulation in most other states as well, this case may have far-reaching implications.

"There is an approximately $10 billion market of small businesses and individuals who need high quality, consistently delivered, sophisticated tax and business services," IDS states in its affidavit. IDS goes on to explain its entry into this market: "These consumers need tax and business services but cannot afford to hire one of the 'Big 6' accounting firms.... Large companies can offer business clients the same quality tax and business services for lower prices than they currently obtain through small- and medium-sized regional accounting firms."

But the AICPA *amicus curiae* brief backing Florida's position that its regulations are constitutional because they are necessary to protect the public interest, counters that IDS's profit motive, lack of knowledge about CPA services, and possible conflict of interest (because IDS sells products as well as gives advice) would confuse the public and potentially compromise the objective, ethical performance people have come to expect from CPAs.

The Institute believes that a hearing on this matter will take place in late spring or early summer. *The CPA Letter* will continue to keep members informed of any developments.

Regional Council Meetings Yield Support of Image Campaign

Non-CPA ownership, outreach effort and travel services discussed, too

At regional meetings of members of Council held during Mar., Council members:

■ Overwhelmingly endorsed advertising "prototypes" for the AICPA's planned CPA image-enhancement campaign. A concept, or theme, around which all advertising elements will be based was presented, as were preliminary copy for print ads and rough cuts of radio and television ads. Turn to this issue's "Member to Member...Chair's Corner" (page 5) for details on the ad campaign.

■ Discussed the AICPA's position regarding *American Express Tax and Business Services Inc.* (formerly known as IDS) v. *Florida Board of Accountancy*. The AICPA had submitted an *amicus curiae* brief, on behalf of the Florida Board of Accountancy, supporting the constitutionality of Florida's law prohibiting CPAs from practicing in firms not owned by CPAs if they hold out to the public as CPAs while performing public accounting services. See article above for further discussion of this issue.

■ Enthusiastically agreed to Council members' voluntary participation in the AICPA Member Outreach Program (the AICPA Board of Directors had previously agreed to its own participation). For elaboration, see article on page 6 of this issue of *The CPA Letter*.

■ Discussed a proposed air travel service program for committee members and conference speakers seeking reimbursement that would consolidate air travel and produce measurable cost savings for the Institute.

News Briefs

Health Insurance Deduction Reinstated

President Clinton signed legislation into law on Apr. 11 that reinstates the tax deduction for the cost of health insurance premiums paid by self-employed individuals. The new law allows for a 25% deduction for 1994 and increases the deduction to 30% in 1995 and years thereafter.

Committee Comments on Multistate Tax Commission Nexus Guidelines

The AICPA State and Local Taxation Committee has prepared comments on draft Multistate Tax Commission nexus guidelines regarding sales and use taxes. The committee found that various aspects of the guidelines extended states' taxing powers beyond those allowed by the U.S. Constitution.

The committee's main concern was the guidelines' failure to recognize that the higher jurisdictional nexus standards of substantial connection (i.e., physical presence) required by the Constitution's Commerce Clause are controlling, not the nexus standard of minimum contacts (i.e., purposefully directing activities toward a state) under its Due Process Clause. The committee objected to the concept of "deemed" physical presence and the notion that an interest in intangible property could create physical or deemed physical presence. The committee suggested that the guidelines contain a duration standard based on the sales tax reporting period (i.e., monthly or quarterly, rather than 12 months). The committee proposed a reasonable quantitative *de minimis* rule.

To obtain a copy of the committee's comments, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 945.

Auditing Division Seeks Practice Fellow

The AICPA Auditing Standards Division is seeking a CPA for a two-year appointment as a practice fellow beginning on or about Jan. 1, 1996. Fellows do not resign from their firms but are "leased" to the AICPA. To be eligible, candidates must have a minimum of five years' public accounting experience with an emphasis in auditing. Interested individuals should send their résumés to: Dan Guy, Auditing Standards Division—Fellow Program, AICPA, 1211 Avenue of the Americas, New York, NY 10036–8775.

AICPA Library Reading Room to Be Closed to Public

Effective June 1, the AICPA Library's public reading room in New York City will be closed. It will be available to AICPA members by appointment only. Members may call the library at 800/862–4272 (dept. #7).

New Jersey Adopts Strict Privity Standard

The New Jersey legislature has passed a statute that adopts a strict privity standard for lawsuits involving CPAs. Under a strict privity standard, a negligence suit against an accountant may only be brought by the client or by those third parties with whom the accountant has a relationship approaching that of an accountant–client relationship. The new statute overrules a 1983 New Jersey court case that had subjected CPAs to the most unfavorable "foreseeability" privity standard.

AICPA Tells Congress Earned Income Tax Credit Is Too Complex

The AICPA told Congress the earned income tax credit is so complex it is disenfranchising the 15 million taxpayers it is meant to benefit and recommended ways to simplify the EITC. The earned income tax credit is in "critical need of simplification," the AICPA told the Senate Governmental Affairs Committee recently at a hearing to examine the EITC.

For a copy of the testimony, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 944.

AICPA Extends Phone Coverage for Improved Member Service

In its continuing effort to enhance member service, the AICPA will be open until 7:30 p.m., EST, beginning May 1. Many membership-related requests, such as data base changes, dues payment status and peer review applications, can be fulfilled (call 201/938–3100), and inquiries about products and ordering requirements or questions about specific orders placed—as well as changes to subscription services—can be handled (call 201/938–3333). Additionally, orders can be accepted for publications and software products, subscription services and CPE self-study products (call 800/862–4272, dept. #1).

Public Meeting Notices

For detailed agendas, call 800/862–4272 (dept. #6) three weeks prior to these meetings.

Accounting Standards Executive Committee: May 23–24, San Francisco; July 11–12, New York

Auditing Standards Board: June 6–8, New York; Aug. 1–3, Colorado Springs

Professional Ethics Executive Committee: June 16, Lake Buena Vista, Fla.

Other Meetings
Council: May 22–24, West Palm Beach, Fla.

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Accounting & Auditing News

New Auditing Interpretation Issued

Interpretation No. 13 of Statement on Auditing Standards No. 62, *Special Reports* (AU sec. 623), titled "Reporting on a Special-Purpose Financial Statement That Results in an Incomplete Presentation but Is Otherwise in Conformity with Generally Accepted Accounting Principles," has been issued. It provides guidance when, for example, an entity wishing to sell a division or product line prepares an offering memorandum that includes a special-purpose financial statement that presents certain assets and liabilities, revenues and expenses relating to the division or product line being sold.

The interpretation discusses (1) whether an offering memorandum (not including a filing with a regulatory agency) constitutes a contractual agreement for purposes of issuing an auditor's report under AU sec. 623, (2) whether an agreement between a client, and one or more third parties other than the auditor, to prepare financial statements using a special-purpose presentation constitutes a contractual agreement for purposes of issuing an auditor's report under AU sec. 623, and (3) what guidance the auditor should follow when he or she is requested to add additional third parties that were not parties to the original contract or agreement to the restricted distribution of his or her report. The interpretation appears in the May issue of the *Journal of Accountancy* and is effective upon publication.

FASB Issues Statement on Asset Impairment, Proposal on NPOs' Investments

The Financial Accounting Standards Board has issued Statement 121 addressing the accounting for the impairment of long-lived assets that will be held and used, including certain identifiable intangibles, and the goodwill related to those assets. The statement, which is effective for calendar-year 1996 financial statements, also addresses the accounting for long-lived assets and certain identifiable assets to be disposed.

The statement requires that assets to be held and used be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset in question may not be recoverable. In performing the review for recoverability, the entity should estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. Otherwise, an impairment loss is not recognized. Assets to be disposed, with certain exceptions, would be reported at the lower of cost or fair value less the cost to sell the asset.

Also issued by the FASB was a proposal that would require not-for-profit organizations to report at fair value investments in equity securities with readily determinable fair values and all debt securities, with gains and losses reflected in a statement of activities. It would also establish standards for reporting losses on investments of an endowment fund created by a donor's stipulation that requires investment of the gift in perpetuity or for a specified term. If adopted as a final statement, the proposal would become effective for years beginning after Dec. 15, 1995. Comments are due June 30.

For a copy of either Statement 121 (price: $11) or the proposal "Accounting for Certain Investments Held by Not-for-Profit Organizations" (available without charge until June 30), write: FASB Order Department, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856–5116; or call 203/847–0700, ext. 555.

FASB Issues Special Reports on Disclosures, Not-for-Profits

The Financial Accounting Standards Board has issued two special reports: One is on financial instrument disclosures and the other on proposals for not-for-profit organizations.

The special report on disclosures (product code SRFI) illustrates the disclosure requirements contained in FASB Statement 119 on derivatives and Statements 105 and 107 on off-balance-sheet financial instruments and fair value, respectively, which were amended by Statement 119.

Also available is a special report that details the results of a field test of proposals on financial statement display and on contributions for not-for-profit organizations, which became FASB Statements 116 and 117. The report (product code SRNP) includes examples of financial statements prepared by 20 field test participants and a discussion of those statements. It also includes a discussion of issues seemingly misunderstood by participants and of implementation problems they encountered. Changes made to the proposals that were incorporated in the final statement also are noted.

To obtain a copy of either special report, each priced at $11, write: FASB Order Department, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856–5116; or call 203/847–0700, ext. 555.

Joint Study of U.S./Canadian/Mexican Accounting Standards Available

The Financial Accounting Standards Board has issued jointly with the Canadian Institute of Chartered Accountants and the Mexican Institute of Public Accountants a report that highlights a joint research study focusing on the similarities and differences in the three countries' accounting environments. The report discusses the research results of each country's standards-setting process, conceptual framework and accounting standards, and reviews the statements and standards issued by the International Accounting Standards Committee.

For a copy (product code SRFRNA), write: FASB Order Department, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856–5116; or call 203/847–0700, ext. 555. Price: $11.

IRS Issues Relief for Donations of $250 or More

The IRS has issued Notice 95-15 providing transitional relief from the new substantiation rules for charitable contributions that were enacted by the Omnibus Budget Reconciliation Act of 1993. Specifically, relief is now provided for contributions of $250 or more made during calendar-year 1994.

If a taxpayer has not obtained the necessary contemporaneous written acknowledgment by the earlier of the date the return is filed or the due date (including extensions) for the return, the taxpayer will be treated as having satisfied the substantiation requirements if the taxpayer has either obtained the acknowledgment by Oct. 16, 1995, or made a good faith effort to obtain it by that date (i.e., sending the donee organization a letter requesting the necessary written acknowledgment).

A contemporaneous written acknowledgment should contain the following information: (1) The amount of cash and a description (but not value) of any property other than cash contributed, (2) whether the donee organization provided any goods or services in consideration for the property contributed, and (3) a description and good faith estimate of the value of any goods or services provided by the donee organization in consideration for the property contributed.

If a taxpayer receives goods or services in exchange for a contribution, the taxpayer may take a deduction only for the excess of the contribution over the fair market value of what was received. Taxpayers must comply with all the substantiation requirements to claim charitable contribution deductions.

HUD Issues Interim Compliance Supplement for Housing Agencies and Authorities

The U.S. Department of Housing and Urban Development issued interim guidance to Public Housing Agencies and Indian Housing Authorities (HAs) for use by independent auditors performing single audits of HAs in accordance with U.S. Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. The interim guidance is effective upon issuance and is intended to be used until the OMB issues a revised A-128 Compliance Supplement later this year. Copies of the interim guidance were mailed to HAs. Requests for single copies should be faxed to Nancy Menhennick at HUD at 202/401–3963.

OMB Proposes Changes to Single Audits of Non-Profit Institutions

The U.S. Office of Management and Budget issued proposed revisions to OMB Circular A-133, *Audits of Institutions of Higher Education and Other Non-Profit Institutions* (Mar. 17, *Federal Register*). After considering comments on the proposal, the OMB intends to seek modifications to the Single Audit Act of 1984 and OMB Circular A-128, *Audits of State and Local Governments*, consistent with the proposed revisions. The OMB's intent is to obtain consistency between audits of state and local governments and non-profit organizations such that one law and one circular covers both. The substantive differences between the current A-133 Circular and the proposed revisions include raising the audit threshold, applying a risk-based approach in determining major programs to be tested, requiring a minimum level of internal control testing, and providing guidance on the schedule of federal awards. Comments on the proposal must be received by the OMB by May 16. To obtain a copy of the *Federal Register* notice, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 403.

Single Audit Electronic Bulletin Board Service Available

An electronic bulletin board service of single audit information for audits of state and local governments and not-for-profit entities has been established by the President's Council on Integrity and Efficiency and the National Intergovernmental Audit Forum. It contains OMB, GAO, PCIE, NIAF and federal agency documents frequently used in single audits, and also has conference areas and message capability. Users may download available files. To access the bulletin board by telephone modem, dial 202/512–4286 (GAO Policy Bulletin Board).

AICPA Weighs in on Congressional Fair Labor Standards Act Debate

The AICPA weighed into the opening debate in Congress on reform of the Fair Labor Standards Act, enacted in 1938 to establish the nation's first wage and hour laws. The AICPA believes changes to the FLSA are desirable to address a need by both employers and employees in today's business environment for increased work place flexibility. These views were expressed in a letter the AICPA sent to Congress.

The letter also points out that recent enforcement positions of the Department of Labor and developments in case law under the FLSA have cited common professional practices to be FLSA violations. Examples include professional employees who record and charge their time on an hourly or partial-hour basis, and firms' long-standing arrangements for additional compensation for extra work, such as compensation incentives and compensatory leave banks, in order to meet client demands during the extremely busy tax and audit season. These problems are particularly onerous for the accounting profession today, since CPA firms must provide services that entail heavy work loads under tight, governmentally imposed deadlines. Congress began its FLSA review in a Mar. hearing before a House subcommittee and more hearings are expected before a bill is drafted. The Senate is also expected to consider reforms later this year. For a copy of the letter, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 410.

Members Invited to Participate in Annual, Council Meetings

AICPA members are invited and encouraged to attend this year's Annual Members' Meeting and fall meeting of Council in Palm Springs, Calif., on Oct. 23–24. The meetings have been expanded and restructured to focus on leadership and to allow for greater interaction among participants. Preceding the Annual Member and fall Council meetings will be an orientation session for incoming Council members that will concentrate on how Council operates on a practical level and a meeting of AICPA committee chairs that will focus on major goals for the year and issues that must be addressed. On-site meetings of several key committees will also take place. Members are invited to attend the Committee Chairs' Meeting, Annual Members' Meeting, meeting of Council, and the luncheons and reception.

For more information and registration material, call AICPA Meetings & Travel Services at 201/938–3232. The participants and format for these meetings are as follows:

■ *Saturday, Oct. 21*
Morning
Orientation session for incoming Council members
Afternoon
Golf tournament
Evening
Hospitality suite

■ *Sunday, Oct. 22*
Morning and Afternoon
Committee Chairs' Meeting
Evening
Hospitality suite

■ *Monday, Oct. 23*
Morning
Annual Members' Meeting
Concurrent
Fall Meeting of Council
Meetings of selected AICPA committees
JOINT LUNCHEON
Afternoon
Fall Meeting of Council
Meetings of selected AICPA committees
Evening
Joint Reception

■ *Tuesday, Oct. 24*
Morning
Fall Meeting of Council
Breakout sessions for Council, committee chairs, members of committees meeting on-site, AICPA members and others
JOINT LUNCHEON
Afternoon
Concurrent
Fall Meeting of Council
Meetings of selected AICPA committees

A registration form will appear in the July *CPA Letter*.

Member to Member... Chair's Corner

By Robert L. Israeloff
Chair, AICPA Board of Directors

The CPA—Never Underestimate the Value. Nobody sees beyond the numbers like a CPA.

Better get used to these two lines because they form the linchpin of a new national image-enhancement program for the profession. Members of the AICPA governing Council, at the recent regional meetings, gave overwhelming endorsement to earmarking three million dollars in the 1995–96 budget for the first year of the campaign which will begin later this year with national television and radio spots and advertisements in newspapers and magazines. The state CPA societies are being asked to spend collectively another three million dollars for local placements.

The program is a direct result of our members requesting, time and again, in various surveys that the AICPA do more to raise the image and importance of CPAs in the minds of the public. Research has shown that knowledge of the CPA's role in our economy is vague. Our image is quite mixed. On the positive side, we are thought to be smart, thorough, professional and trustworthy. But we are also viewed as conservative, boring and part of the "backroom" of business, limited in the scope of our services, not out front in terms of leadership, planning and advice. We do not get credit for the value we add to the economic process.

A number of major advertising agencies were interviewed and Hill, Holliday was selected, in part because of its work with the successful student recruiting campaign for the profession. The agency analyzed the current environment for CPAs, conducted focus groups and interviews and presented to the AICPA Board of Directors its definition of what the image of a CPA should be, and an overall program approach.

After testing a variety of positioning platforms (a positioning platform is a statement that is never seen in print but around which the creative elements of an advertising campaign are developed—in other words, it is what the reader, viewer or listener should "take away"), Hill, Holliday recommended a platform of "Your CPA is more than a tax and audit professional, but also a trusted resource for knowledgeable solutions to business and financial planning needs." The platform attempts to build on our recognized strengths in the audit and tax disciplines.

Council members in attendance were enthusiastic when presented with preliminary television, radio and print materials. It was clear that we will have a program of impact, one that will be remembered and will "brand" the CPA as a trusted financial professional. The visual technique is intriguing, distinctive and futuristic.

Ads will be targeted to specific audiences who watch CNN and Sunday morning national network shows, and who read *The Wall Street Journal, Business Week, Barron's, USA Today* and similar publications. State societies will be provided with detailed packages of materials so they can run the same ads in local markets to reach an even broader segment of business decision-makers.

This campaign represents another step in providing value for your dues. It should enhance the image of all CPAs and make us proud of our hard-earned designation.

To contact Bob Israeloff, call 516/872–3300 or fax 516/872–3128.

Technical Sections Are Provided for Members Offering Specific CPA Services

The AICPA's voluntary membership sections serve CPAs with special interests in the areas of tax, personal financial planning, management consulting services and information technology. Each of these sections offers its members a variety of benefits.

Taxation

Among the publications members of the Tax section receive automatically are the annual *Tax Practice Guides and Checklists* and other topical practice guides. In addition, members receive the monthly *Tax Adviser* magazine and a quarterly newsletter. To follow developments in specific areas of technical or tax practice interest, section members also receive agendas, minutes and major correspondence of technical, practice support, and policy and government committees.

In keeping with emerging technology, the tax section has utilized its aggregate buying power to negotiate discounts with most of the companies that produce tax research software on CD-ROM. Publications from other organizations, including the *Internal Revenue Code,* are available at a discount as well.

For more information, call William Stromsem at 202/434–9227.

Personal Financial Planning

Members of the Personal Financial Planning section benefit from a strong media relations campaign that strives to enhance continually the public's awareness of CPAs as financial planners. CPAs who are knowledgeable on a wide range of financial planning topics frequently are interviewed by national print and broadcast media.

Helping CPAs to sharpen their PFP skills, the section sponsors an annual technical conference to which section members receive a reduced registration fee. Section members are also entitled to the *PFP Manual,* a bimonthly newsletter, vendor discounts and numerous practice aids.

For more information, call the PFP membership section at 800/862–4272 (dept. #5).

Management Consulting Services

Members of the Management Consulting Services section are entitled to an exhaustive list of technical, small business and industry consulting aids; practice administration aids; special reports; marketing brochures; and other publications. A quarterly newsletter keeps section members informed about emerging issues and services to help CPAs recognize opportunities that can develop into consulting services engagements. Also available is a data base referral service that puts members with specialized expertise in touch with each other to share information. Vendor discounts provide savings on publications, software and other products designed to make consulting work more effective and efficient.

For more information, call Steven Sacks at 201/938–3501.

Information Technology

For CPAs who want to capitalize on the "Information Superhighway," there is the Information Technology membership section. Practice aids and technology bulletins have been produced to explain such things as image processing and optical character recognition, memory management and computer disaster recovery. A quarterly newsletter provides information on a range of information technology subjects. *Technology Alerts* are issued as needed when a technology becomes "hot," such as fax-on-demand systems and the audit concerns of faxed material.

Section members' software research time and costs are reduced by using complimentary introductory copies of ICP's *InfoROM* software directory on CD-ROM. Subscriptions are available to members at discounted prices. Other vendor discounts provide significant savings on technology products and services.

For more information, call Nancy Cohen at 212/596–6010.

Application Information

To obtain information on and applications for the membership sections, write: AICPA Membership Administration, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311–3881; or call 201/938–3100. Membership begins Aug. 1 and expires July 31, 1996. Fees: Tax–$95, PFP–$115, MCS–$100, and IT–$100. Members also may join by checking the appropriate box on next month's AICPA dues bill. Non-CPAs employed by CPA firms may enroll in technical sections as "section associates"; different fees apply.

Members of Council, Board of Directors to Participate in Outreach Program

Members of the AICPA's governing Council and Board of Directors are now volunteering to participate in the Institute's Member Outreach Program (*The CPA Letter,* Nov. 1994). The Council/Board outreach initiative, which will begin later this month, will supplement the existing outreach effort by the staff.

Participating members of Council and the Board will each be asked to contact approximately 50 members, during the program's first three months, to obtain members' input on issues affecting the profession and/or on ways to improve the AICPA's programs and services.

Since the inception of the Member Outreach Program on Nov. 14, more than 50,000 calls have been made to members by AICPA staff liaisons. Staff has also responded to more than 1,000 requests for assistance or direction.

An updated list of AICPA staff contact/member assignments is scheduled for publication in the June issue of *The CPA Letter.*

AICPA
American Institute of Certified Public Accountants

FYI

Accounting Educators:

Volume VI, Number 5 — May 1995

Model Tax Curriculum Endorsed

Broader Coverage of Tax Topics Recommended

The AICPA Academic and Career Development Executive Committee and the Tax Executive Committee have both unanimously endorsed the Model Tax Curriculum for dissemination to academe. The model, established by an AICPA Tax Division Task Force, was developed to address needs expressed by employers that graduates must have a broader knowledge base to succeed in today's business environment. In order to obtain this broad knowledge, the Task Force strongly recommends six semester hours of tax education for accounting majors. The recommended curriculum is intended to help students better understand and appreciate the role of taxation in business planning and decision making. Students will also become more aware of career opportunities in taxation.

The model describes topics that should be covered in undergraduate and graduate level tax programs. Syllabi were developed for the following: Taxation (Undergraduate Accounting Majors — first 3 semester hours), Advanced Studies in Taxation (second 3 semester hours undergraduate or Masters of Accounting Program), and MBA Tax course elective. Suggested curricula for the Masters of Accounting program with tax emphasis and the Masters of Science in Taxation were also provided. While the curricula are not necessarily designed to prepare a student to pass the CPA Examination, the courses do provide a strong knowledge base.

The most radical change from historical practice is early exposure to topics other than individual taxation. In the model curriculum, during the first 3 semester hours or 42 hours of classroom time, only 5 hours are spent on individual taxation. Twelve hours are spent on C Corporations, S Corporations, and Partnerships combined. The rest of the time is spent on a broad array of other topics including income,

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In this issue...

From the Editor's Desk...

With the end of the 1994–95 school year coming, it's a good time for educators to assess their own continuing education needs. This issue of FYI includes a short survey to find out what your plans are for the coming year in terms of training topics and formats. I encourage you to take the few minutes necessary to fill out the survey and return it by fax. Your responses will help the AICPA develop and offer topics in the areas you need most and in the formats which fit your schedule and requirements best.

Hopefully, your CPE plans include attendance at the annual AICPA Accounting Educators Mini-Conference, "Developments in Accounting Education," scheduled for November 3–4, 1995. A conference brochure and a registration form will be mailed to you in August and will also be included in the next issue of FYI in September. Have a wonderful summer!

Elizabeth Scifo Koch
Editor

News and Notes

The governing Council of the **AICPA has elected Barry C. Melancon, CPA,** as its first **new president** in 15 years. He will begin a five-year term on July 1, 1995. Mr. Melancon, known for his vision, vitality and dedication to member service, succeeds Philip B. Chenok, CPA, who announced last year that, after serving as president of the Institute since 1980, he would not seek re-election. Mr. Melancon has been the Executive Director of the Society of Louisiana CPAs since 1987. Prior to joining the State Society, he was a partner at the firm of Bergeron & Company, CPAs, in Houma, LA, and an adjunct professor at Nicholls State University. Mr. Melancon has been active in cooperative programs and planning initiatives at various state societies and has served on numerous committees and task forces involving legislative issues and quality review programs at the AICPA.

Assessment for the New Curriculum: A Guide for Professional Accounting Programs by Joanne Gainen and Paul Locatelli, was recently published by the Accounting Education Change Commission and the American Accounting Association (AAA). The guide provides practical, effective assessment programs for curriculum and instruction improvement. It defines assessment as "the systematic collection, interpretation, and use of information on student characteristics, the educational environment and learning outcomes to improve student learning and satisfaction." Assessment is also said to provide the most value when it yields timely information that can be immediately integrated into the curriculum and instruction process. One chapter of the guide discusses the measurement of critical thinking, problem-solving, ethical reasoning, and interpersonal and communication skills, as well as professional values, attitude and integrity. With increased demand of these types of skills from the accounting profession, the guide provides timely and insightful information. Contact the AAA at (813) 921–7747 to obtain a copy.

The AICPA's Women and Family Issues Executive Committee and the Illinois CPA Society are cosponsoring a one-day conference, **"Strategies for Achieving Work/Life Balance in the Accounting Workplace,"** on May 11, 1995, at the Holiday Inn Mart Plaza in downtown Chicago. John Bryan, Chairman and CEO of Sara Lee Corporation and Chairman of the Board of Catalyst, is plenary speaker, and Marilyn Moats Kennedy, career strategist and consultant, is the luncheon speaker. Concurrent session topics include dependent care, gender dynamics in the workplace, practice development, engineering one's own upward mobility, flexible work arrangements and working parents and child rearing. A networking reception sponsored by the Chicago Society of Women CPAs follows the conference. To receive a copy of the conference brochure and registration form by fax, dial (201) 938–3787 from a fax machine, follow the voice cues and select document number 851.

The 14th Annual **SEC and Financial Reporting Institute Conference** is being held on May 25, 1995, in Pasadena, CA. The Conference is sponsored by the SEC and Financial Reporting Institute, School of Accounting, University of Southern California. It offers an opportunity for interaction between academics and policy setters at the SEC, FASB and business and accounting executives from the private sector. Included in the sessions offered are panel discussions on restructurings, impairments and environmental matters, derivatives, hedging and securitization. For further information, call (213) 740–4847.

Bentley College (Waltham, MA) is proud to announce that the third annual offering of its **Minority Scholars Summer Institute in Accountancy** (MSSIA) will take place between June 18 and August 3, 1995. The MSSIA draws together talented undergraduate minority students who are interested in learning about the accounting profession but who have not studied accounting in their undergraduate programs. Participants receive instruction in Bentley's two-course Principles of Accounting sequence which is modeled to address the concerns expressed by the Accounting Education Change Commission. Students also attend presentations by accountants in public, corporate and not-for-profit practice. The seven-week program features visits to sponsoring firms in Boston and New York, as well as academic and career advising, and preparation for the GMAT exam. For more information, contact David Schwarzkopf, Coordinator of Graduate Accountancy Programs, at Bentley College (617) 891–2783; e-mail: dschwarzkopf@bentley.edu.

The Institute of Management Accountants (IMA) recently sent letters to academe, communicating the results of ***"What Corporate America Wants in Entry-Level Accountants,"*** the IMA-FEI sponsored research completed last summer. Presentations were given at the AAPG, AACSB and most of the regional AAA meetings this spring. The IMA is also encouraging corporate America to support accounting education with student and faculty internships and by speaking to classes on campus and opening their factories and offices for class field trips. A practice analysis, identifying core competencies necessary for work in management accounting, is due to be completed by the IMA in the summer of 1995.

On April 24–25, 45 senior finance executives, leading academics and consultants met in New York to develop a consensus of **what the financial management function will look like in the 21st century.** The AICPA Management Accounting Executive Committee, who hosted the meeting, plans to use the consensus reached to identify the skill-set needed by management accountants to be strategic partners in their organizations. In addition, the AICPA will work with the academic community to develop curricula to teach the new skill-set to future management accountants. FYI will report on the outcome in its next issue.

Rick Elam

Viewpoint:

Is Double-Entry Bookkeeping Relevant?

"CPAs who don't keep up with this new technology are in danger of becoming roadkill on the information highway," a vice president of Lotus Development recently told the AICPA Governing Council. While he may have had sales on his mind, his point is ominous for accounting educators. There are many forces at work on accounting education but all pale in the face of the impact of technology. The power of computers combined with sophisticated software has changed the computer from a convenient and "Gee Whiz" way to do double-entry bookkeeping into a recordkeeping system with literally a mind of its own.

Five hundred years ago, Luca Pacioli described the system which Italian merchants used to help manage their businesses. That system made use of the latest technology of the times — pen and ink. The pen-and-ink double-entry system Pacioli described had the following familiar components: a journal or book of original entry in which transactions were recorded in the order in which they happened, and a ledger which was used to sort the entries from the journal into like-kind accounts. The primary purpose of the double-entry system was to serve as a control for possible errors as the clerks wrote down the original transactions and then copied them from journal to ledger. That was an ideal system in the pen-and-ink days.

Now, the technology has changed. With the speed and memory capacity of even inexpensive new computers, there is no need to maintain an actual ledger. All transactions can be almost instantly sorted and totaled whenever needed, and the balance of any or all accounts can be recomputed from scratch. Because the computer can sort and compute so quickly, it is not necessary to create regular reports on fixed dates. A report can be literally created from raw data for any period of time and any set of accounts on demand. The unfailing accuracy of the computer's calculations plus its own internal controls ensure against sorting or math errors.

Inexpensive software is available for the simplest bookkeeping applications. Quicken, for example, permits extremely easy maintenance of personal checking and investment accounts. It can instantly produce an endless variety of reports or charts and graphs. Not only can this $45 software give one the ability to do very sophisticated analysis of personal finances, but it can be linked to $30 worth of tax software and produce tax returns, including all forms, almost instantly at the end of the year.

No accountant of the future will use a pen-and-ink system to keep records. Moreover, it is highly unlikely that any professional will prepare tax returns by hand. How long will it be before double-entry bookkeeping is tossed out and something like Quicken is used in elementary accounting as the means for gathering and classifying transactions?

What we need today is for a "new" Luca Pacioli to write an elementary accounting book that teaches accounting starting with how business recordkeeping is being accomplished in the real world. Traditional double-entry bookkeeping is becoming the Latin of the business school—interesting to study and useful from a historical perspective, but not in demand in everyday practice. □

▶ Model Tax Curriculum. . .
continued from page 1

deductions, losses, property transactions and computation of taxes. For those students who are not planning to become tax professionals, this first class may be the only exposure to taxes they will receive. As a result, it is important that it covers topics which mirror the broad array of responsibilities they are likely to encounter as they begin working.

Also recommended is the integration of financial accounting concepts with tax concepts to enhance the students' understanding of the relationship between financial and tax accounting.

In addition to the technical tax content prescribed in detail, the model cites the following skills as important for students to learn: oral and written communication skills, critical problem-solving skills, use of technology, interpersonal skills, business and professional ethical considerations, team building, research and planning.

To obtain a copy of the Model Tax Curriculum, please dial (201) 938–3787 from a fax machine, follow the voice cues, and request document number 650. If you have further questions regarding the content of the curriculum, please contact Carol Shaffer, AICPA Tax Division at (202) 737–4268. □

Continuing Education for Accounting Educators: A Survey

The AICPA would like to determine which CPE topics interest you most and how you would like to receive continuing education. Your responses will help guide CPE program offerings designed for educators in the future. Please take a few moments to fill out the following survey and **return it by fax to fax number (212) 596–6292.** A response by **May 26, 1995** would be greatly appreciated.

1. Please check three topics, from each of the following categories, representing the areas in which you would most likely sign up for additional training.

   A. *Teaching Effectiveness*
   - ☐ Time Management
   - ☐ Platform and Presentation Skills
   - ☐ Communicating with a Diverse Student Audience
   - ☐ Performing On-line Computer Research
   - ☐ Integrating Technology into the Classroom
   - ☐ Using Teams in the Classroom
   - ☐ Using Cases in the Classroom
   - ☐ Defining and Measuring Skill Competencies
   - ☐ Other ______________________ (Please specify)

   B. *Curriculum Development*
   - ☐ Fraud Detection and Prevention Skills
   - ☐ 150-Hour Curriculum Development
   - ☐ FASB and Other Accounting, Auditing and Tax Updates
   - ☐ Current Accounting Practice and Corporate Finance Trends
   - ☐ Critical Thinking Skills
   - ☐ Professional Ethics
   - ☐ Oral Communication Skills
   - ☐ Written Communication Skills
   - ☐ Presentation Skills
   - ☐ Leadership and Management Skills
   - ☐ Accounting Information Systems: Development and Use to Solve Business Problems
   - ☐ Decision-making Skills
   - ☐ Other ______________________ (Please specify)

2. Check the method of obtaining CPE you would most likely **sign up to use** in the coming year.
   - ☐ Workshop involving travel to another state
   - ☐ Conference involving travel to another state
   - ☐ On-campus or local meeting within driving distance
   - ☐ Book (self-study)
   - ☐ Video (self-study)
   - ☐ CD-ROM (self-study)
   - ☐ Teleconference
   - ☐ Corporate/Accounting Firm field visit
   - ☐ On-Line
   - ☐ Other ______________________ (Please specify)

3. If you selected on-line, specify what network access you currently have:
   - ☐ Internet
   - ☐ Other Commercial Service (i.e., Compuserve, Prodigy, etc.)

   ______________________ (Please Specify)

4. If you prefer to travel to attend a CPE Session, would you prefer a session offered in conjuction with another education-related meeting?

   ☐ Yes ☐ No

5. If you answered yes to question 4, check the meeting you would prefer to attend.
   - ☐ AAA Regional Meeting
   - ☐ AAA Annual Meeting
   - ☐ FSA Annual Meeting
   - ☐ AAPG Meeting
   - ☐ Other ______________________ (Please specify)

6. Indicate how many hours of training you prefer to obtain at one time.
   - ☐ 4 hours
   - ☐ 8 hours
   - ☐ 12 hours (1½ days)
   - ☐ 16 hours (2 days)
   - ☐ Other ______________________ (Please specify)

7. How much do you or your school typically spend for you to attend a full day of continuing education?

A. *For Registration Fee:*	B. *For Travel and Lodging:*
☐ Nothing	☐ Nothing
☐ $1 – $50	☐ $1 – $50
☐ $51 – $75	☐ $51– $100
☐ $76 – $100	☐ $101– $300
☐ $101 – $150	☐ $301–$500
☐ Over $150	☐ Over $500

8. Please provide the following:

   Name ______________________ (optional)

   School Name ______________________

   City, State ______________________

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Elizabeth Scifo Koch, *editor*

THE FINANCIAL MANAGER'S REPORT

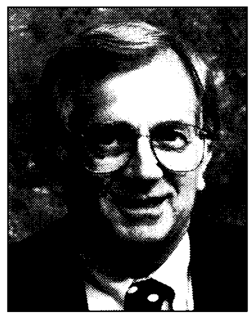
A Periodic Update for CPAs in Business & Industry ■ May 1995

Senior Financial Executives — Save These Dates!

June 15 & June 22, 1995
The AICPA 2nd Annual Finanical Management Symposia
June 15 — The Waldorf=Astoria Hotel, New York, NY
June 22 — Sheraton Palace Hotel, San Francisco, CA

The first Financial Management Symposium in 1994 received high marks, so we are offering it again this year! Please join your peers in a one-day symposium designed to address the specific challenges facing senior financial executives of large companies.

Robert S. Kaplan



James J. Leisenring

Rick Ross

In keeping with the theme of this year's program, "Addressing the Challenges of the Future," we will feature prominent speakers in finance and accounting.

Dr. Rick Ross, coauthor of the *Fifth Discipline Field Book: Strategies and Tools for Creating a Learning Organization,* will conduct a workshop to help you build an organization that learns faster and better than it did in the past.

Dr. Robert Kaplan, of the Harvard Business School, will be on hand to show you how a properly structured "Balanced Scorecard" (BSC) is much more than an unrelated collection of financial and nonfinancial measures and how a BSC, if structured and used properly, can become the heart of a business unit's management and strategic learning processes.

Financial Accounting Standards Board Vice Chairman James Leisenring (NY), or Board Member Neel Foster (SF) will team with top accounting officials from the Securities and Exchange Commission to discuss the challenges facing the FASB and SEC, and more. . . .

The accounting and finance function of today must take a quantum leap to reach its optimum performance level for the year 2000 and beyond. We believe The Financial Management Symposium will help provide you with the tools you need to guide your company into the future.

If you have not already received your conference brochure, write or call The AICPA Meetings and Travel Department, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311–3881, 201–938–3232.

UPCOMING EVENT. . . MARK YOUR CALENDARS!

The AICPA 1995 Fall National Industry Conference

October 26–28, 1995, Colorado Springs, Colorado

Join us in Colorado Springs for this 2½-day (allowing for a maximum of 21 CPE credits) conference featuring a wide variety of subject areas relevant to your job as an industry CPA. Take advantage of the early registration conference fee of $560 by registering *before September 26.*

If you would like to be added to the conference brochure mailing list, please call or write The AICPA Meetings & Travel Department, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311–3881, 201–938–3232.

AICPA Responds to Member Needs: Offers On-line Service

In the summer of 1995, the AICPA will launch a new on-line service through CompuServe, titled the "Accountant's Forum." The Forum will enable members to have electronic access to the Institute's professional literature, legislative alerts, exposure drafts, legal issues, newsletters such as *The CPA Letter* and *The Financial Manager's Report,* a catalog of AICPA and state society publications and CPE course offerings (along with on-line registration and ordering), and easy gateways to federal government information on the Internet, among dozens of other information sources. In addition, members can communicate with each other on the Forum's topical bulletin boards, directly through e-mail, or in on-line conferences on specified issues.

Business Computer Basics Part Two: Monitors, Input Devices, Multimedia & Notebooks

by Brooks Hilliard

The January issue of FMR *featured Brooks Hilliard's advice on central processors ("chips") and disk drives. This installment continues the discussion of the changes to computers by covering monitors, keyboards and mouses, multimedia devices and notebook computers. Mr. Hilliard is President of Business Automation Associates, a consulting firm in Phoenix, Arizona which focuses on the selection and use of computers for medium-sized and small businesses. Complimentary subscriptions to* Business Automation Bulletin, *from which this article is adapted, are available by calling BAA at 602-264-9263.*

Monitors

Before the introduction of the PC, text-based monitors connected to multiuser computers were the most common video output devices. Text-oriented monitors are still widely used in that environment, but they're rapidly being replaced by graphically-oriented PCs, even for common accounting applications. One reason for this is to improve employee efficiency. Poor quality video displays (like those on most text-only terminals) cause fatigue and eyestrain, both of which reduce productivity. That's why computer buyers should always get the best monitors they can, which would be VGA or better for IBM-type computers or almost any Mac-compatible display.

Most PCs include a standard 14-inch (diagonal) monitor, which is okay for most uses. But 15-inch monitors, which have nearly 15% more surface area, "feel" a lot bigger and only cost about $100 more. From an eye care standpoint, that's $100 well spent.

Many newer monitors have an Energy Star rating from the government, which means that they use much

Continued on page 4

Big $avings Extended to AICPA Members on Office & Computer Supplies

The AICPA has signed an agreement with Wallace Computer Services to provide members with measurable savings on business forms, including tax forms, and a full line of office/computer supplies and paper products. Members receive a discount of 20% on tax forms and 36% or more on office/computer supplies and paper products ordered directly from the Wallace Catalog. A minimum order of $25 is required. For more information or to place an order, members should call 1-800-782-4892 and indicate that they are entitled to a CPA discount (Contract No. CA 252).

Management Accounting News

Management Accounting Series

The *Management Accounting Series,* created by the Society of Management Accountants of Canada, is a comprehensive collection of publications providing clear guidance for implementing leading-edge management techniques and practices. The series combines all of the currently published Management Accounting Guidelines, Issues Papers, Industry Perspective Series, International Management Accounting Practices and International Standards. The publications are written to reflect North American management accounting issues, and many were written by U.S. authors.

Through a special arrangement with the Society of Management Accountants of Canada, the AICPA is pleased to make the *Management Accounting Series* available to its members.

The full series consists of 56 publications at a price of $295. Individual publications are also available for $15 each. Orders will be taken through the AICPA Order Department at 1-800-262-4272 beginning June 1, 1995.

Benchmarking Update

In the last issue of *The Financial Manager's Report* we updated you with the latest insights from our benchmarking study with The Hackett Group. At press time, there are over 600 companies participating in the study, and over 350 companies already submitted their data. The remaining companies are at various stages of the data collection process. If you already have the data collection materials, get busy and submit your data — you stand to learn a lot about your finance and accounting department. If you are not yet participating, and your company has at least $50 million in annual revenue, call John Morrow of the AICPA Management Accounting Division on 201-938-3011 for further information.

The Financial Manager's Report is a publication of the AICPA Members in Industry Executive Committee and is mailed four times per year to all AICPA members in industry as an insert to *The CPA Letter.* Opinions of the authors are their own and do not necessarily reflect policies of the Institute.

The Committee and Staff welcome your input on ways to make FMR *more responsive to your needs. Please address comments in writing to AICPA, Industry Member Programs, 1211 Avenue of the Americas, New York, NY 10036-8775.*

FASB Considers Changes to Segment Reporting

The following is reprinted as a service to FMR readers with permission from the FASB Status Report *No. 262, published March 31, 1995 by the Financial Accounting Standards Board.*

The staffs of the FASB and the Accounting Standards Board (AcSB) of the Canadian Institute of Chartered Accountants have prepared a summary of the Boards' tentative conclusions about segment disclosures. *The Summary of Tentative Conclusions* will be distributed to interest parties to solicit preliminary comments on those conclusions in a less extensive and formal process than is required in a Preliminary Views of an Exposure Draft. It does not represent the official position of the FASB or the AcSB. Neither group has taken a formal vote on this summary as would be required for an expression of their official positions.

The Boards have tentatively concluded that segment reporting should be based on what has been called the "management approach." The management approach would change the requirements for financial reporting for segments significantly. Some of the more important changes would be as follows:

- Enterprises would disclose information about operating segments, which would correspond with the internal organization structure, that is, they would be the divisions, departments, subsidiaries, or other internal units that the chief operating decision maker evaluates in reviewing the enterprise's performance.
- Neither industry nor geographic segment information would be specifically required. An enterprise managed by industry would report operating segments on an industry basis. An enterprise managed by geographic area would report operating segments based on geographic areas.
- For segments not based on products and services, disclosure of revenues by groups of related products or services would be required. For segments not based on geography, revenues by location of the customer and assets and capital expenditures by location of the assets would be required.
- The measure of segment income or loss would be the one used by the chief operating decision maker in reviewing performance. It would not necessarily be operating income as required by existing standards. Allocations of specific expenses, assets, or liabilities to segments would be the same for external reporting as for internal performance evaluation.
- Enterprises would be required to make certain disclosures not currently required, for example, significant noncash items in segment income or loss, interest revenues and expense included in segment income or loss, and segment liabilities.
- Public companies would be required to disclose segment revenues and segment income or loss in interim financial reports.

One significant advantage of the management approach is that, because it involves information used by management, enterprises would be able to provide interim segment disclosures without incurring significant incremental costs or delaying the issuance of their interim financial reports. Information used by management is also likely to be more reliable than information prepared exclusively for purposes of complying with a disclosure requirement. Finally, segments based on a structure that exists within an enterprise are more likely to be objectively determinable and verifiable than segments based on subjective definitions of industries or businesses, and they are more likely to be consistent with management's discussion of the business in other parts of the annual report.

Statistics on enterprises' internal structures are unavailable, and consequently, the Boards cannot predict how companies would report segments under the management approach. However, it is virtually certain that few companies would disclose segment information based on both geographic difference and differences in products and services. Consequently, the Boards have tentatively decided to require conditional disclosures about products and services and geographic locations of revenues and assets. Enterprises would disclose, for operating segments that are not based on differences in products and services, revenues by groups of similar products and services, and for operating segments that are not based on differences in geography, revenues by location of customers and assets and related capital expenditures by location.

The Summary of Tentative Conclusions is being distributed to the Task Force on Consolidations and Related matters, the FASB–AcSB Advisory Group on Disaggregated Disclosures, and selected other groups. The Boards will consider comments from any interested parties. If you would like to receive a copy, please call Megan Callahan at the FASB, 203–847–0700, extension 333.

Double-Digit Dilemma: Managing Investment Expectations

Industry CPAs, do you . . .

- invest corporate assets, or manage those investments,
- invest employee-benefit plan assets (including 401-K plans),
- invest endowment fund assets,
- manage your personal investment portfolio?

If so, the 2nd Annual *AICPA Investment Planning Conference* is for you! For 1995 the conference will be held in Chicago, IL on June 12–13. Recommended CPE: 16 hours. Price: $545. For a conference brochure, call AICPA Meetings & Travel Department at 201–938–3232.

less electricity than conventional monitors. This is well worth getting since monitors are one of the most power-hungry parts of the computer. "Screen-saver" software is sometimes touted as an energy saver too, but only software designed to work with Energy Star monitors actually has any benefit. That's because blanking the screen without cutting power to the monitor has no effect on power usage. Screen savers' other claimed benefit—prevention of monitor "burn"—is also questionable. Monitor burn-in problems were common in the '70s and early '80s, but newer technology eliminated this problem nearly ten years ago.

Keyboards, mouses, etc. . . .

Keyboards and mouses (the plural form I've always preferred for the non-rodent variety of "mouse") may be the computer's least dynamic components. New "ergonomic" keyboards and mouses have come out the last year, but I've seen no convincing evidence that they're significantly better than the old ones. These, like trackballs, touch pads, mini-joysticks, etc., will always be preference items for a small number of users.

Handwriting and voice recognition are the most innovative input options to come along. However, neither of these is practical or popular yet. In my opinion, handwriting recognition will never succeed. Even when the bugs are worked out, it'll still be slower and less efficient than keyboard input (which, by the way, isn't as hard to learn as most "non-typists" fear).

Voice recognition, on the other hand, would be quite efficient if it worked, but the technology still has major drawbacks. In order to work with minimally acceptable accuracy, most voice software has to be "trained" to understand each speaker's pronunciation and requires users to pause between each word. Even then, in order to have a large enough vocabulary to understand normal speech, most voice recognition software needs much more storage capacity than most computers have. As a result, voice recognition is practical today only for a few limited-vocabulary applications. Its use will grow, however, as the technology improves and the cost of the disk storage comes down.

Multimedia

Multimedia "kits" have become the most popular extras sold on computers for home use. These kits include a sound card, stereo speakers and a CD-ROM drive. Of these, only the CD-ROM has any serious business use (except in the entertainment and graphics industries). However, many of the newer Windows programs for business use sound in the tutorials and help functions. CD-ROM drives come in three basic speeds: double speed (or 2X), which read data twice as fast the original drives, triple speed (3X) and quad speed (4X). Most multimedia upgrade kits come with the 2X drives that are fine for most graphics and text applications available today. However, as graphically-oriented programs get more powerful in the future, the speed of a 4X drive will become more and more desirable. By the way, if you do need sound, an entry-level 16-bit sound card should be fine unless you're a stereophile who can't stand less than perfect sound reproduction.

Notebook Computers

Over the past few years, many PC buyers have come to prefer notebook (and "sub-notebook") computers over desktops because they're easy to carry and don't need a lot of desk space. However, notebooks have several disadvantages in comparison with desktop PCs:

- Their screens are smaller, making prolonged use harder on the eyes.
- They have smaller keyboards (i.e., with fewer keys), which makes some keys harder to find and use.
- They don't use standard circuit boards, making most add-on devices more costly, and often more difficult to use.
- Their non-standard design makes spare parts harder to find.
- They cost 15% to 30% more than identically configured and comparably equipped desktop PCs.

Many notebook systems offer extra-cost "docking stations" that are particularly useful for users who need to use the same computer both in and away from their offices. These units support a full-size monitor and keyboard, a high-capacity disk drive and slots for a network interface card and/or other device adapters. Most important, they allow you to "dock" and "undock" the notebook quickly when you come and go.

Another way of connecting external devices is to get a notebook with one or more "PCMCIA" slots. These slots allow special credit-card-size devices (such as modems, network adapter cards, CD-ROM interfaces, etc.) to plug into the notebook one at a time (per slot). PCMCIA cards are portable but they usually cost much more than equivalent items that fit into a docking station or desktop PC. Buyers have to be careful to make sure that any PCMCIA card they get will work properly with the slot in their notebook because PCMCIA interfaces aren't totally standardized.

Other factors to look for or consider in selecting a notebook are:

- The less expensive "passive matrix" screens are just as good as the more expensive "active matrix" ones, unless you need full-motion (i.e., TV-type) video capability for presentations. However, notebooks with monochrome screens, although not nearly as "cool," are much less expensive, and most will support an external color monitor as well.
- The lithium or NiMH batteries that come on some of the newer models are valuable because they run longer on a charge and don't have the "memory effect" problems that reduce the length of time that the older NiCad variety batteries can hold a charge.

Finally, those whose notebook is a second computer should consider a wireless file updating program. However, you must also ensure that your notebook and desktop machines can support wireless communications (or get the necessary add-on infrared transmitter and receiver). This software automatically synchronizes the files on the notebook with the files on the desktop computer whenever they're both turned on and running close to one another. This ensures that the user always has the most current versions of all important files on both PCs.

Self Study and Video Courses Perfect for Industry Members

SAVE 10% when you order any 3 courses!

Benchmarking Strategies in Accounting and Finance

Effective leaders in modern organizations identify and implement the best practices. Here is a course that can help you dramatically improve the performance of your accounting and financial department.

The course presents the benchmarking methodology. You'll discover efficient strategies for uncovering gaps in performance or cost effectiveness. You'll examine opportunities for improvement in managing systems, people and resources. And you will also explore case studies in which benchmarking was responsible for outstanding corporate achievement.

Course highlights include:

- Benchmarking overview and history.
- Managing the benchmarking study.
- Methodology.
- Evaluating results.
- Legal and ethical aspects.
- Comprehensive case study.
- Government programs and awards.

Author: Mark T. Czarnecki, CPA, MBA
Recommended CPE Credit: 8 hours
Format: Text (730320CLP) $119.00

How U.S. Companies Can Profit in Foreign Markets

Learn how to evaluate a product for foreign distribution possibilities and what steps to follow to locate foreign distributors, agents and customers.

Many checklists and practice aids are included in the areas of:

- Foreign market assessment.
- Selection of export management and trading companies.
- Foreign distribution agreements.
- Forming a foreign sales company.

Author: James E. Denny, CPA
Recommended CPE Credit: 8 hours
Format: Text (731475CLP) $119.00

New! Gaining Foreign Markets Videocourse

(Available 6/15/95)

World markets are opening and the number of potential customers for goods and services of U.S. companies has never been greater. In this 2½-hour video, experts show you how to get started in international business, drawing upon their knowledge and real life experiences.

Course highlights include:

- The benefits of foreign markets.
- Finding customers.
- Obtaining assistance.
- Banking relationships and trade financing.
- Legal and tax issues.

Authors: Robert G. Atkins, CPA and
James E. Denny, CPA
Recommended CPE Credit: 8 hours group study and self study
Format: 1 VHS Tape/ Manual (182700CLP) $129.00
Additional Manual (352700CLP) $ 30.00

Today's Controller: The Total Manager

The controller's role was once strictly an accounting job. Today's controller must be prepared to take an active managerial role in addition to being a skilled accountant.

From running a department... to implementing management information systems... to providing effective financial reporting... today's controller must be an organizer, a policymaker, a financial analyst and a strategic planner — in short, a total manager. This course gives you the tools that will, together with your technical skills, qualify you for the controller's role.

Course highlights include:

- Making the transition from public to private.
- Structuring your job for maximum impact.
- Organizing your department: personnel, recruitment, job descriptions.
- Conducting effective training programs and performance reviews.
- Developing accounting policies and internal controls.
- Coordinating the internal audit process and establishing a relationship with your audit committee.
- Forecasting, budgeting and business planning.

Author: John S. Purtill, Jr., CPA
Recommended CPE Credit: 8 hours
Format: Text (731175CLP) $119.00

Selected Readings for Financial Executives: Series 3

Covering everything from technical topics to management issues, you'll find nearly 50 articles, taken from cutting edge business and professional journals. This readings course will sharpen your insight, expand your outlook and add to your financial management skills.

Recommended CPE Credit: 8 hours
Format: Text (730538CLP $79.00)
(This course is not eligible for quantity discounts.)

To order: Call 1–800–862–4272 (dept. #1), fax to 1–800–362–5066, or write the AICPA Order Department, P.O. Box 2209, Jersey City, NJ 07303–2209. These courses are also available through your state society.

Becoming a Successful Global Manager

As more and more American companies realize the necessity to tap into foreign markets for future growth, the CPA financial manager will play a vital role in making those efforts successful. In their new book, *The Global Challenge — Building the New Worldwide Enterprise,* Robert T. Moran and John R. Riesenberger detail the twelve organizational and individual competencies necessary for success in the global marketplace.

The authors divide these attributes into four major categories: attitudes, leadership, interaction and culture. How do you and the other key members of your company's management team measure up to successful global managers? Moran and Riesenberger say that these managers:

ATTITUDES

1. Possess a global mindset
2. Work as an equal with persons of diverse backgrounds
3. Have a long-term orientation

LEADERSHIP

4. Facilitate organizational change
5. Create learning systems
6. Motivate employees to excellence

INTERACTION

7. Negotiate and approach conflicts in a collaborative mode
8. Manage skillfully the foreign deployment cycle
9. Lead and participate effectively in multicultural teams

CULTURE

10. Understand their own cultural values and assumptions
11. Accurately profile the organizational and national culture of others
12. Avoid culture mistakes and behave in an appropriate manner in other countries

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Robert T. Moran, Ph.D. *has been an organizational and management consultant for more than 20 years. His clients have included AT&T, Arthur Andersen, General Motors and numerous other major international organizations. He is currently director of the Program in Cross-Cultural Communications at The American Graduate School of International Management in Glendale, Arizona.*

John R. Riesenberger *is executive director of Worldwide Strategic Marketing Services for The Upjohn Company, the $3 billion global pharmaceutical firm.*

New Publication!! Mexico: A Business and Investment Guide

According to an article in the April issue of *CFO* magazine, the recent devaluation of the peso, while creating a dicey economic situation in Mexico in the short term, has not dissuaded a number of CFO's whose companies are in it for the long haul. If your company is considering expanding into a market which most analysts predict will remain on a long term upward trend, you may wish to obtain a copy of *Mexico: A Business and Investment Guide.* The first of a planned series of international business guides made available through the efforts of the AICPA Members in Industry Executive Committee.

Look for information about future publications in this series (focusing on Canada, China and other countries) in future issues of *FMR.*

To order, call the AICPA Order Department, toll free at 1-800-862-4272 and ask for publication number 090301CJ. The cost is just $10 for AICPA members (Nonmembers $11).

Watch for the next issue of FMR in September!

CPE News

Executive Education Course to Be Held This Month

The AICPA's Executive Education Program is tailored to CPAs who would like to improve their decision-making and supervisory skills, as well as broaden their ability to think strategically. The program, comprising six short courses over three years, was developed by the University of Austin at Texas Graduate School of Business under the direction of the AICPA's Management of an Accounting Practice Committee. The next course, "Building a High Performance Team," will be held May 22–24 at the university. Recommended CPE credit: 18 hours. Registration fee: $1,000 (includes instruction, materials, lunches, coffee breaks, reception, and transportation to and from the hotel and campus). To make reservations or for more information on this course or future ones, call Laura Inge of the Practice Management Division at 212/596–6135.

Self Study

New—Meeting Today's Payroll Tax Challenges
Each year, the IRS becomes more aggressive in pursuing taxes and penalties. This course will alert members to the latest rules so they can help their clients avoid IRS pitfalls. In addition to the basics, the course covers these important topics: employee vs. independent contractor; withholding on employee benefits; expense reimbursements; electronic filing and payments; and special situations, such as domestic employees, partnerships and S corporations, employing a spouse or child, tipped workers and common paymasters. Recommended CPE credit: 8 hours. Format: Text (No. 731340CLP), $119.

New—Auditing: The Complete Guidebook
This complete, engaging and practical course guides members through the entire audit process. It gives members a thorough grounding in the audit strategy and techniques needed to survive in today's cost-conscious small business environment. Course highlights include audit concepts: the audit risk model, materiality, financial statement assertions and audit evidence; audit tools: sampling, analytical review procedures, confirmations and documenting the internal control structure; designing the audit program; identifying and resolving audit reporting issues; and workpaper documentation: avoiding common deficiencies and lawsuits. Author: Michael Ramos, CPA. Recommended CPE credit: 8 hours. Format: Text (No. 731320CLP), $119.

These courses are available from the AICPA Order Department as well as from state CPA societies.

Conferences

MICRO95: The AICPA Microcomputer Technology Conference, June 4–7, Phoenix, Ariz., recommended CPE credit: Full three-day conference: 24 hours (8 hours per day). **Spring Tax Division Meeting*,** June 5–7, Washington, D.C., recommended CPE credit: 8 hours. **AICPA/University of Virginia Banking School,** (Level II), June 11–16, University of Virginia, McIntire School of Commerce, Charlottesville, recommended CPE credit: 40 hours. **AICPA/University of Illinois National Tax Education Program,** June 19–23, June 26–30, July 10–14, July 17–21, July 24–28, Champaign-Urbana, recommended CPE credit: 40 hours each week. **Investment Planning Conference*,** June 12–13, Chicago, recommended CPE credit: 16 hours. **AICPA Divorce Conference,** June 14–16, Las Vegas, recommended CPE credit: up to 17 hours. **Financial Management Symposium*,** June 15, New York City *and* June 22, San Francisco, recommended CPE credit: 8 hours. **National Accounting and Auditing Advanced Technical Symposium,** June 26–27, Washington, D.C., and July 17–18, Kansas City, Mo., recommended CPE credit: 16 hours. **National Small Firm Conference*,** June 28–30, Charleston, S.C., recommended CPE credit: up to 24 hours. **Not-for-Profit Conference,** July 10–11, Washington, D.C., recommended CPE credit: 16 hours. **National Healthcare Conference,** July 24–25, Washington, D.C., recommended CPE credit: 16 hours. **Estate Planning Conference,** July 26–28, Washington, D.C., recommended CPE credit: up to 32 hours.

For more information, call the AICPA-CPE Division at 800/862–4272 (dept. #3, option #2). For conferences indicated by "*," contact AICPA Meetings & Travel Services at 201/938–3232.

Leisure Learning CPE Clusters

The third set of Leisure Learning CPE Clusters, featuring top AICPA discussion leaders teaching a selection of popular AICPA seminars, will be held Aug. 16–18 in Washington, D.C., and Aug. 23–25 in Jackson Hole, Wyo. Each three-day event presents an opportunity to combine vacation with one to three days of CPE. There is a choice of seminars each day; recommended CPE credit for the cluster ranges from 6–18 hours. Price: $149 for one day, $275 for two days, $375 for three days. Seminars include *Impact of Environmental Liability on Your Practice or Business; Hardhitting Tax Saving Tips for Corporations; Benchmarking Strategies in Accounting and Finance; Accounting and Auditing Annual Standards Refresher; Total Quality Management;* and *Asset Protection Techniques.* Nationally known speakers for the Wyo. presentations include William Haller, Roy C. Thornton and Mark Czarnecki. Czarnecki will also present in D.C. along with Arthur Auerbach and Gary Bulmash. To receive a brochure and be put on a mailing list for future Leisure Learning CPE Clusters, write: LaTanya Junior, LLCC, AICPA ADV#101, AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311–3881.

To order, write: AICPA Order Department, CL595, P.O. Box 2209, Jersey City, NJ 07303–2209; order via fax, 800/362–5066; or call 800/862–4272 (dept. #1). Ask for Operator CL595. The best times to call are 8:30 to 11:30 a.m. and 2:00 to 5:30 p.m., EST. Orders for exposure drafts must be written or faxed. Prices do not include shipping and handling. Have membership number ready.

Disciplinary Actions

As a result of investigations of alleged violations of the Code of Professional Conduct of the AICPA and/or state CPA societies, the following ethics cases have been resolved by settlement agreements under the Joint Ethics Enforcement Program:

■ Norman D. Shapiro of Chicago settled charges on Oct. 22, 1994, of violating Rules 201(A)—Competence, 201(B)—Due Professional Care, 202—Compliance with Standards and 203—Accounting Principles in connection with his audit of the financial statements of an employee benefit pension plan. Without admitting or denying the charges, Mr. Shapiro agreed to a two-year suspension of his membership in the AICPA and Illinois CPA Society, to take 80 hours of specified CPE courses, and to submit a sample of his work product to the Professional Ethics Division for review.

■ Jack A. Fireoved of Audubon, Pa., settled charges on Jan. 23, 1995, of violating Rules 202—Compliance with Standards, 203—Accounting Principles and 501—Acts Discreditable in connection with his performance of a governmental audit. Without admitting or denying the charges, Mr. Fireoved agreed to a two-year suspension of his membership in the AICPA and the Pennsylvania Institute of CPAs, to complete 80 hours of specified CPE courses, and to submit a sample of his work product to the Professional Ethics Division for review.

■ Martin A. Coopersmith of Philadelphia, Pa., settled charges on Jan. 30, 1995, of violating Rules 201(A)—Professional Competence and 202—Compliance with Standards in connection with his audit of the financial statements of an employee benefit pension plan. Without admitting or denying the charges, Mr. Coopersmith agreed to a two-year suspension of his membership in the AICPA and Pennsylvania Institute of CPAs, to complete 79 hours of specified CPE courses during the suspension period, and to submit a sample of his work product to the Professional Ethics Division for review.

■ Murray J. Cohen of Rosemont, Pa., settled charges on Feb. 2, 1995, of violating Rules 201—General Standards and 202—Compliance with Standards in connection with his audit of an employee benefits plan. Without admitting or denying the charges, Mr. Cohen agreed to a one-year suspension of his membership in the AICPA and the Pennsylvania Institute of CPAs, to complete 48 hours of specified CPE courses during the suspension period, and to submit a sample of his work product to the Professional Ethics Division for review.

■ Jonathan A. Katz and Joseph A. Stolzenberg of New York, N.Y., settled charges on Feb. 2, 1995, of violating Rules 201—General Standards, 202—Compliance with Standards and 501—Acts Discreditable in connection with their audits of federal student financial assistance programs. Without admitting or denying the charges, Messrs. Katz and Stolzenberg agreed to two-year suspensions of their memberships in the AICPA and the New York State Society of CPAs, to complete 71 hours of specified CPE courses during the suspension period, and to submit a sample of their work product to the Professional Ethics Division for review.

■ L. Patrick Cain of Fort Worth, Texas, settled charges on Mar. 1, 1995, of violating Rules 202—Compliance with Standards, 203—Accounting Principles and 501—Acts Discreditable in connection with his audit of a federally assisted housing project. Without admitting or denying the charges, Mr. Cain agreed to expulsion from membership in the AICPA.

■ Gerald L. Rubin of Pittsburgh settled charges on Mar. 1, 1995, of violating Rule 202—Compliance with Standards in connection with his audit of a local governmental unit. Without admitting or denying the charges, Mr. Rubin agreed to a one-year suspension of his membership in the AICPA and Pennsylvania Institute of CPAs and to complete 7 hours of specified CPE during the suspension period.

■ L. Karl Denton of Englewood, Colo., settled charges on Mar. 9, 1995, of violating Rules 201(B), 202, 203 and 501 of the AICPA's and Colorado Society of CPA's codes of professional conduct in connection with his performance of a governmental audit. Without admitting or denying the charges, Mr. Denton agreed to expulsion from membership in the AICPA and Colorado Society of CPAs.

■ Robert E. Hollander of Los Angeles settled charges on Mar. 10, 1995, of violating Rules 202—Auditing Standards and 204—Other Technical Standards of the pre-Jan. 12, 1988, *AICPA Code of Professional Conduct* in connection with his audit and review of a corporation. Without admitting or denying the charges, Mr. Hollander agreed to a one-year suspension of his membership in the AICPA, to complete 40 hours of specified CPE, and to submit a sample of his work product to the Professional Ethics Division for review.

■ F. Leighton Rowan Jr., of Palatka, Fla., settled charges on Mar. 10, 1995, of violating Rules 202—Compliance with Standards and 501—Acts Discreditable in connection with his audit of a nonprofit organization. Without admitting or denying the charges, Mr. Rowan agreed to a two-year suspension of his membership in the AICPA, to complete 80 hours of specified CPE, and to submit a sample of his work product to the Professional Ethics Division for review.

New

The ***AICPA Peer Review Program Manual*** (No. G01017CL) has been updated for the combination of the Private Companies Practice Section Peer Review Program and the AICPA Quality Review Program. It is a comprehensive loose-leaf service that contains standards, interpretations, guidelines, programs and checklists for performing and reporting on peer reviews under the AICPA Peer Review Program effective Apr. 3. Subscribers automatically receive updates issued during the year. Price: $145 member before June 1; $150 member after June 1. An annual paperback edition (No. 019006CL) is also available with programs and checklists in a format that can be reproduced. Price: $75 member, $82.50 non-member. Available through the AICPA Order Department (see page 7).

ATB for Windows Software, PFP Partner Upgrade Introduced

The AICPA's highly anticipated ATB for Windows is scheduled to be released July 15. Accountant's Trial Balance for Windows expands upon the existing family of AICPA software products. Additionally, an upgrade to the successful PFP Partner software is now available.

ATB for Windows (No. 016144CL) will allow CPAs to input accounts easily; categorize balances using the "drag-and-drop" function; and produce complete, polished financial statements while benefitting from full Windows capabilities and interfaces. Users will be able to enter trial balance information, transactions and journal entries; perform analytical procedures; and produce essential reports and analysis schedules. All data entry in the program is done via screens set up in columnar format. Having the trial balance in ATB for Windows serves as the starting point for other work done for clients, such as immediately printing journals and ledgers (in a variety of formats); performing compilations, reviews and audits; generating reports and financial statements; importing data from many popular general ledger packages; and exporting trial balance data to many of the popular tax programs.

System requirements: IBM-compatible PC running 80386 or higher (486 or Pentium recommended), 3 ½" diskette drive, 4 MB RAM minimum (8MB recommended), Microsoft Windows 3.1, and VGA monitor. Price: $695 member, $770 non-member; upgrade from ATB for DOS (No. 016143CL), $395 member, $450 non-member. Order ATB for Windows before July 15 and receive $100 off the new purchase or upgrade price.

PFP Partner 2.0 (No. 016501CL), an upgrade to PFP Partner 1.0, is now in stock. This software accelerates the mechanical, time-consuming calculations of funding requirements for education, retirement and other user-specified financial planning goals, and is capable of generating life and disability insurance needs analyses. It also has the capability to specify each spouse's separate retirement considerations, the date that Social Security begins, and the amount of the anticipated retirement period income and expenses on a year-by-year basis; an easy-to-use graphics package for illustrating various funding projections; and a text library for creating client letters, information-linking capabilities and funding tables.

System requirements: IBM-compatible PC 386 or greater; 16 MHz or higher; 3 ½" diskette drive with a hard drive; 4 MB RAM, 520K free; DOS 5.0; VGA monitor; printer capacity of 132 characters per line. Price: $595 member, $655 non-member; upgrade from PFP Partner (No. 016502CL), $295 member, $325 non-member. For PFP section members, PFP Partner 2.0 (No. 016501CL5) costs $491.25, the upgrade (No. 016503CL) $295 (*ERS Professional Standards* included with upgrade).

All AICPA software comes with three free months of technical support and a 60-day money-back guarantee. Available through the AICPA Order Department (see page 7). For more information, call the AICPA Software Hotline at 800/226–5800.

Annual Report of Ethics Division Investigation Activity

January 1–December 31, 1994
January 1–December 31, 1993

The following is a statistical report from the Professional Ethics Division of investigation activity for the years ended Dec. 31, 1993, and 1994. The AICPA and the state CPA societies participate in the Joint Ethics Enforcement Program. This report includes investigations conducted by state societies resulting in findings of ethics code violations.

Activities	AICPA Ethics Division 1994	1993
Investigations open at start of period:		
Active	413	446
Deferred—Litigation	221	235
Subtotal	634	681
Add: Investigations opened during period	389	424
Subtotal	1,023	1,105
Less: Investigations closed during period	380	471
Total	643	634
Investigations open at end of period:		
Active	445	413
Deferred—Litigation	198	221
Total	643	634
Disposition of Closed Cases*		
Trial Board	13	68
Settlement with Publication	48	N/A
Settlement without Publication	13	N/A
RCA Letter	84	121
No Violation	89	92
Complaint Dismissed	76	115
Investigation Discontinued	5	12
Complied with Follow-up	28	39
No Jurisdiction	13	4
Transfer/Return to State Society	5	10
Automatic Termination	4	8
Accept Resignation	2	–
Complaint Withdrawn	–	2
Total	380	471

*Letters of required corrective action and trial board decisions usually require respondents to attend certain CPE courses and thereafter submit examples of their work products for ethics division review. At Dec. 31, 1994, and 1993, there were, respectively, 179 and 176 case investigations being monitored for CPE attendance and follow-up review.

Washington At A Glance

PWBA Outreach and Customer Service Efforts

The U.S. Department of Labor Pension and Welfare Benefits Administration encourages employee benefit plan auditors and plan filers to call its Division of Accounting Services at 202/219–8794 with ERISA-related accounting and auditing questions and questions regarding the preparation of Form 5500. Questions concerning filing requirements should be directed to the Division of Reporting Compliance at 202/219–8770.

In addition to handling technical telephone inquiries, the PWBA is involved in numerous outreach efforts (for example, making presentations at AICPA and state CPA society functions) designed to provide information practitioners need in complying with ERISA's reporting and disclosure requirements. Questions on PWBA's outreach efforts should be directed to the Office of the Chief Accountant at 202/219–8818.

New Attestation Program for Mortgage Bankers

In May the Mortgage Bankers Association of America will release its revised *Uniform Single Attestation Program for Mortgage Bankers* (USAP). The USAP supersedes MBA's existing program (published in 1983) with an opinion-level attestation engagement performed following the AICPA's Statement on Standards for Attestation Engagements No. 3, *Compliance Attestation.* Specifically, MBA redefined the engagement to address mortgage servicing companies' compliance with the USAP's specified minimum servicing standards. The USAP will be effective for fiscal years ending Dec. 15, 1995, and later, with earlier application encouraged. Readers can order USAP copies from the MBA's Publications Dept. at 800/793–MBAA (price: $35 per copy, $30 per copy for MBA member companies).

The USAP addresses reporting on management assertions about an entity's compliance with specified criteria. SAS No. 70, *Reports on the Processing of Transactions by Service Organizations,* provides guidance on factors auditors should consider when auditing the financial statements of entities that use service organizations (such as mortgage bankers that service mortgages for others). Information about the control structure policies and procedures at mortgage bankers or other loan servicing organizations may affect assertions in the user entity's financial statements. Also, some service auditors' reports prepared according to SAS No. 70 include descriptions and results of tests of operating effectiveness of specified control policies and procedures. Accordingly, those SAS No. 70 reports may enable an auditor of the financial statements of a user entity to assess control risk below the maximum for relevant financial statement assertions. Readers should consult SAS No. 70 for additional information on how to use a service auditor's report when auditing the financial statements of a user organization.

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June 1995 Vol. 75 No. 5

The CPA Letter

A News Report to Members

Highlights of What's Inside

Work Load Compression Bill Introduced in House

AICPA gets over major hurdle

The AICPA gained important ground on May 17 in its long battle against the work load compression problems plaguing CPAs when Rep. E. Clay Shaw Jr. (R-Fla.) introduced the AICPA's work load compression proposal. Rep. Shaw is a CPA and a member of the House Ways and Means Committee.

The bill, H.R. 1661, will give back to partnerships and S corporations the right to have a tax year other than Dec. 31—a right they lost when Congress passed the Tax Reform Act of 1986.

In exchange, H.R. 1661 guarantees there will be virtually no slow down of dollars to the U.S. Treasury because of switching from a calendar to fiscal year end. Partnerships and S corporations that elect a fiscal year will be required to pay quarterly estimated taxes to the IRS on behalf of the owners. (For details about how the bill will work, see the "Member to Member...Chair's Corner" column on page 6 of this issue of *The CPA Letter*.)

"H.R. 1661's introduction offers us the best shot we've ever had of restoring natural business years for partnerships and S corporations and counteracting the crushing work load CPAs have experienced as the fallout of TRA '86," said AICPA Chair of the Board Robert L. Israeloff. "Now we can move to the next phase of our campaign to have the bill enacted."

Help Elect Candidates Who Support the Profession

Dues support needed for the PAC

The AICPA, through its political action committee, the Effective Legislation Committee, spoke loudly and forcefully on behalf of the accounting profession in the Nov. election, spending $1.9 million and scoring an 88% win rate. While this record is impressive, the financial support from the majority of the profession is not, according to the AICPA's Washington, D.C., office. Records show less than 15% of AICPA members contributed to the PAC, the average contribution being $15.85.

"We thank all the contributors for their financial support—and for carrying the load for the other 85%," said J. Thomas Higginbotham, vice-president–congressional and political affairs. "But we need much more member support if we want to continue to be effective in the nation's Capitol. Afterall, if you spread the amount given to the ELC among all AICPA members, it comes to just $1.79 each, and members of a profession who have a tremendous stake in matters being considered by Congress should be able to do better than that," he stressed.

"Legislators are writing laws that will shape the future of this profession," Higginbotham continued. "We've already seen legislation introduced to fix a broken legal liability system, solve the work load compression problem, and reform rules for S corporations. We can be players and influence the action or we can be bystanders and be influenced. Unless we get more AICPA members contributing, we may end up on the sidelines."

PAC contributions can most easily be made by contributing to the federal ELC through the annual AICPA dues statements (which will be mailed this month). Or, members may voluntarily send personal checks (made payable to Effective Legislation Committee) of any amount up to $5,000 to: AICPA Effective Legislation Committee, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311–3881.

While PACs have been criticized in recent years, they were created to reform the political system by limiting the contributions one individual can make and by providing accountability and public disclosure of all monies donated.

"Political action committees continue to be an important force in the political process," Higginbotham concluded. "They provide a means for CPAs to deliver a focused message to candidates."

News Briefs

AICPA Extends Phone Coverage for Improved Member Service

In its continuing effort to enhance member service, the AICPA's telephone lines now are open until 7:30 p.m., EST. Many membership-related requests, such as address and other data base changes, dues payment status and peer review applications, can be fulfilled (call 201/938–3100), and inquiries about products and ordering requirements or questions about specific orders placed—as well as changes to subscription services—can be handled (call 201/938–3333). Additionally, orders can be accepted for publications and software products, subscription services and CPE self-study products (call 800/862–4272, dept. #1).

Online Member Service Soon to Be Up and Running

This summer, the AICPA will launch the "Accountants Forum," a national online computer network. This Forum will:

- Enable members to communicate with the AICPA, state CPA societies, other professional associations and each other in a variety of ways (e-mail, bulletin board messages, and online conference).
- Allow the AICPA, state societies and other professional associations to deliver many of their products and services electronically. The Institute's professional literature, legislative alerts, exposure drafts and newsletters (including *The CPA Letter*) are some of the items to be available online.
- Facilitate distribution of committee agendas, minutes and other communications.
- Allow the business public to research accounting, auditing and tax information provided by the AICPA and other participating organizations.
- Allow users to research a wide variety of information sources.

See next month's *CPA Letter* for specifics on what is being offered and how to sign up for the service.

Tax Help Line Almost Here

A long-awaited member benefit, the AICPA's Tax Information Phone Service (TIPS), is just around the corner. Initially TIPS, with a planned start date of Oct. 1, will be only for members of the Private Companies Practice Section and the Tax section but is expected to open up to the full membership two years later.

The phone lines will be manned by staff committed to providing top-notch service. Members will be calling people who have solid practice experience and who will be equipped with the best electronic and print reference material available. Every effort will be made to serve members in a way that is responsive and helpful.

TIPS will operate on a "user pays" approach, based on the number of minutes of the call. The charges are $3 per minute during busy season (defined as Jan. 15 through Apr. 15) and $2 per minute other times. For help with highly complex or industry-specific issues, or for written responses, members will be referred to other CPAs knowledgeable in those practice areas (on a fee basis).

To have access to the Tax Information Phone Service, individual members can join the Tax section (a check-off on the AICPA dues bill being mailed this month), while firms should join the Private Companies Practice Section (call 800/CPA–FIRM).

Auto Leasing Program Now Offered

The AICPA is pleased to announce a new member affinity auto leasing program, available through AT&T Capital Corporation. The program, which provides very competitive rates and consumer-friendly features, offers members and their families leasing opportunities on any make or model vehicle—foreign or domestic. Most domestic cars can be factory ordered at substantial savings. For more information, call 800/405–9672 (Monday–Friday, 8:00 a.m. to 8:00 p.m., EST).

Member Forums Established for Those Overseas

The AICPA, working with members overseas, has established AICPA Member Forums outside the United States. These forums provide members with a professional and social network of CPAs in the area. Currently, there are two active forums in London and Paris. Members located in these areas who would like to affiliate should contact Heidi Blakeway-Phillips in London at 413–9569 or Marc Ghiliotti in Lyon at 78–27–50–50. Members interested in establishing Member Forums in other international locations should write: Jay Rothberg, Vice-President–Member and State Relations, AICPA, 1211 Avenue of the Americas, New York, NY 10036–8775.

Public Meeting Notices

For detailed agendas, call 800/862–4272 (dept. #6) three weeks prior to these meetings.

Accounting and Review Services Committee:
June 8–9, New York
Accounting Standards Executive Committee:
July 11–12, New York; Aug. 29–30, New York
Auditing Standards Board:
Aug. 1–3, Colorado Springs

Other Meetings
Peer Review Board: Aug. 1–2, Chicago
Personal Financial Planning Executive Committee:
June 15, Chicago

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Geoffrey L. Pickard *Vice-President—Communications*
Ellen J. Goldstein *Editor*

Accounting & Auditing News

Revision of Audit Guide on Internal Control Consideration Issued

The Auditing Standards Board recently issued an exposure draft, *Amendments to Statements on Auditing Standards and Statements on Standards for Attestation Engagements to Incorporate the* Internal Control–Integrated Framework *Report.* This exposure draft includes a proposed amendment to SAS No. 55, *Consideration of the Internal Control Structure in a Financial Statement Audit,* to incorporate the definition and description of the internal control structure contained in *Internal Control–Integrated Framework,* published by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO Report).

The SAS No. 55 amendment is expected to be available by year-end and will be effective for audits of financial statements for periods beginning on or after Jan. 1, 1997. In addition, the audit guide *Consideration of the Internal Control Structure in a Financial Statement Audit* is being revised to illustrate the effects of the amendment on practice. The revised audit guide will be available concurrently with the final statement.

Practice Bulletin on Limited Liability Companies/Partnerships Issued

Practice Bulletin 14, *Accounting and Reporting by Limited Liability Companies and Limited Liability Partnerships* (No. 033160CL), has been issued. It states that the financial statements of an LLC should be similar in presentation to those of a partnership and should be clearly identified as those of a limited liability company. Also, an LLC should disclose any limitations of members' liability, and different classes of members' interests and respective rights, preferences and privileges of each class. The PB, which is effective for financial statements issued after May 1995, also includes additional accounting, reporting and disclosure requirements. For a copy, contact the AICPA Order Department (see page 8). Price: $6.25 member, $7 non-member.

Statement of Position 95-2 Issued by AcSEC

Statement of Position 95-2, *Financial Reporting by Nonpublic Investment Partnerships* (No. 014808CL), has been issued by the Accounting Standards Executive Committee. It applies to financial statements, prepared in conformity with GAAP, of investment partnerships that are exempt from SEC registration under the Investment Company Act of 1940 (with certain exceptions). The SOP, which provides guidance on financial statement presentation and disclosure of investments, income and partners' capital, requires: (1) financial statements to include a condensed schedule of investments in securities, (2) presenting a statement of operations in conformity with the requirements for statements of operations of management investment companies in the Audit and Accounting Guide *Audits of Investment Companies,* and (3) presenting in the financial statements management fees and disclosing how they are computed.

The SOP is effective for financial statements issued for fiscal years beginning after Dec. 15, 1994, with earlier application encouraged. To obtain a copy, contact the AICPA Order Department (see page 8). Price: $8 member, $9 non-member. The SOP will be published in the Aug. issue of the *Journal of Accountancy.*

AICPA Issues Guidance for NPOs Based on "Yellow Book" Revisions

The 1994 revision to *Government Auditing Standards* (commonly known as the "Yellow Book") changed the general, field work and reporting requirements for financial audits performed in accordance with those standards (*The CPA Letter,* Jan. 1995). The revisions are effective for financial audits of periods ending on or after Jan. 1, 1995. To obtain revised illustrative auditor's reports on a not-for-profit organization's financial statement audit that conform with the 1994 revision, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 476.

Auditor reports on internal controls and compliance relating to federal financial assistance included in Statement of Position 92-9, *Audits of Not-for-Profit Organizations Receiving Federal Awards,* are not affected by the 1994 revision.

Three New Industry Audit Risk Alerts Available: Employee Benefit Plans, State and Local Governments, Not-for-Profit Organizations

Three new industry audit risk alerts, *Employee Benefit Plans Industry Developments–1995* (No. 022157CL), *State and Local Governmental Developments–1995* (No. 022158CL) and *Not-for-Profit Organizations Industry Developments–1995* (No. 022159CL), have been issued. Audit risk alerts are intended to focus auditors' attention on current economic, regulatory and professional developments that can have significant effects on the audits they perform. The alerts can help auditors increase the efficiency of audit planning by giving them concise and relevant information to enhance their understanding about how current developments might impact their clients, and also will help auditors control audit risk by focusing their attention on matters that may require special audit consideration. Price: $6.50 member, $7.25 non-member. To order, contact the AICPA Order Department (see page 8).

A Look Back at Philip B. Chenok's 15 Years as AICPA President

Philip B. Chenok will step down as AICPA President June 30 after 15 years at the helm. Reflecting on his term, one can see the many changes the profession had to adapt to and the many opportunities it had seized.

On Chenok's watch, the AICPA broadened its vision, helped members assure their clients and the public of the quality of their performance, and became a more vocal advocate for changes that would benefit not only CPAs but the public and the economy as well. The start of his presidency served as a springboard for a fresh perspective on what the profession's goals should be and how to accomplish them.

A future issues committee began the process. "[It] identified a variety of issues affecting CPAs, their clients or employers and the Institute itself, and propelled the Institute into action," Chenok said. "As a result of its work and recommendations, an ongoing strategic planning committee was formed and a formal mission statement adopted. The mission statement emphasizes the AICPA's commitment to excellence in serving the public and the profession. The strategic planning committee's periodic reports have become the guidepost for the future and have created a strategic approach for the AICPA—one still utilized."

For example, having anticipated changing demographics, the AICPA initiated an aggressive recruitment campaign to attract top-notch students into the profession, with specific emphasis on minorities and women. A Minority Scholarship Program was put in place to provide financial assistance to promising minority accounting students, while the Women and Family Issues Executive Committee encourages the profession to be more supportive of helping CPAs to balance work and home life.

In the area of enhancing CPAs' professionalism, Chenok says accountants of tomorrow must be proficient in a broader range of areas than CPAs in the past. "Being able to develop innovative solutions to organizational and planning needs will be as necessary as skills in financial reporting, auditing and taxation," he emphasizes.

Among AICPA initiatives to improve CPAs' performance was the membership vote to support *The Plan to Restructure Professional Standards*. The Plan's proposals sought to improve performance through expanded entry-level educational requirements, continuing professional education standards for the entire membership and mandatory quality review of firm accounting and auditing practices.

Another big change Chenok said the Institute had to adjust to was the tremendous growth in the number of members working in business and industry. Since 1980, this membership segment has grown from just over 57,000 members to close to 132,000 members, and now encompasses 41% of the current AICPA membership. So the AICPA's emphasis on quality performance could not stop at public accounting's door. New programs had to be developed for industry members, and the AICPA modified its ethics code so it would specifically apply to industry members. The Members in Industry Committee was elevated to executive committee status, giving it broader responsibilities for developing guidance and programs that can assist members in industry at all levels. Moreover, a Management Accounting Executive Committee was formed to help expand the skills needed by those operating in a more complex managerial environment.

To face emerging competition in specific CPA services, the Institute formed voluntary membership sections in tax, personal financial planning, management consulting services and information technology. Each of these member groups develops practice aids and other items to help members ensure quality in their specialized areas.

In the audit arena, the Auditing Standards Board issued an unprecedented series of "expectation gap" standards in 1988. More recently, in June 1993 the AICPA Board of Directors issued a report urging the SEC to require the inclusion of management and auditor reports on internal controls over financial reporting in the annual reports of all public companies. It also recommended other measures to prevent and detect fraud and emphasized the Institute's commitment to adding teeth to its self-regulatory program by improving the membership disciplinary process.

On a different tack, advocacy is another important element of the Institute's service for members, according to Chenok. The creation of a Washington office predated his term as president, but over the past 15 years the Institute expanded its ability to represent the profession in several important ways. One of them was the formation of a grass-roots effort, the Key Person Program, so that elected officials can hear the profession's messages from local CPA voters, not just from Washington spokespeople.

Tort reform is one such message. Chenok is unwavering in the belief that the profession's ability to address evolving business needs is hampered by the legal liability system. "Unwarranted litigation inhibits innovation," he said. "The AICPA is working hard to achieve liability reform at the state and federal levels. A fair replacement for the current joint and several liability system is an essential component of any meaningful protection."

Looking into his crystal ball, Chenok says CPAs will continue to deal with increasingly complex technological, environmental and economic issues as a demand for expanded services grows in an increasingly competitive environment. To facilitate CPAs' ability to prosper in such an environment, the AICPA, he says, must continue its efforts to help members forge new skills and assume new responsibilities consistent with a more equitable legal system, while the profession continues to build relationships with government regulators, legislators, bankers, lawyers and others who rely on CPAs.

"We must encourage curriculum changes that will help to equip future accountants for the challenges that lie ahead," Chenok says. "And, as more Americans are affected by international activities, CPAs must be encouraged to acquire information about national economies, business practices, social mores and the like. Perhaps most important, as globalization and competition create an even more crowded marketplace for CPAs, their employers and clients, the AICPA must help members distinguish themselves by improving the relevancy and quality of their

(continued on next page)

A Look Back (continued)

work and communicating the unique value of CPAs to employers, clients, government and the public.

"Progress these last 15 years was made possible by the willingness of members to abandon the status quo," Chenok continues. "Progress in the future will depend on the profession's ability to anticipate society's expectations and to provide the vision and strategies necessary not simply to meet those expectations, but to exceed them."

Besides his service as president, Chenok previously had served on a number of Institute committees and was chair of the AICPA Auditing Standards Board from 1976 to 1979. He currently chairs the Institute's Strategic Planning Committee, and serves as a member of the Financial Accounting Standards Advisory Council to the FASB and as an AICPA representative on the Council of the International Federation of Accountants.

An article Chenok prepared giving his perspective on the profession over the past 15 years and his views on the future appears in the June issue of the *Journal of Accountancy*.

S Corporation Reform Bill Introduced in Senate

The small business reform bill long pushed by the AICPA was reintroduced in the Senate on May 4. It would assist almost 1.7 million of the nation's S corporations by opening up new sources of investment and simplifying the tax rules under which they operate. Senators Orrin Hatch (R-Utah) and David Pryor (D-Ark.) introduced the S Corporation Reform Act of 1995 (S. 758) with 22 cosponsors, including seven members of the Senate Finance Committee.

S. 758 is a slightly revised version of the bill introduced last Congress on which the AICPA, members of the American Bar Association and the U.S. Chamber of Commerce collaborated with members of Congress. Many of the provisions in the bill are drawn from reform recommendations suggested by the AICPA, the ABA and the Chamber.

Among the 27 provisions in S. 758 are the following: Increase the allowable number of shareholders from 35 to 50; permit tax-exempt organizations, such as pension funds (including ESOPs) and charities, to be shareholders; aggregate members of one family so they can be counted as one shareholder; make it easier for families to establish trusts funded by S corporation shares; and give certain fringe benefits in S corporations the same tax treatment provided to ordinary corporations.

Senators Hatch and Pryor believe enactment of the legislation is possible this Congress, and the AICPA is continuing to move full speed ahead with its campaign to see that happen.

Tax Division Issues Pre-Release Comments Concerning S Corporations

The AICPA Tax Division has forwarded to the Department of the Treasury and the Internal Revenue Service pre-release comments concerning the treatment of an S corporation's discharge of indebtedness income and its impact on shareholders.

More specifically, the pre-release comments offer reasons in support of the Institute's view that the position taken by the IRS in Technical Advice Memorandum 9423003, dated Feb. 28, 1994, is inconsistent with existing statutory and case law. TAM 9423003 concludes that discharge of indebtedness income excluded from gross income under section 108(a) does not pass through to the S corporation shareholders as a separately stated item of tax-exempt income under section 1366(a)(1), nor does it increase the shareholders' bases in their S corporation stock under section 1367(a). The ruling further states that the amount excluded from income under section 108(a)(1) is tax-deferred rather than tax-exempt income.

To obtain a copy of the Tax Division's comments, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 943.

Members Soon to See Less Mail, More of It "Right"

As reported in previous issues of *The CPA Letter* (Feb./Mar., Jan.), the AICPA recently conducted a communications audit—an evaluation of promotional and direct-mail material sent to members. Part of the project included a survey of randomly selected members to help the AICPA identify "problem areas" and potential for reducing mailings.

Using feedback from the survey and information learned from investigating available technologies, a task force of staff members working with a direct-mail consultant came up with 25 recommendations that will reduce current total mail volume by 5 million pieces and produce a bottom-line improvement of $2.5 million for the Institute during the next two years.

Fully 13 of the recommendations will be implemented immediately. Among them are developing an AICPA mailing calendar that would show all approved mailings scheduled during the fiscal year, assigning an existing staff member to become the "AICPA Direct Mail Coordinator" responsible for overseeing all mailings, putting a catalog of publications and CPE materials on Accountants Forum (see article on page 2), and consolidating related mailings.

Other recommendations will be phased in as appropriate. Most importantly, the Institute will combine several data bases into one that will contain purchase and demographic information on members. This centralization of information is critical to better targeting mailings so that members will not only get less mail, but more of what is useful to them. Also, once this single data base is in place, further reductions in mailings and additional cost savings can be realized.

Member to Member... Chair's Corner

By Robert L. Israeloff, CPA
Chair, AICPA Board of Directors

We are rounding third and heading for home on our work load compression initiative. The absolute necessity for a tax law that allows free election of any fiscal year by S corporations and partnerships has been made clear to our supporters in Congress. We expect our tax proposal (H.R. 1661) to be considered this summer.

Since the passage of the 1986 Tax Reform Act, the availability and practicality of fiscal-year use has been severely curtailed. As a result, the work of the CPA profession has become intensely compressed into the first three and one-half months following the close of the calendar year.

It has taken a while, but the AICPA has now conceived a new approach that will answer a congressional demand for revenue neutrality. In 1986, when the top individual tax rate was only 28%, the required change to calendar years was projected to raise $1.7 billion of additional taxes in the five-year "window" used for budget scoring purposes. That amount would be much higher today, given the top 39.6% rate and the explosive growth in S corporations since 1986.

The proposal we have recommended to Congress and the Treasury Department maintains government revenues while, at the same time, allows businesses to elect any fiscal year. A "pass-through" entity electing a fiscal year would be required to pay quarterly estimated taxes on behalf of its owners. A flat statutory rate would be applied to the entity's income: For most entities, the rate will be 34%; for those whose owners themselves likely will be in the 39.6% bracket, the estimated-tax rate will be 39.6%. At the end of the partnership or S corporation year, the Form K-1 prepared for each owner would contain his/her share of reportable income and how much estimated tax the owner could take credit for on his/her personal tax return.

We have fought for a *de minimis* rule, one that would exempt entities with small amounts of income from having to pay the estimated tax. At this writing, our proposal includes a $5,000 tax exemption ($15,000 of entity income). There are, obviously, no guarantees as to what will remain in the final legislation.

I believe the overall approach is sound and equitable. Clients should not object to switching to fiscal years because the new law does not add any financial burden. Individuals would have a credit for estimated tax paid by the entity on their pass-through income, and would not have to pay that amount themselves. One estimated tax offsets the other. Furthermore, the early payment by the entity is a substitute for the payment of personal tax by the owner on the income now to be reported in the next calendar year in which the entity's fiscal year ends. This is clearly better than the present system which requires a non-interest bearing deposit to be left with the government as the price for a limited (Sept.–Nov.) fiscal-year election.

Now that the AICPA has a viable proposal, we must be certain not to be thrown out at home plate. Our Washington office is leading a sophisticated lobbying effort, including the use of a professional economics consulting group, a professional legislative drafter, a firm to generate coalition support, and our own Key Person congressional grass-roots volunteers.

We are going to ask for help from every AICPA member. This is our issue!! When you are asked (not before) to contact your congressional representative with our message, please do so. The game is on the line!

To contact Bob Israeloff, call 516/872-3300 or fax 516/872-3128.

Contributions to Minority Program, Benevolent Fund Encouraged

In addition to the Institute's political action committee (see page 1), members will again have the opportunity to contribute to two AICPA initiatives when their dues bills for 1995–96 arrive shortly. The Institute encourages members to consider supporting the Minority Scholarship Program and the Benevolent Fund.

Scholarships to deserving minority accounting students are awarded through the Minority Scholarship Program. The program awarded a total of $444,000 to 190 undergraduate and 24 graduate students for the 1994–95 academic year, thanks to contributions from approximately 45,000 members.

The Benevolent Fund has been providing financial assistance to needy members and their families for more than 60 years, and more than 48,000 members had contributed to the fund this fiscal year.

While contributions to these funds can be made at any time, the check-offs on the dues bill provide a convenient way to do so. These contributions are tax deductible.

1995 Outstanding CPA in Business and Industry Announced

John R. Clay, co-founder, president and chief executive officer of Practitioners Publishing Company, is this year's recipient of the AICPA Outstanding CPA in Business and Industry Award. Through the products it publishes, PPC services a large segment of local CPA firms and sole practitioners around the country.

Clay was presented the award before about 500 financial executives at last month's AICPA Spring National Industry Conference. The award recognizes the achievements of CPAs employed in business and industry and promotes the CPA designation as the premier professional credential for financial managers.

Involved in public service, Clay is the founder of a sports program for inner-city children known as Youth Sports Council of Fort Worth Inc., the current director of Because We Care Inc.—an organization involved with drug prevention programs, and a member of the executive committee of Challenge Inc.

Members Invited to Participate in Annual, Council Meetings

AICPA members are invited and encouraged to attend this year's Annual Members' Meeting and fall meeting of Council in Palm Springs, Calif., on Oct. 23–24. The meetings have been expanded and restructured to focus on leadership and to allow for greater interaction among participants. Preceding the Annual Member and fall Council meetings will be an orientation session for incoming Council members that will concentrate on how Council operates on a practical level and a meeting of AICPA committee chairs that will focus on major goals for the year and issues that must be addressed. On-site meetings of several key committees will also take place. Members are invited to attend the Committee Chairs' Meeting, Annual Members' Meeting, meeting of Council, and the luncheons and reception.

For more information and registration material, call AICPA Meetings & Travel Services at 201/938–3232. The participants and format for these meetings are as follows:

■ *Saturday, Oct. 21*
Morning
Orientation session for incoming Council members
Afternoon
Golf tournament
Evening
Hospitality suite

■ *Sunday, Oct. 22*
Morning and Afternoon
Committee Chairs' Meeting
Evening
Hospitality suite

■ *Monday, Oct. 23*
Morning
Annual Members' Meeting
Concurrent
Fall Meeting of Council
Meetings of selected AICPA committees
JOINT LUNCHEON
Afternoon
Fall Meeting of Council
Meetings of selected AICPA committees
Evening
Joint Reception

■ *Tuesday, Oct. 24*
Morning
Fall Meeting of Council
Breakout sessions for Council, committee chairs, members of committees meeting on-site, AICPA members and others
JOINT LUNCHEON
Afternoon
Concurrent
Fall Meeting of Council
Meetings of selected AICPA committees

A registration form will appear in the July *CPA Letter*.

Technology Is Becoming a Necessity to Do Business, Say Members

To better understand members' needs and concerns in the area of information technology, the AICPA recently surveyed a random sample of 4,000 members. Not surprisingly, when asked about issues and trends affecting the profession over the next three to five years, fully 96% of respondents agreed that technology was becoming a necessity in order to do business. Similarly, 91% said "development of technologies to organize work and maximize efficiency and productivity" was very or somewhat important.

However, results also show that members, by and large, are not as well versed in the information technology arena as they need to be to compete effectively in today's business environment. While 98% of survey respondents said they use a computer at work, more than half said they spend on average only one to five hours a month learning about technology. When asked to rate their present level of technological competence on a scale of 1 to 10, respondents rated themselves, on average, just 5.7.

"The results show that while members realize information technology is important to their success, they still have a lot to learn about technology and need to do a better job utilizing it to maximize profitability," said Robert Wynne, chair of the Information Technology Executive Committee. "That's why the AICPA has cited getting members up to speed on information technology as one of its top strategic initiatives."

To obtain a summary of the survey's results, dial 201/938-3787 from a fax machine, follow the voice cues and select document no. 550. For information on the IT member section, call Nancy Cohen at 212/596–6010.

Disciplinary Actions

As a result of decisions by hearing panels of the Joint Trial Board, the following members have had their memberships:

—*Terminated:*

■ William A. Somers Jr. of New York City on Feb. 23, 1995, for failing to cooperate with the AICPA in a disciplinary investigation of a complaint.

■ Pamela J. Jean of Dexter, Mo., on Aug. 10, 1994, for failure to comply with the directives in a letter of required corrective action. Ms. Jean's request for a review of the decision of the trial board was denied on Dec. 13, 1994, the effective date of the termination.

—*Admonished:*

■ William Romani Jr. of Avon, Conn., on Feb. 23, 1995, for violating Rules 204–Other Technical Standards and 202–Compliance with Standards of the AICPA and CSCPA, pre- and post-Jan. 12, 1988, Codes of Professional Conduct for failing to disclose lack of independence in compilation reports issued for the years ending Dec. 31, 1983, through Dec. 31, 1989. Mr. Romani is required to complete a specified CPE course.

■ Charles J. Orlando of Clinton, N.J., on Dec. 13, 1994, for failure to cooperate with an ethics investigation. Mr. Orlando's request for a review of the decision of the trial board was denied on Feb. 23, 1995, the effective date of the admonishment.

Highlights of AICPA Board of Directors' Apr. Meeting

At its meeting on Apr. 27–28 in Washington, D.C., the AICPA Board of Directors:

- Voted to send to AICPA Council a proposal for a program to consolidate air travel arrangements which would be required for all members seeking reimbursement for committee-related activities.
- Approved the development of a CD-ROM and accompanying materials to use in attracting high-potential college students to careers as CPAs.
- Approved the procedures of the International Qualifications Appraisal Board for dealing with international reciprocity issues.
- Provided input on the structure of a symposium for under 35-year-old members to learn how the AICPA can be more responsive to younger members' needs and involve them in Institute activities.
- Approved a proposal to develop a depreciation software package in Windows format.
- Discussed the direction of the new Special Committee on Regulation and Structure of the Profession.
- Received reports from the chairs of the Special Committee on Assurance Services and the Public Oversight Board.
- Heard presentations from: Senator Christopher Dodd on liability reform and other matters; Norm Ornstein of the American Enterprise Institute on the current political environment; and William Taylor, President of the American Society of Association Executives, on the issues impacting professional societies and other associations.
- Received recommendations from the consultant retained to assist with an evaluation of AICPA promotional and direct-mail material to reduce mailings and lower costs (see page 5).
- Approved a revision to the AICPA's long-term investment guidelines to enable limited investment in foreign and small capitalization equities.
- Heard the plans and initiatives of Barry C. Melancon, the next AICPA President.
- Heard from the Finance Committee that the forecast for fiscal 1994–95 is expected to be about $5 million excess revenue over expenses.
- Approved sending a budget to Council for fiscal year 1995–96 which shows an excess of revenues over expenses of about $3 million without any dues increase and after providing for an advertising program to enhance the image of CPAs and the implementation of FAS 106 (*Employers' Accounting for Postretirement Benefits Other Than Pensions*).
- Authorized expansion of the information on member firms of the AICPA Division for CPA Firms published in the division's directory.
- Approved tentative agendas for the Spring Meeting of Council and the Annual Members' Meeting/Fall Meeting of Council.
- Heard a debate on the contributions by the Accounting Education Change Commission to accounting education.

New Products & Publications

General Construction Contractors (No. 055157CL) is a publication of the Management Consulting Services Division that describes the general commercial construction industry, industry trends and critical operating issues that practitioners may encounter during a consulting services engagement. It also provides information that will help practitioners expand their services and identify the resources available that will help them provide services to general construction contractors. Sample checklists and forms provide additional practical guidance. Price: $14.50 member, $15.95 non-member. One gratis copy has been sent to each MCS section member.

Consulting Engagement Letters and Checklists (No. 055011CL), a two 3-½" diskette set that runs through WordPerfect 5.1, presents more than 30 sample engagement letters that document practitioner understandings with clients for management consulting engagements. The disks contain letters that can easily be customized for a wide range of consulting services in finance, planning, human resources, operations, information technology and litigation services. Many checklists, forms and questionnaires that support management consulting engagements and management consulting practice administration and development are also included. Price: $47.50 member, $52.50 non-member.

Two new volumes have been issued in the AICPA's **Integrated Practice System Engagement Manuals** series. Each manual costs $110 member, $120 non-member; updates are mailed automatically and may be returned within 30 days to incur no charges.

Quality Control Manual for CPA Firms (No. 008867CL)—The AICPA Quality Review Program and the PCPS Peer Review Program were combined as of Apr. 3. To help members understand how this will affect their peer reviews, the AICPA updated the *Integrated Practice Quality Control Manual for CPA Firms* to reflect the combination. This comprehensive quality control resource gives members all the guidance they need. Plus, every page of the manual is reviewed annually by the AICPA's Peer Review Division.

Not-for-Profit Organizations Audit Manual (No. 008864CL)—This newly revised manual is a "must-have" for the not-for-profit auditor—an all-inclusive source to help with every aspect of a not-for-profit audit. The new edition includes new chapters on tax considerations and providing consulting services to not-for-profits, and expanded information on 1994 "Yellow Book" revisions.

To order, write: AICPA Order Department, CL695, P.O. Box 2209, Jersey City, NJ 07303–2209; order via fax, 800/362–5066; or call 800/862–4272 (dept. #1). Ask for Operator CL695. The best times to call are 8:30 to 11:30 a.m. and 2:00 to 7:30 p.m., EST. Orders for exposure drafts must be written or faxed. **Prices do not include shipping and handling. Have membership number ready.**

Have frequently called AICPA telephone numbers at your fingertips with the specially prepared card below. Note that there are numbers on both sides.

Write the name and telephone number of your staff contact, as well as your membership number, where indicated in the lower right corner of the card.

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FEDERAL/STATE LEGISLATION,
TAX DIVISION
1455 PENNSYLVANIA AVENUE, NW
WASHINGTON, DC 20004–1081

NEW JERSEY

HARBORSIDE FINANCIAL CENTER
201 PLAZA THREE
JERSEY CITY, NJ 07311–3881

AICPA

AICPA...Where to Turn

All address and job change information should be mailed or faxed to Membership Records in N.J. (the changes will be made automatically for all publications included in your membership).

AICPA Staff Contact: ____________________

Phone Number: ____________________

Office Location: NY NJ DC
(circle one)

AICPA, New York	212/596–6200
Fax number	212/596–6213
AICPA, New Jersey	201/938–3000
Tie–line	212/318–0500
Fax number	201/938–3329
AICPA, Washington	202/737–6600
Fax number	202/638–4512
AICPA CPE Course Information	800/TO–AICPA
AICPA Fax Hotline (dial from fax machine)	201/938–3787
AICPA Political Action Committee	202/434–9205
Academic and Career Development	212/596–6222
Recruiting for the Profession	212/596–6220
Advertising (*Journal of Accountancy, The Tax Adviser*)	
Classified ads	201/938–3293
Display ads	201/938–3295
Accounting and Review Services	212/596–6031
Accounting Research Association	201/938–3280
Accounting Standards	212/596–6165
Audit & Accounting Guides	212/596–6196
Auditing Standards	212/596–6036
Benevolent Fund	201/938–3490
Committee Appointments	212/596–6096
CPA Client Bulletin, CPA Client Tax Letter	
CPA HealthCare Client Letter	
— Subscriptions (Order Department)	800/TO–AICPA
— Editorial	201/938–3301
The CPA Letter (editorial)	212/596–6112
Division for CPA Firms (public file information)	
— outside New York State	800/272–3476
— within New York State	212/596–6100
Private Companies Practice Section	212/596–6145
SEC Practice Section	212/596–6141
Examinations (Uniform CPA Exam)	201/938–3429
Federal Government Affairs	202/434–9209
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General Counsel	212/596–6245
Industry Member Programs	212/596–6122
Information Technology (not for software)	212/596–6010
Joint Trial Board (disciplinary actions)	212/596–6098
Journal of Accountancy (editorial)	201/938–3292
Library Services	800/TO–AICPA
Fax number	212/596–6287
Management of an Accounting Practice	212/596–6139
Management Accounting	201/938–3011
Management Consulting Services	201/938–3503
Meetings and Travel	201/938–3232
Member Programs and Benefits	212/596–6129
Membership Records (until 7:30 p.m., EST)	201/938–3100
Fax number	201/938–3108
Minority Initiatives	212/596–6227
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Retrieval Services (NAARS)	201/938–3248
Order Department (until 7:30 p.m., EST)	800/TO–AICPA
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The Practicing CPA (editorial)	212/596–6146
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Customer Service (until 7:30 p.m., EST)	201/938–3333
Taxation (not for technical inquiries)	202/434–9226
The Tax Adviser (editorial)	201/938–3444
Technical Information Hotline	800/TO–AICPA
(auditing and accounting practice inquiries)	
Women and Family Issues	212/596–6226

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Professional Liability	800/221–3023
National General Insurance Co	
Automobile	800/847–2886
Home	800/847–7233
Auto Leasing (AT&T Capital Corp.)	800/405–9672
Car Rental (Hertz)	800/654–2200
Car Rental (National)	800/227–7368
Computers (Dell Corporation)	800/568–8313
Credit Card (Marine Midland Bank)	800/850–3144
Employment Referral Service	
(CPA JOB BANK)	800/939–1040
Forms/Supplies (Wallace, contract CA252)	800/782–4892
Home Mortgages and	
Equity Loans (Prudential)	800/272–1210
Long Distance Telephone (Sprint)	800/473–0898
Overnight Delivery (Airborne Express)	800/MEMBERS
Retirement Programs (T. Rowe Price)	800/38–AICPA
Xerox Corporation	800/832–6979, ext. CPA

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New York, NY 10036–8775

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Washington, D.C.
1455 Pennsylvania Avenue, NW
Washington, DC 20004–1081

(Clip for reference)

Listing of Staff Contact/Member Assignments

Below is a listing of AICPA staff contact/member assignments (*The CPA Letter*, Nov. 1994). Members should use their last names to locate their staff liaisons. Upon finding their staff liaisons, members are encouraged to write that person's name, telephone number and office location where indicated on the directory of AICPA services featured on page 9 (clip and save the directory for future reference). **Items appearing in boldface indicate changes since the previously published listing.**

Members with Last Name...	AICPA Contact		
A—Adams, B.	**Peter Kieran**	**201/938-3758**	**NJ**
Adams, C.—Ahlgrem	Walling Almonte	201/938-3262	NJ
Ahlgren—Alexaniam	Joan Elizabeth Anderson	201/938-3323	NJ
Alexanian—Alpineq	Susan Anderson	201/938-3352	NJ
Alpiner—Anderson, B.	Claudia Ascione	201/938-3075	NJ
Anderson, C.—Andrewr	Dale R. Atherton	201/938-3253	NJ
Andrews—Archeq	Christopher Bacey	212/596-6108	NY
Archer—Arvom	Sheri B. Bango	202/434-9201	DC
Arvon—Austri	Marie T. Bareille	201/938-3299	NJ
Austria—Baggin	Maria Beck	202/434-9204	DC
Baggio—Bakkn	Joseph Bentz Jr.	201/938-3584	NJ
Bakko—Baranskh	Phyllis Bernstein	201/938-3808	NJ
Baranski—Barnex	Carol Bertolotti	201/938-3570	NJ
Barney—Bartom	Bruce Howard Biskin	201/938-3421	NJ
Barton—Baumblats	James Dean Blum	201/938-3419	NJ
Baumblatt—Becj	Susan Lynn Bolmer	212/596-6039	NY
Beck—Belaiq	Robert Boos	201/938-3479	NJ
Belair—Benity	Celeste Booth	212/596-6013	NY
Benitz—Bergerom	Donna Borowicz	201/938-3210	NJ
Bergeron—Bersr	**Elaine Lehnert**	**212/596-6160**	**NY**
Berss—Biggh	R. Bruce Brasell	201/938-3014	NJ
Biggi—Black, G.	Edith Breitner	201/938-3176	NJ
Black, H.—Bletg	Richard Bruder	201/938-3482	NJ
Bleth—Bodni	Jeanmarie Brusati	201/938-3405	NJ
Bodnia—Bonfif	Luis E. Cabrera	201/938-3059	NJ
Bonfig—Bostateq	Barbara Ann Capek	212/596-6014	NY
Bostater—Boyanoskh	**Emanuela LiMandri**	**212/596-6247**	**NY**
Boyanoski—Brail	Emma Jeanette Carlson	201/938-3517	NJ
Braim—Brehk	Matthew C. Carr	201/938-3198	NJ
Brehl—Brimlex	Michael Frederick Chen	201/938-3213	NJ
Brimley—Brooksheaq	Carmela Chinnici	212/596-6114	NY
Brookshear—Brown, L.	Gennaro Cicalese	201/938-3171	NJ
Brown, M.—Brunnes	**Lisa Snyder**	**201/938-3779**	**NJ**
Brunnet—Bueckeq	Joseph M. Ciccone	212/596-6229	NY
Buecker—Burgin	Gene Cioffi	201/938-3449	NJ
Burgio—Burtcg	Carla Ciuffo	201/938-3322	NJ
Burtch—Byingtom	Hal Clark	201/938-3248	NJ
Byington—Callahal	James Salisbury Clark	202/434-9229	DC
Callaham—Canahah	Sarah Cobb	201/938-3290	NJ
Canahai—Cargilk	Susan S. Coffey	201/938-3177	NJ
Cargill—Carrabind	Arlene Cohen	201/938-3534	NJ
Carrabine—Casell	Nancy Cohen	212/596-6010	NY
Casella—Cavedn	Sheila D. Colclasure	202/434-9263	DC
Cavedo—Chancx	Mary Conte	201/938-3109	NJ
Chancy—Chen, L.	Brian Cooney	202/434-9218	DC
Chen, M.—Chmielory	Jeryl A. Costello	201/938-3450	NJ
Chmielorz—Ciaravinn	Joseph Cote	201/938-3535	NJ
Ciaravino—Clark, S.	Katharine W. Coveleski	201/938-3391	NJ

Members with Last Name...	AICPA Contact		
Clark, T.—Clufe	Shirley Crawford	201/938-3233	NJ
Cluff—Cohen, Q.	Patricia A. Cummings	212/596-6196	NY
Cohen, R.—Collins, J.	Raymond Cuneo Jr.	212/596-6064	NY
Collins, K.—Connerr	Nadine A. Cunningham	212/596-6020	NY
Conners—Cooncd	Julia Esposito	201/938-3505	NJ
Coonce—Corq	John Daidone	212/596-6220	NY
Corr—Cowam	Irene Dajka	201/938-3203	NJ
Cowan—Crawford, K.	Dave Dasgupta	212/596-6111	NY
Crawford, L.—Crottr	Arline Dederick	201/938-3572	NJ
Crotts—Cunningham, J.	**Richard Koreto**	**201/938-3412**	**NJ**
Cunningham, K.—Dagf	Yolanda deJesus	201/938-3422	NJ
Dagg—Daniels, D.	Linda Delahanty	201/938-3416	NJ
Daniels, E.—Davinh	Josephine DeLosReyes	212/596-6216	NY
Davini—Dawsom	Anita Dennis	201/938-3285	NJ
Dawson—Deel	Nina Suzanne Diamond	201/938-3201	NJ
Deem—Deltorn	Francine Diana	201/938-3880	NJ
Deltoro—Derb	Rachel Dichter	201/938-3567	NJ
Derba—Deyn	Robert F. DiCorcia	201/938-3392	NJ
Deyo—Dillarr	George N. Dietz	201/938-3179	NJ
Dillars—Dobid	Julie Dilley	201/938-3051	NJ
Dobie—Donnelly, G.	Lisa Dinackus	202/434-9276	DC
Donnelly, H.—Doverr	Francesca DiPietro	201/938-3435	NJ
Dovers—Droppld	Sheila Dolan-Manner	201/938-3453	NJ
Dropple—Dunbaq	Patricia Donius	201/938-3353	NJ
Dunbar—Duy	Lynn Drake	202/434-9214	DC
Duz—Eckers	**Barbara Considine**	**201/938-3208**	**NJ**
Eckert—Ehrif	George Durk	201/938-3174	NJ
Ehrig—Elliott, P.	Stuart Eisenberg	201/938-3481	NJ
Elliott, R.—Engelteq	Rick Elam	212/596-6006	NY
Engelter—Eskh	Carol Ann J. Fagan	201/938-3401	NJ
Eski—Ewelk	Kimberly Falco	201/938-3442	NJ
Ewell—Faric	Madelaine Feldman	201/938-3293	NJ
Farid—Feenex	Carol Ferguson	202/434-9243	DC
Feeney—Fernander	Helen Figueroa	201/938-3676	NJ
Fernandes—Finazzn	Herbert Finkston	201/938-3175	NJ
Finazzo—Fisher, K.	Nick Fiore	201/938-3444	NJ
Fisher, L.—Fleming, K.	Gretchen Fischbach	201/938-3180	NJ
Fleming, L.—Fom	Peter Fleming	201/938-3286	NJ
Fon—Foster, F.	Joanne Mary Flood	201/938-3561	NJ
Foster, G.—Frangipand	Richard Flynn	201/938-3295	NJ
Frangipane—Freeman, P.	Mary Foelster	202/434-9259	DC
Freeman, Q.—Frittr	Sharon Free	201/938-3077	NJ
Fritts—Furbers	William Norris Free Jr.	201/938-3202	NJ
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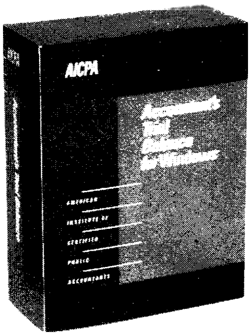

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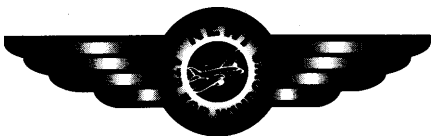

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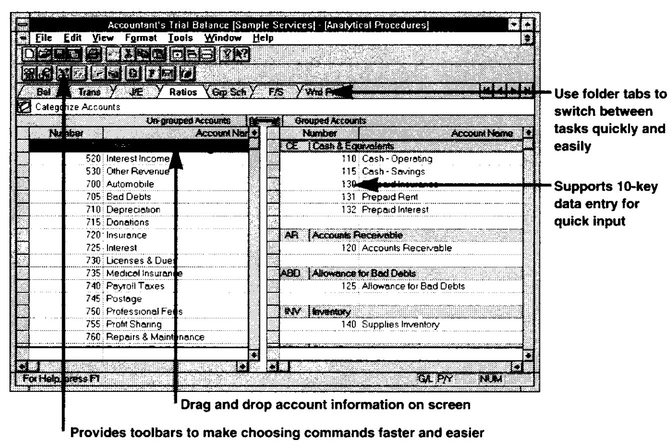

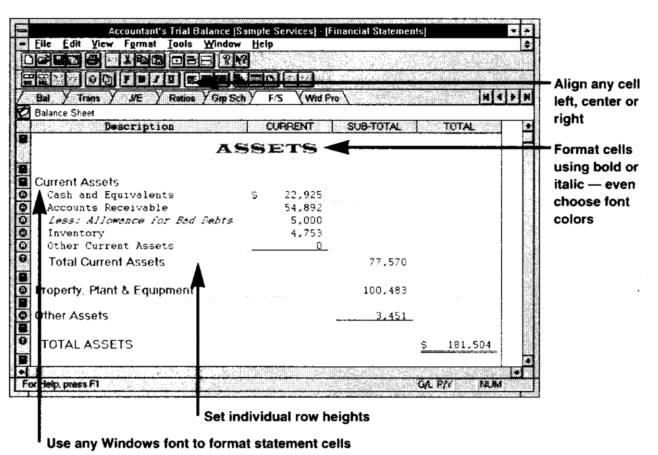

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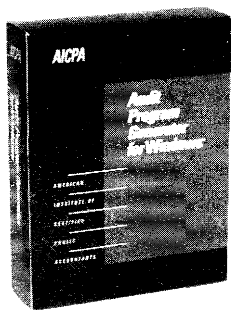

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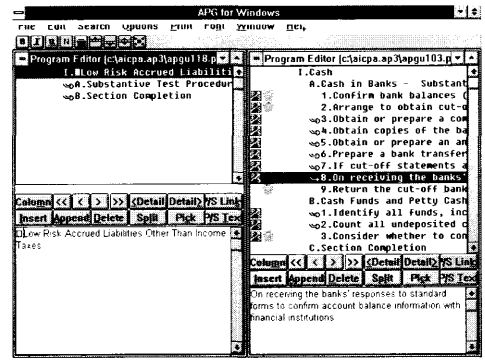

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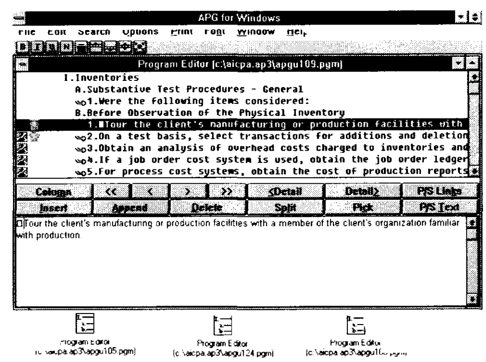

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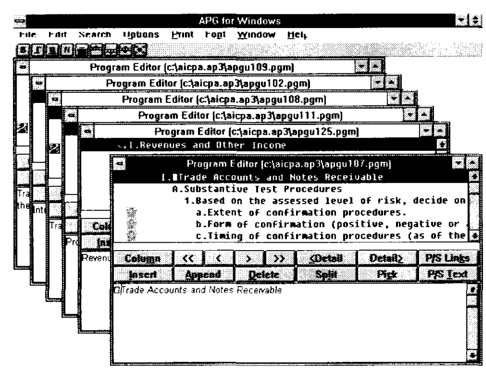

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New—Government Accounting and Auditing Update (1995–96 Edition) is an annual course that clarifies the most significant recent accounting and auditing requirements for state and local government entities. The contents are *entirely new* this year. Course material is drawn from standards and pronouncements of the GASB, AICPA, OMB, PCIE and GAO. Course materials include copies of key pronouncements covered in the course. Author: W.A. Broadus Jr., CPA. Recommended CPE credit: 10 hours. Format: 2 audiocassettes/workbook (No. 736455CLQ), $129; additional workbook (No. 736456CLQ), $74.50.

New—Nonprofit Accounting and Auditing Update (1995–96 Edition) covers the most important accounting and auditing pronouncements for not-for-profit organizations issued in the past year and new pronouncements likely to come out in the near future. It takes up new requirements of the OMB, GAO, PCIE, FASB and AICPA. Course materials include copies of key documents covered. Author: W.A. Broadus Jr., CPA. Recommended CPE credit: 10 hours. Format: 2 audiocassettes/workbook (No. 742020CLQ), $129; additional workbook (No. 742025CLQ), $74.50.

Available through the AICPA Order Department (see page 8) as well as through state CPA societies.

Conferences

Not-for-Profit Conference, July 10–11, Washington, D.C., recommended CPE credit: 16 hours. **National Tax Education Program,** July 10–14 (Week 3), July 17–21 (Week 4), July 24–28 (Week 5), University of Illinois, Champaign-Urbana, Ill., recommended CPE credit: 40 hours per week. **National Accounting and Auditing Advanced Technical Symposium,** July 17–18, Kansas City, Mo., recommended CPE credit: 16 hours. **National Healthcare Conference,** July 24–25, Washington, D.C., recommended CPE credit: 16 hours. **Estate Planning Conference,** July 26–28, Washington, D.C., recommended CPE credit: up to 32 hours. **AICPA Advanced Litigation Services Conference,** Aug. 3–4, Boston, recommended CPE credit: up to 17 hours. For more information, call the AICPA-CPE Division at 800/862–4272 (dept. #3, option #2).

Group Study

Presentations of AICPA/AHI Staff Training Seminars begin this month across the country. These intensive workshops, recognized as the leading programs of their kind for staff accountants, provide "real world" training at four different levels of experience: basic (1–10 months), semi senior (10–22 months), beginning in-charge (20–36 months), and supervisory (34–54 months). The first three levels are available in three- and five-day formats; the supervisory level is offered in three-day format only.

Staff Training–Basic effectively bridges the gap between theory learned in college and the application skills needed in practice. It provides intensive training in compilation, review and audit procedures. **Staff Training–Semi Senior** helps first- and second-year staff develop the skills they need to handle small engagements capably and competently. **Staff Training–Beginning In-Charge** focuses on a battery of advanced engagement skills. It is designed to help in-charges plan better, make better evidence decisions and improve engagement quality and profitability. **Staff Training–Supervisory** offers supervisory staff extensive training in the business aspects of engagement management. Topics include engagement planning, staff supervision, management advisory services and billing and collection.

For a brochure with course details, presentation schedules and registration information, write: LaTanya Junior, AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311–3881; call 800/862–4272 (dept. #3, option #2). Be sure to mention ADV#102 in all phone and mail requests. Or, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 709.

401(k) Brochure Released Before DC Media

At a recent press briefing in Washington, D.C., the AICPA unveiled an easy-to-follow guide that demystifies company 401(k) plans and helps employers educate workers on savings strategies and options. *Saving for a Secure Retirement: How to Use Your Company's 401(k) Plan* (No. 059516CL) helps readers to determine how much they will have to accumulate to meet their total retirement needs given their current lifestyles, and how much to invest in their 401(k) plans as part of the total requirements.

The booklet, developed by the Employee Benefit Plans Task Force, contains tables and a worksheet and discusses various types of investments, as well as basic saving and investment concepts. It is written in terms everyone can understand.

Prices: Single copy: $2.25 member, $2.50 non-member. Bulk: 25 copies $20 member, $22 non-member; 50 copies $30 member, $33 non-member. Available through the AICPA Order Department (see page 8).

Washington At A Glance

SEC Staff Issues Guidance on Gain or Loss of Debt

The SEC staff has issued Staff Accounting Bulletin No. 94 expressing certain views of the SEC regarding the period in which a gain or loss is recognized on the extinguishment of debt. SAB No. 94 appeared in the Apr. 24 *Federal Register.* To obtain a copy of the notice and SAB No. 94, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 404.

SEC Staff Issues No Action Letter for Transfer Agents' Internal Control Reports

In Feb., the Auditing Standards Board, on behalf of the AICPA, requested that the Securities and Exchange Commission staff adopt a "no action" position regarding reports on the internal control structure of transfer agents issued under Statement on Standards for Attestation Engagements No. 2, *Reporting on an Entity's Internal Control Structure Over Financial Reporting,* and consider such reports as being in compliance with Rule 17Ad-13 of the Securities Exchange Act of 1934.

SSAE No. 2 was issued in May 1993 and superseded Statement on Auditing Standards No. 30, *Reporting on Internal Accounting Control.* Reports on the internal control structure of transfer agents were previously issued under SAS No. 30. However, practitioners are now required under the *AICPA Code of Professional Conduct* to follow SSAE No. 2 and may no longer issue reports under SAS No. 30.

In Apr., the SEC staff responded to the AICPA in a letter stating that no action will be taken if reports on the internal control structure of transfer agents are prepared in accordance with SSAE No. 2. Practitioners should use the sample report developed by the ASB when preparing internal control reports for transfer agents. To obtain this sample internal control report, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 475.

SEC Names Successor for Chief Accountant Post

SEC Chairman Arthur Levitt has announced the appointment of Michael H. Sutton as its chief accountant. Sutton will assume the position, which had been vacant since Mar. when Walter Schuetze retired from the post, sometime this month.

Sutton has served as the national director of accounting and auditing professional practice for Deloitte & Touche since 1990. He previously held other positions with Deloitte since joining that firm in 1963. Sutton also was vice-chair of the AICPA's Special Committee on Financial Reporting, and has been an active member of the Financial Accounting Standards Board's Emerging Issues Task Force and the FASB's Financial Accounting Standards Advisory Council.

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July 1995 Vol. 75 No. 6

The CPA Letter

A News Report to Members

Highlights of What's Inside

The next issue of *The CPA Letter* will be a combined issue for the months of Aug. and Sept., to be published in Sept.

Senate Poised to Vote on Securities Litigation Reform Bill

Vote expected before July 4

The Senate was poised to vote (as *The CPA Letter* went to press) on a securities litigation reform bill that is strongly supported by the AICPA. The campaign for securities litigation reform jumped an important hurdle in late May when the Senate Banking Committee cleared S. 240, by an 11–4 bipartisan vote. AICPA Key Persons immediately launched an all-out lobbying effort for passage of S. 240. Senate leaders scheduled the bill for consideration the week before the July 4th congressional recess.

The bill approved by the Senate Banking Committee is an amended version of the legislation introduced by Senators Pete Domenici (R-N.M.) and Christopher Dodd (D-Conn.). Senate Banking Committee Chairman Alfonse D'Amato (R-N.Y.) took a leading role as the architect of the amended bill. He worked closely with Senators Domenici and Dodd and the other members of the Banking Committee who wanted to correct abusive securities litigation practices. They crafted a bill that could be supported by both Republicans and Democrats to, among other things, shield peripheral defendants (accountants) in meritless shareholder suits.

S. 240 would provide protection for accountants by establishing proportionate liability for defendants who do not engage in knowing fraud, creating a safe harbor for predictive statements, and including provisions to prevent abusive litigation practices which will help investors gain more control over securities class action suits. In addition, S. 240 includes a provision regarding auditor notification relating to fraud that the AICPA did not oppose.

The Institute is optimistic that the Senate will pass S. 240 and that members of the House and Senate will be able to negotiate a compromise between S. 240 and the House-passed bill (*The CPA Letter*, Apr.) that President Clinton will not veto.

Highlights of May Council Meeting

New AICPA budget approved, public service award presented

At its meeting on May 22–24, the Institute's governing Council:

- Approved a program to consolidate air travel arrangements that would be required for all members seeking reimbursement for committee services.
- Viewed a demonstration of "Accountants Forum," an online computer network on CompuServe that was launched on June 30. The Forum represents a completely new way of delivering information and products to members, facilitating communications with and among members, and offering the AICPA's and state CPA societies' publications and CPE courses (see page 7).
- Approved a budget for 1995–96 without a dues increase that, among other things, incorporates a new communications program to enhance the image of the CPA (see page 8).
- Presented the third annual AICPA Public Service Award to Richard L. Barclay from Rogers, Ark. During Barclay's 33 years of public service that helped enhance the quality of life in northwest Ark., he expedited the development and completion of a major highway and helped to establish a community college and create several parks. Barclay also is involved with numerous educational and charitable organizations.
- Heard from the chair of the AICPA Continuing Professional Education Board of Management and the chair of the Special Committee on Assurance Services.
- Was advised that Philip B. Chenok, the immediate-past AICPA President, will receive the Institute's Gold Medal for Distinguished Service at the Annual Members' Meeting in Oct. (see page 9 for Annual Meeting registration form).

News Briefs

Firm Terminated from Peer Review Program

Effective Mar. 20, 1995, the enrollment of the firm of Charles Cole Company of North Little Rock, Ark., in the AICPA Peer Review Program (formerly known as the AICPA Quality Review Program) was terminated due to the firm's failure to submit certain required peer review documentation to the Arkansas Society of CPAs.

CPAs Needed to Write Audit Questions for CPA Exam

The Examinations Division will be conducting a workshop in the AICPA's New Jersey office on Sept. 28–29 to develop questions for the auditing section of the Uniform CPA Examination. CPA volunteers with a minimum of five years' audit experience, either in practice or education, are needed to be trained to write auditing questions for the exam.

Participants will receive AICPA CPE credit, be acknowledged in the annual edition of the *Selected Questions & Unofficial Answers,* and receive a small honorarium for each accepted question. Participants' expenses to attend the workshop will not be reimbursed. To receive an application, write: Fran DiPietro, AICPA Examinations Division, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311–3881, or fax: 201/938–3443. Application deadline is July 31.

Members who have any questions, or who cannot participate but would like to be considered for future workshops, should contact Fran DiPietro at 201/938–3435.

New President of IFAC Named

Juan Herrera, senior partner of KPMG Peat Marwick in the Dominican Republic, has been elected President and Chairman of Council of the International Federation of Accountants. He will be the eighth IFAC President and the first from a country in Latin America; Herrera will serve for 2 ½ years.

PFS Exam to Be Given Sept. 22; Waivers Available

AICPA members interested in obtaining the Personal Financial Specialist designation can take the PFS exam on Sept. 22. The exam will be given at more than 250 test sites nationwide.

Those who hold a valid certified financial planner or chartered financial consultant designation can waive the PFS examination, provided they meet certain criteria. Applicants must comply with all conditions of the PFS program, including AICPA membership, 250 hours of personal financial planning experience each year for three years prior to applying for the PFS designation, six references, and ongoing continuing professional education in PFP. Applications for exam waivers must be received by Dec. 31, 1996.

For exam information and an application, contact the AICPA Order Department (see page 11) and request the exam application package (No. G00055CL) or the test substitution package (No. G00105CL).

Exposure Draft on Ethics Interpretations and Rulings Issued

The Professional Ethics Executive Committee will soon issue an exposure draft that would add to and revise rulings and a definition included in the *AICPA Code of Professional Conduct.* The exposure draft, *Omnibus Proposal of Professional Ethics Division Interpretations and Rulings* (No. 800089CL), proposes a revision to the definition of "financial statements" in ET section 92 and the adoption of an ethics ruling relating to the applicability of Rule 203 to litigation support services engagements, an ethics ruling under Rule 102 regarding client advocacy and the performance of expert witness services, and an ethics ruling under Rule 101 regarding independence and a member's indemnification of client acts.

Comments are due Sept. 29. One copy of the exposure draft (scheduled for issuance July 28) will be mailed to those on the standing order list to receive exposure drafts; for others, one copy is free and each additional cost $6 member, $6.75 non-member through the AICPA Order Department (see page 11).

Business Valuation, Litigation Services Newsletter Launched

The AICPA Management Consulting Services Division has launched *CPA Expert* (No. G01076CL), a quarterly newsletter that provides practical advice on technical, practice management and marketing issues associated with business valuation and litigation services. It also regularly reports key court decisions. Subscription: $72; for MCS section members $36 (No. G01075CL). Available through the AICPA Order Department (see page 11).

Public Meeting Notices

For detailed agendas, call 800/862–4272 (dept. #6) three weeks prior to these meetings.

Accounting & Review Services Committee:
Aug. 4, Dallas

Accounting Standards Executive Committee:
Aug. 29–30, New York

Auditing Standards Board:
Aug. 1–3, Colorado Springs

Other Meetings

Peer Review Board: Aug. 1–2, Chicago

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Geoffrey L. Pickard
Vice–President—Communications

Ellen J. Goldstein
Editor

Accounting & Auditing News

FASB Issues Statement on Mortgage Servicing Rights, Study on International Accounting

The Financial Accounting Standards Board has issued Statement 122 addressing mortgage servicing rights. The statement, effective for calendar-year 1996 financial statements, amends Statement 65 by eliminating its distinction in accounting for mortgage servicing rights depending on whether the loan was originated by the servicer or purchased.

Statement 122 requires mortgage servicers that sell or securitize loans and retain the servicing rights to allocate the total cost of the loans to the servicing rights and loans based on fair value if practicable to estimate. If not practicable, the cost of acquiring the loans should be allocated to the mortgage loans only. It also requires that mortgage banking enterprises assess their capitalized mortgage servicing rights for impairment based on the fair value of the rights.

Also issued by the FASB, in conjunction with the Canadian Institute of Chartered Accountants and the Mexican Institute of Public Accountants, was a report on the joint research study conducted by the three organizations. Its objectives were to analyze the differences and similarities between the accounting standards of these three countries, identify areas where progress towards harmonization of standards could be made, and provide users of financial statements with information that will enhance their ability to compare business enterprises in the three countries.

To obtain a copy of Statement 122 (product code S122, price: $11) or the joint study (product code SRFRNA2, price: $11), write: FASB Order Department, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856–5116; or call 203/847–0700, ext. 555. An executive summary of the joint study is also available (product code SRFRNA, price: $11) from the FASB Order Department.

GASB Issues Statement on Securities Lending

The Governmental Accounting Standards Board has issued Statement 28 to standardize the way governmental entities report securities lending transactions. The statement is effective for periods beginning after Dec. 15, 1995.

The statement requires governments to report their loaned securities as assets. If cash is received as collateral on the loan, it also would be reported as an asset, along with any investments made with the cash. Securities received as collateral would be reported as assets if the governmental entity is able to pledge or sell them without a borrower default. Liabilities resulting from these transactions are to be reported as well. If the collateral securities cannot be pledged or sold unless the borrower defaults, they should not be reported in the balance sheet. Certain disclosures about the nature of the transactions also are required by Statement 28.

To obtain a copy of the statement (product code GS28, price: $9.50), write: GASB Order Department, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856–5116; or call 203/847–0700, ext. 555.

Federal Student Financial Assistance Programs to Be Addressed

The U.S. Department of Education expects to issue shortly a revised compliance audit guide for institutions that administer federal student financial assistance programs. The guide, *Compliance Audits (Attestation Engagements) of Federal Student Financial Assistance Programs at Participating Institutions,* supersedes the Mar. 1990 audit guide, *Audits of Student Financial Assistance Programs* and Non-Federal Technical Bulletin 92-1. The guide is effective for SFA compliance engagements for award years ending after July 1, 1994. Compliance attestation reports are due six months following fiscal year-end, and audited financial statements are due four months following fiscal year-end. The guide covers the following SFA programs: Federal Family Educational Loan, Federal Direct Student Loan, Federal Pell Grant, Federal Perkins Loan, Federal Work-Study, and Federal Supplemental Educational Opportunity Grant Program. The guide requires a compliance attestation examination engagement relative to institutional eligibility and participation, reporting, student eligibility, disbursements, refunds, cash management and close-out examinations. ED will mail copies of the revised guide to institutions. Single copies are available from ED by calling 800/433–3243 (Federal Student Aid Information Center). Questions about the guide may be faxed to the ED Office of Inspector General, Dallas Regional Office at 214/767–2024.

OMB Issues Final Revisions to OMB Circular A-87

The U.S. Office of Management and Budget has issued final revisions to OMB Circular A-87, *Cost Principles Applicable to State and Local Governments,* which establishes principles for determining costs by state and local governments (*Federal Register,* May 17). The revision conforms many of the Circular A-87 requirements to those found in OMB Circular A-21, *Cost Principles for Educational Institutions.* Among other things, the final revision will allow interest on certain equipment and building acquisitions or improvements, clarify the allowability of depreciation and use charges, disallow self-assessed taxes that have a disproportionate impact on federal programs, and clarify lobbying and mass severance pay cost prohibitions. The revision should be applied to cost-allocation plans and indirect cost proposals submitted or prepared for a governmental unit's fiscal year that begins on or after Sept. 1, 1995. For other costs, this revision should be applied to all awards or amendments made on or after Sept. 1, 1995. To obtain a copy of the Circular, contact the OMB Publications Office at 202/395–7332. The Circular is also available on the Internet at the following address: gopher.financenet.gov.

Interpretation of SAS No. 59 on "Going Concern" Issued

An interpretation of Statement on Auditing Standards No. 59, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern,* has been issued. The interpretation is titled "Eliminating a Going-Concern Explanatory Paragraph from a Reissued Report." Requests to eliminate such a paragraph ordinarily occur after the conditions that gave rise to substantial doubt about the entity's ability to continue as a going concern have been resolved. The interpretation, which describes factors the auditor should consider in determining whether to reissue the report without the going-concern explanatory paragraph, will appear in the Aug. *Journal of Accountancy* and is effective upon publication.

AICPA Took Action on Alleged New Era Fraud

National news organizations have been reporting on the collapse of the Foundation for New Era Philanthropy, an alleged "Ponzi scheme" that claimed to double a charity's funds by finding matching grants from anonymous donors. Donors apparently invested huge sums of money by relying on personal recommendations.

An accounting professor, after hearing about the double-your-money promise and finding out that his university had invested in New Era, was the first to put out the alert. He was only able to find financial statements and a report that, according to published accounts in the press, had serious flaws, and he contacted the SEC, IRS and AICPA Professional Ethics Division. According to Thomas P. Kelley, AICPA group vice-president–professional, "As soon as we received this information, we initiated an immediate investigation under the Joint Ethics Enforcement Program. That JEEP investigation is underway now."

Quarterly List of Items Available on 24-Hour Fax Hotline

To access these documents, dial 201/938–3787 from a fax machine, follow the voice cues, and when prompted, select the number(s) of the item(s) to be retrieved. There is no charge for this service.

Document No.	Item
1	Catalog of all documents on Fax Hotline
100	AICPA membership application
255	*Accounting Educators: FYI,* May 1995
279	*Financial Manager's Report,* May 1995
316	GASB Comment—Securities Lending Transactions
317	Instructions to get Dept. of Ed. lender audit guide
318	OMB Circular A-133
403	Proposed revisions to OMB Circular No. A-133
410	AICPA changes to the Fair Labor Standards Act
454	AcSEC Actions—July 11–12 (available 7/19)
475	Internal Control Reports
476	1994 Yellow Book Reports
500	AICPA report on technical activities
550	Information Technology Survey—Executive Summary
602	Form-of-practice chart (state by state)
625	Business Valuation Videocourse (released 6/93)
626	Effective Yellow Book Auditing Videocourse
627	Environmental Alert Videocourse (released 1/95)
628	Gaining Foreign Markets Videocourse
629	Effective Asset Protection Planning Videocourse
630	1995 Government Auditing And Accounting Videocourse
631	Education Funding Videocourse (released 6/94)
632	Investing in Mutual Funds Videocourse (released 7/94)
633	Profitable Business Succession Planning Videocourse (released 10/94)
634	Employee-Independent Contractor Videocourse (released 9/93)
635	Effective Small Business Auditing Videocourse (released 12/93)
650	Model Tax Curriculum
705	Governmental/Nonprofit Accounting and Auditing CEA Program. Select seminars in governmental or nonprofit accounting, auditing and taxation courses—course and registration information
706	Tax and Personal Financial Planning CEA course and registration information
707	Select seminars in governmental or nonprofit accounting, auditing and taxation courses—course and registration information
708	AICPA Leisure Learning CPE Cluster (Washington, D.C.—Aug. 16–18 and Jackson Hole, Wyo.—Aug. 23–25)
709	AICPA/AHI Staff Straining Group Study course descriptions and schedules
710	Business Valuation CEA Program, course descriptions, schedules and registration form
823	AICPA Divorce/Business Valuation Conference
827	AICPA Healthcare Industry Conference
841	CPE Direct—Mar. and June study guides
842	Investment strategies for risk: derivatives, options, straddles and other hedges (CPE)
843	Accounting for Nonprofits: Contributions and Financial Statements (How to Comply with FAS 116 and 117) (CPE)
900	List of documents from the AICPA Tax Division
934	AICPA testimony on tax provisions in the *Contract With America*
941	Disallowance of OBRA '93 installment payment election for nontimely returns—letter to IRS
942	Taxpayer Bill of Rights testimony
943	S Corporations—discharge of indebtedness income, comments to Treasury Dept. & IRS
944	Earned Income Tax Credit testimony
945	Comments to Multistate Tax Commission on nexus guidelines
946	Survey—IRS Compliance Programs for Qualified Retirement Plan
947	Comments on Section 1.1258-1, Capital Gain Conversion Regulations
948	Comments on Section 1.132-5, Spousal Travel Regulations
949	Letter to IRS on passive activity losses and divorce
950	Divorce and marriage—regulatory tax proposal
951	Divorce and marriage—legislative tax proposal
952	Floor Statement of Rep. Clay Shaw (D-Fla.) introducing AICPA work load compression bill and description of bill

Plans and Initiatives of New AICPA President Barry C. Melancon

Barry C. Melancon (pronounced Me-LAHN-son) officially became the new AICPA President on July 1. The following questions and answers were developed to provide some insight into Melancon's priorities, objectives and plans for the Institute and the membership.

1) What are your primary areas of focus for the AICPA?
I can answer that in three phrases: member service, technology and collaboration with state societies. Let me elaborate on each.

Regarding member service, we have to do things *for* the members, not do things *to* them. We have to find out what members want and respond to it, like the way we did with the upcoming national advertising campaign. Members should see the AICPA as a resource, and as a source of their success.

When talking about technology, it would be foolish to deny the extent to which it does and will affect the CPA profession. And incorporating technology into the profession is multi-faceted. There's the internal aspect, where technology would improve the quality, timeliness and cost-effectiveness of our service to members. We also have to use technology to communicate with our members—Accountants Forum was just the beginning—and with state societies, because many of our members are one and the same. Lastly, technology has to be integrated into the work place of our members. We can provide direction and examples that can then be implemented back into our members' work environments. And I hope we put a lot of time and effort into this area.

Collaboration with the state societies is important because approximately 85% or 90% of AICPA members also belong to their state societies. Therefore, for the benefit of those members we have to be efficient in how we communicate with them and deliver services to them—collaboration addresses that. We need to complement each other, not compete!

2) You talk about the AICPA being more "user-friendly." What do you mean by that?
A member cannot be hesitant to call us. Members must feel we work *with* them, alongside them and sharing the same goals. By virtue of being a national organization, we can't be as physically close to them as state societies can, but we must get as close as possible. Staff attending committee meetings will take some time to visit members at their offices to get a sense "from the field" of what's happening and what their needs are. Sort of a supplement to the Member Outreach Program, which is a phone effort. And we'll use the technology bridge to help us, too. Perhaps a CD-ROM with a questionnaire that members send back to us electronically.

3) Could you address the different constituencies of the AICPA?
There are certain common issues that affect all CPAs and that affect all members. We must bring all members together on these issues. Yet, it's important to recognize that each membership group has its special needs. Small firms do not have the same troubles as the large firms. Members in industry have concerns often different from members in public accounting. I believe we can make everyone happy if we stick to our themes of member service and collaboration. We'll find out what they all want, and we'll do our best to get it to them.

4) You worked at a small firm. What do you see as their special needs?
Financial pressure, resulting from regulations and, let's face it, membership requirements, among other things, is number one. Increased competition, sometimes from new sources, just about shares the top spot. We have to figure out how to deal with growing competition, and we have to address technology. Tax software programs could gobble up a lot of smaller firms' business. Small firms are more exposed to changes in the marketplace, so it is our special duty to do whatever we can to help them thrive.

5) How do you reconcile member service with the AICPA as regulator?
I think the AICPA can wear two hats. Being a member-service organization, to which CPAs voluntarily belong, can mesh with our role as standard-setter and self-regulator in serving the public interest. Just because we have peer review and ethics enforcement doesn't, in my mind, mean we can't help our members do their jobs more effectively and efficiently. And we can perform the regulatory functions with a member-service flair. We can make sure members are satisfied with the way we perform those needed activities.

6) How do you view yourself in relation to the AICPA?
I see myself as an agent of change. And that's what, I assume, the AICPA leadership wanted when they selected me. Change is here in all kinds of ways for everyone: for national firms that have a changing service mix, for members in industry who have to adapt to different ways of preparing financial information or conducting internal audits, and for small firms nervous about their very survival. You have to confront change and conquer it, not hide in a shell so it gets the upper hand.

7) How about change for the AICPA staff?
They'll see changes, too. Staff will be asked to view members differently, to interact with each other and the state societies differently and to go about their jobs differently. We all have to be open minded and flexible, not protective and rigid.

8) What is the most important thing you'd like to accomplish here as president?
I'd have to say it's strengthening the member-service attitude. I want all our members to look to the AICPA as a source of support. With these approaches, we can position the CPA profession to have an enhanced role for the year 2000.

Index of Articles—July/Aug. 1994 to June 1995

The following is a list of selected articles featured in *The CPA Letter* from July/Aug. 1994 through June 1995. These articles represent many of the articles to which members might refer in the future.

To obtain copies of any of the articles listed below, dial 201/938–3787 from a fax machine, follow the voice cues and select the document number(s) of the item(s) desired. There is no charge for this service.

"Accountants Forum" Is Now Online; Sign-Up Begins

The AICPA's vision of a national, online computer network for CPAs and accountants is now a reality. The Accountants Forum was officially launched June 30, as scheduled, on the CompuServe Information Service. At press time, CPA societies in these 19 states had already agreed to contribute material to the Forum: North Carolina, West Virginia, Minnesota, Montana, Nevada, Ohio, Washington, Rhode Island, Maryland, Missouri, Connecticut, New Mexico, North Dakota, Louisiana, Virginia, Texas, Illinois, Maine and Indiana.

Through the Forum, members are able to communicate with the AICPA, state CPA societies, other professional organizations and each other; have access to many publications, products and services of the Institute, the state societies and others; can research a myriad of business information data bases on the CompuServe system; and have full Internet access. Members also can send private e-mail messages to any worldwide Internet address using CompuServe Mail, included in CompuServe's "Basic Services."

The Accountants Forum itself consists of a library, message center, conference center and catalog. The library area contains searchable and downloadable files and will house most of the information provided by the AICPA and state societies. The message center enables members to post public messages, questions, comments and responses. The conference center allows users to have informal, online discussions at any time and participating organizations to hold formal, online conferences on particular topics at specific times. Lastly, the catalog area, available later this summer, is where members can find descriptions of publications and CPE courses and can order a product or sign up for a CPE conference online. The content of the Accountants Forum will be dynamic, growing with contributions from participating organizations and the members themselves. Users are encouraged to share files and messages with other members.

AICPA and participating state society members who already are CompuServe users can now access the Accountants Forum by either entering the GO AICPA command or, if using WinCIM, click on the Professional button on the main menu and select Accountants Forum. Those who are not currently CompuServe users can sign up for a CompuServe account, as well as receive free communications software and a $15 usage CompuServe credit, by calling 800/524-3388 (ask for the "AICPA Package" or "rep #748"), a special toll-free number set up for the AICPA and participating state societies. Users are charged $9.95 per month for CompuServe basic service, plus $4.80 per hour of time spent in the Accountants Forum. Additional charges will be made for downloaded publications; products purchased online will be billed separately.

CompuServe is accessible from a variety of types of computers and operating systems, including DOS, Windows, OS/2 and Macintosh. The AICPA is encouraging users to select the Windows platform and CompuServe's free WinCIM software because of its ease-of-use and graphical representation of the online structure. The minimum equipment requirements are a 386 computer (486 is recommended) with Windows 3.1 installed; a hard disk drive with 6 free megabytes of space; one high-density floppy drive; 4MB RAM (preferably 8MB); Hayes-compatible modem, 2400bps (preferably 14,400bps); a mouse or other pointing device; a VGA or higher resolution color monitor; CompuServe's "WinCIM" communications software, version 1.4 (available free); and CompuServe's "NetLauncher" software (a specialized version of Spry Mosaic) for use as an Internet World Wide Web browser (downloadable free from CompuServe).

Sign up with CompuServe now for this exciting service and watch for further developments on the Accountants Forum and for a corresponding World Wide Web site.

Disciplinary Actions

As a result of investigations of alleged violations of the Code of Professional Conduct of the AICPA and/or state CPA societies, the following ethics cases have been resolved by settlement agreements under the Joint Ethics Enforcement Program:

- Paul P. Keil of Lomita, Calif., settled charges on Apr. 25, 1995, of violating Rules 201(B)—Due Professional Care and 501—Acts Discreditable in connection with tax services performed before the Internal Revenue Service. Without admitting or denying the charges, Mr. Keil agreed to a two-year suspension of his membership in the AICPA and to successfully complete 15 hours of specified CPE on or before Apr. 25, 1996.
- Steven F. Broadbent of Washington, Mo., settled charges on Apr. 26, 1995, of violating Rule 501—Acts Discreditable in connection with professional services provided to a client's estate. Without admitting or denying the charges, Mr. Broadbent agreed to be expelled from the AICPA.
- Steven Smallowitz of Great Neck, N.Y., settled charges on May 2, 1995, of violating Rules 201(A)—Competence, 202—Compliance with Standards and 203—Accounting Principles in connection with his audit of the financial statements of an employee benefit pension plan. Without admitting or denying the charges, Mr. Smallowitz agreed to a two-year suspension of his membership in the AICPA and the New York State Society of CPAs, to successfully complete 80 hours of specified CPE courses during the suspension period and to submit a sample of his workproduct to the Professional Ethics Division for review.
- Russell Glassman of Great Neck, N.Y., settled charges on May 3, 1995, of violating Rule 201(A)—Competence and 202—Compliance with Standards in connection with his audit of the financial statements of an employee benefit pension plan. Without admitting or denying the charges, Mr. Glassman agreed to a two-year suspension of his membership in the AICPA and the New York State Society of CPAs, to successfully complete 80 hours of specified CPE courses during the suspension period and to submit a sample of his workproduct to the Professional Ethics Division for review.

Member to Member... Chair's Corner

By Robert L. Israeloff, CPA
Chair, AICPA Board of Directors

A brand new service is available to AICPA members, one that will allow easy participation, introduction and access to an electronic information network. Meet the "Accountants Forum"!

The AICPA is sponsoring a national Accountants Forum on the CompuServe Information Network. This online computer network will enable members to communicate with the AICPA, participating state societies and each other. It will allow users to research a wide variety of information sources, and allow associations to deliver many of their products and services electronically.

There are four primary areas within the Accountants Forum, which are the Library, Message Center, Conference Center and Catalog. The Library is where information that users want to research and/or read is kept. This would include standards, exposure drafts, tax rulings and forms, hot topics, articles, reports, practice aids, directories, newsletters, etc., etc.

The Message Center is the place for posting public messages, questions and responses. The Conference Center allows members or groups to hold informal, online conversations on particular topics, as well as hold formal, moderated conferences at specific times. The Catalog permits members to search for AICPA and state society catalogs of publications and CPE courses to find particular topics, then order products and/or register for specific conferences or courses.

Forum users will also have unlimited access to CompuServe's "basic services," which includes e-mail, travel reservations, news services and a multitude of reference sources. In addition, CompuServe provides access to the much-publicized Internet, including World Wide Web browsing if the user has certain CompuServe and Spry Mosaic communications software—which is provided free to CompuServe users. In coordination with the CompuServe Forum, the AICPA will also be developing a home page on the Web.

The cost to a member is $9.95 per month for CompuServe basic service, plus $4.80 per hour of time in the Forum. For more details, including participating state societies so far, system requirements, and how to sign up for the Forum, see the article on page 7 of this *CPA Letter*. As part of our special promotional offer, you will receive the necessary software free and get a $15.00 usage credit. If you are already a CompuServe user, you do not have to do anything; the Accountants Forum will be announced in the "What's New" pop-up box.

The Accountants Forum represents a completely new way of delivering and performing member services. Furthermore, it delivers the power of a total online, business-oriented computer network to your desk in an easy-to-learn, easy-to-operate mode. Technology now brings the AICPA and its members closer together and helps us all become part of the Information Age. I encourage everyone to join.

To contact Bob Israeloff, call 516/872-3300 or fax 516/872-3128.

National Advertising Campaign a Go for October

For a number of years, members have asked the AICPA to develop an image-enhancement program. The Institute has responded and has created a broad-based national advertising campaign to help business decision makers who hire CPAs to better understand the importance and value of the CPA. The campaign, which carries a three- to five-year commitment, will begin in the fall.

With the AICPA governing Council's approval of a $3 million budget, final preparations are being made to the print, television and radio ads so they will be ready to start running in Oct. The primary message of the ad campaign, which will extend for about six months the first year, is that CPAs, in addition to being recognized experts in tax and audit work, are trusted resources for knowledgeable solutions to business and financial planning needs.

As such, this comprehensive communications initiative targets those who hire CPAs to serve in management positions for their companies or who engage CPA firms to provide a variety of business and personal services. Print ads will run in such major national publications as *The Wall Street Journal, USA Today, Business Week, Fortune, Inc.* and *CFO* magazine. The television ad will be seen on such programs as Meet the Press, as well as on such CNN programs as Larry King Live and Nightly News.

Careful research that began in late 1993 confirmed that while CPAs are viewed as honest and objective, and are highly respected and appreciated in the tax and audit areas, they are not seen as having vision, being planners for the future, offering solutions to business problems, or advising management on key business issues. The ad campaign goes right to the heart of that perception, promoting the various capacities in which CPAs can serve corporations, businesses and individuals.

To gain even greater exposure, the state CPA societies have been asked to consider investing in the ad campaign by running in their local markets the same print ads that are running nationally. They also can choose from a selection of three radio ads that further help to combat stereotypes of CPAs. Several states have indicated various levels of support for this first cycle of the campaign. One example is the Maryland Association of CPAs. "I think this ad campaign was very needed, and after getting a glimpse of the ad prototypes, I was very impressed and excited," said Barbara Zorn, executive director of the Maryland society. She added that the MACPA Board of Directors shares the enthusiasm for the campaign and approved a $100,000 budget for "enhance the image" activities in Maryland in the fiscal year that began July 1.

Members should look to the Sept. and Oct. issues of the *Journal of Accountancy* to see photographs of the ads and learn all the details of the campaign before the Oct. launch. *The CPA Letter* will continue to keep members informed of the ad campaign's progress, too, including when and where the ads will run.

Members Invited to Participate in Annual, Council Meetings

AICPA members are invited and encouraged to attend this year's Annual Members' Meeting and fall meeting of Council in Palm Springs, Calif., on Oct. 23–24. The meetings have been expanded and restructured to allow for greater interaction among participants. A meeting of AICPA committee chairs will focus on major goals for the year and issues that must be addressed. On-site meetings of several key committees will also take place. Members are invited to attend the Committee Chairs' Meeting, Annual Members' Meeting, meeting of Council, and the luncheons and reception.

For more information, call AICPA Meetings & Travel Services at 201/938–3232. Participants and format follow:

■ ***Saturday, Oct. 21***
Morning
Orientation session for incoming Council members
Afternoon
Golf tournament
Evening
Hospitality suite

■ ***Sunday, Oct. 22***
Morning
Fun Run
Morning and Afternoon
Committee Chairs' Meeting
Evening
Reception

■ ***Monday, Oct. 23***
Morning
Annual Members' Meeting
Concurrent
Fall Meeting of Council
Meetings of selected AICPA committees
LUNCHEON
Afternoon
Fall Meeting of Council
Meetings of selected AICPA committees
Evening
Dinner Dance

■ ***Tuesday, Oct. 24***
Morning
Fall Meeting of Council
Breakout sessions for Council, committee chairs, members of committees meeting on-site, AICPA members and others
LUNCHEON
Afternoon
Concurrent
Fall Meeting of Council
Meetings of selected AICPA committees

To register, complete and mail the form below.
(cut along dotted line)

Registration Form for Annual Members' and Fall Council Meetings

Send completed form to:
AICPA
Meetings & Registration
P.O. Box 2210
Jersey City, NJ 07303–2210

Bates # ____________________
(For AICPA Use Only)

Type or print carefully. Photocopy this form for additional registrants. Check where applicable.

AICPA Member 1 ❑ YES 2 ❑ NO Member or Customer Number ____________________

Registrant's Last Name First MI Nickname for Badge

Firm Name or Affiliation

Street Address

P.O. Box

City State Zip Code

Business Telephone

Name & Telephone No. of Individual to Contact in Case of Emergency

SPOUSE OR GUEST INFORMATION

Spouse or Guest Last Name First MI Nickname for Badge

Additional Guest Last Name First MI Nickname for Badge

Street Address

City State Zip Code

Home Telephone

CPE News

New Self-Study and Video Courses

OCBOA Financial Statements: A Study Guide to *Preparing and Reporting on Cash- and Tax-Basis Financial Statements* focuses on key issues of recognition, measurement, disclosure and reporting in cash- and tax-basis financial statements. Based on a survey of 2,000 firms, the course shows members how fellow practitioners handle the issues where current authoritative guidance is vague. It includes sample financial statements for seven different industries, numerous examples of note disclosures and practice aids, including a disclosure checklist and a planning memo for cash- and tax-based statements. Author: Michael J. Ramos, CPA. Recommended CPE credit: 8 hours. Format: Text (No. 736750CLR), $79.

Effective Asset Protection Planning Videocourse is a 2 ½-hour video in which moderator Mitchell Freedman, CPA/PFS, and his experts provide information and guidance on effective planning methods to protect assets from creditors, their advantages and disadvantages, the assets they are suited for, and the tax aspects of their use. Course highlights include fraudulent conveyances, bankruptcy and other statutory exemptions, transfers to family members and trusts, use of business entities, use of foreign trusts, and use of other structures. Author: Barbara Weltman, JD. Recommended CPE credit: 8 hours group study and self study. Format: 1 VHS tape/manual (No. 182710CLR), $129; additional manual (No. 182711CLR), $30.

These courses are available from the AICPA Order Department (see page 11) and from state CPA societies.

Conferences

National Governmental Accounting & Auditing Update Conference, Aug. 28–29, Washington, D.C., recommended CPE credit: 16 hours. **National Conference on Savings Institutions*,** Sept. 6–8, Washington, D.C., recommended CPE credit: 21 hours. **National Governmental Accounting & Auditing Update Conference,** Sept. 28–29, Denver, recommended CPE credit: 16 hours.

For more information, call the AICPA-CPE Division at 800/862–4272 (dept. #3, option #2). For conference indicated by "*," contact AICPA Meetings & Travel Services 201/938–3232.

Group Study

The AICPA, in conjunction with many state societies, is offering a revised eight-course **Business Valuation Certificate of Educational Achievement Program.** The program will enable CPAs to provide a broad range of valuation services to new and existing clients, and covers topics ranging from organizing the engagement and data gathering and analysis to applying valuation methods, working as an expert witness and preparing the final report. Developed for the Illinois CPA Foundation by experts with years of field experience, the CEA program has run successfully for the past three years. Recommended CPE credit for each course is 8 hours. Current BV CEA Program enrollees are automatically enrolled in this year's revised BV CEA Program. For complete enrollment and course registration details and a listing of 1995–96 dates and locations, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 710, or write to LaTanya Junior, CPE Marketing, AICPA, Harborside Financial Center 201 Plaza Three, Jersey City, NJ 07311–3881. Refer to ADV103.

Executive Education Courses Coming Up in Fall and Spring

The next two courses of the six-course Executive Education Program will help guide members into the next century. "Organizational Management" (Oct. 16–18) and "Leadership Skills for the Future" (May 20–22, 1996) are designed around stand-alone themes so that participants can join the program at any time.

Fall course attendees will learn about total quality management, methods for increasing creative thinking capacity and using information systems to add business value, and will get an economic update as well. Those participating in the spring program will hear sessions on developing a personal life strategy, evolving characteristics of a leader, the importance of culture in managing change, and the manager as an agent of change.

The courses are two-and-one-half days and are taught at the University of Texas at Austin's Graduate School of Business. For more information or to register, call Laura Inge at 800/CPA–FIRM.

Financial Executives Expect to Reshape Corporate America

The corporate reorganizations, rightsizings and widespread outsourcing seen during the early '90s are not over—and they will be a permanent part of corporate America for the foreseeable future. That is the view of senior financial executives from some of the nation's largest companies who participated in the recent "future-mapping" conference conducted by the Management Accounting Executive Committee.

They believe that financial executives will be the chief navigators of comprehensive business data systems on high-speed computer networks, continuously monitoring the value-added of all corporate activity. Low-value-added activities will be eliminated or outsourced on a routine basis, and there will be no "sacred cows." In addition, these financial executives envision themselves moving to the very forefront of the senior management team, and some already see this major role shift happening as new technologies emerge to free them from traditional transaction-processing tasks.

To obtain more information, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 742. For information on management accounting or the AICPA's benchmarking study of finance activities, call John Morrow at 212/596–6085.

New Products & Publications

The ***Management of an Accounting Practice Handbook*** (No. 090407CL) issued by the Management of an Accounting Practice Committee gives small- to medium-sized firms the answers to virtually all their practice management questions in one comprehensive source. The handbook covers all aspects of practice management, from how to start a firm to how to dissolve one. It includes information on salaries and operating statistics, and advice on office systems, billing and collection, marketing, partnership agreements and much more. Its sample forms, letters, checklists and worksheets are all easy to reproduce or adapt to a firm's needs. The handbook is divided into three volumes: *Developing an Accounting Practice, Administration* and *Personnel.* Price: $125 member, $137.50 non-member. Updates are automatically sent and may be returned within 30 days to incur no charges.

The perfect companion piece to the MAP Handbook is the ***1995 MAP Selected Readings*** (No. 090406CL) publication. It saves firms both time and money. Instead of subscribing to numerous business periodicals and scanning them to stay current on practice management issues, members can have the "cream of the crop" at their fingertips. They will find more than 160 articles from 30 of the nation's top business magazines, such as *Accounting Today, Accounting Technology, Inc.* magazine, *Harvard Business Review, Journal of Accountancy* and many more. Every article offers valuable profit-making ideas that can immediately be put to work. Price: $27.50 member, $30.25 non-member.

Translate standards into service with the flexible, step-by-step guidance of the **Integrated Practice System Engagement Manuals.** The general and industry-specific manuals in this series actually walk members through engagements of all sizes and complexities, and show them how to increase a firm's efficiency and profitability. Each comes with a complimentary WordPerfect™ disk containing the letters and reports in that manual, and the work programs, questionnaires and checklists are available in Audit Program Generator software, allowing members to tailor the checklists to the needs of specific engagements.

Stay informed on the latest changes with the automatically mailed annual updates. Six of the manuals now also feature a four-hour self-study course—and there is just a nominal grading fee. Here are the manuals offered:

- *Comprehensive Engagement Manual* (Four volumes) No. 008869CL. Price: $165 member, $180 non-member. Available 9/1.
- *Small Business Audit Manual* (Two volumes) No. 008871CL. Price: $110 member, $120 non-member. Available 9/1.
- *Compilation and Review Manual* (Two volumes) No. 008873CL. Price: $110 member, $120 non-member. Available 10/1.
- *Auto Dealership Engagement Manual* (Two volumes) No. 008875CL. Price: $110 member, $120 non-member. Available 9/15.
- *Not-for-Profit Organizations Audit Manual* (Two volumes) No. 008864CL. Price: $110 member, $120 non-member. Now available.
- *Bank and Savings Institutions Audit Manual* (Formerly the *Bank Audit Manual*) (Three volumes) No. 008877CL. Price: $165 member, $180 non-member. Available 9/15.
- *Credit Union Audit Manual* (Two volumes) No. 008879CL. Price: $110 member, $120 non-member. Available 9/1.
- *Construction Contractors Audit Manual* (Two volumes) No. 008881CL. Price: $110 member, $120 non-member. Available 9/1.
- *Quality Control Manual for CPA Firms* (One volume) No. 008867CL. Price: $110 member, $120 non-member. Now available.

Accountant's Trial Balance for Windows™

ATB for Windows helps members do much more work in much less time than ever thought possible. This new package blends the logic of ATB with the power and ease-of-use offered only from a Windows product. It enables members to set up and save a variety of template companies, get more done with fewer keystrokes and reduce the time it takes to train new users, compile essential reports and analysis schedules, and create presentation-quality financial statements without exporting data to a wordprocessing package.

Current ATB users will appreciate such productivity-boosting enhancements as flexible workpapers that streamline the work, the ability to create a variety of financial statement formats and workpaper reports, and the power to compute up to 34 financial ratios and graph the results for easy presentation.

Order new ATB for Windows or upgrade from earlier versions of ATB by July 15 and save $100 (prices below include the discount). New ATB for Windows (No. 016144CL), $595 member, $670 non-member.

Upgrade from ATB 2.1 or higher (No. 016143CL), $295 member, $350 non-member.

Guide to Registering as an Investment Adviser (No. 017206CL) is a new volume in the PFP Library Series that provides information about when and how to register with the SEC as an investment adviser. It discusses the accountant's exception from registration and the various practice considerations involved in registering. In addition, the contents of the SEC Registration package are reproduced together with other supporting materials, including surveys of the more important state rules. Price: $28 member, $31 non-member. The guide has been sent automatically to all Personal Financial Planning section members.

To order, write: AICPA Order Department, CL795, P.O. Box 2209, Jersey City, NJ 07303–2209; order via fax, 800/362–5066; or call 800/862–4272 (dept. #1). Ask for Operator CL795. The best times to call are 8:30 to 11:30 a.m. and 2:00 to 7:30 p.m., EST. Orders for exposure drafts must be written or faxed. **Prices do not include shipping and handling. Have membership number ready.**

Washington At A Glance

CPAs Help Set Priorities at White House Conference on Small Business

Ninety CPAs from 33 states serving as delegates to the White House Conference on Small Business helped formulate and set policy recommendations that urge Congress and federal regulators to make changes to improve the nation's small business climate. The delegates' top 60 recommendations will be sent to the Administration for consideration.

Four of the top 10 recommendations, which were culled from more than 400, concern taxes. Clarification of the definition of an independent contractor tops the list, followed closely by reinstatement of the 100% tax deduction for business meals and entertainment. Delegates also voted for repeal of the federal estate, gift, and generation skipping tax laws, and reform of IRA and pension laws as two of their top 10 recommendations.

The AICPA has long pushed Congress and the IRS to provide a clearer definition of an independent contractor and a safe harbor, has advocated reform of the nation's estate, gift and transfer taxes as they relate to family businesses, and has championed pension simplification.

The AICPA hosted a reception for the CPA delegates to the conference. For additional information on the conference, call Lisa Winton, the AICPA's White House Conference Coordinator, at 202/434–9234.

AICPA Urges Congress to Adopt Home Office Deduction Act

The AICPA urged a Senate Finance subcommittee to approve the Home Office Deduction Act of 1995. The bill, S. 327, would modify the *U.S. Supreme Court Commissioner* v. *Soliman* decision, which curtailed deductions for legitimate home-office business expenses.

S. 327 would clarify the definition of the principal place of business and allow a home office to be used for essential administrative or management activities conducted on a regular basis, where no other office space is provided for such activities. The AICPA said in its written statement to the Subcommittee on Taxation and IRS Oversight that it supports the bill because it "upholds the original intent of the home-office deduction and provides standards that reflect the realities of the business world today." Furthermore, the AICPA noted that S. 327 would make clear that essential administrative and management activities, such as bookkeeping and billing, are legitimate uses of business time and office space for the purpose of deducting the expenses of a home office. The AICPA also supports the bill's 1992 retroactive effective date. Earlier this year, the Institute supported a similar, but prospective, home-office deduction provision that the House passed.

For a copy of the AICPA statement, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 953.

The CPA Letter
American Institute of Certified Public Accountants, Inc.
1211 AVENUE OF THE AMERICAS, NEW YORK, N.Y. 10036–8775

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American Institute of Certified Public Accountants

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The CPA Letter

A News Report to Members

Highlights of What's Inside

Highlights of Board of Directors' July Meeting

At its meeting on July 13–14, the AICPA Board of Directors:

- Voted to send to AICPA Council proposed bylaw changes with respect to the process for election of the AICPA president, membership on the Joint Trial Board and petitions to amend the bylaws.
- Reaffirmed its commitment to the 150-hour membership requirement by charging staff to develop specific game plans for targeted states to assist them in implementing the requirement.
- Received a report on the observation and commemoration of the passage of initial CPA legislation in 1896 and the administration of the first CPA examination in that year.
- Heard from the Finance Committee that the forecast for fiscal 1994–95 is expected to be substantially better than budget.
- Heard presentations from Dennis Beresford of the Financial Accounting Standards Board and Welling Fruehauf and David Costello of the National Association of State Boards of Accountancy.
- Received reports from the CPE Board of Management, the Insurance Programs Executive Committee and the Management Accounting Executive Committee.
- Viewed a live demonstration of the Accountants Forum, the online computer network delivered via CompuServe (*The CPA Letter*, July).
- Heard a debate on the Institute's level of involvement with the Financial Accounting Standards Board.
- Concurred with the Professional Ethics Executive Committee that the committee should not propose any pronouncements prescribing or restricting political contributions made by members in public practice.
- Adopted resolutions recommended by the AICPA Life Insurance/Disability Plans Committee to amend the declaration and trust agreement to enhance the current program.

The minutes are available on the Accountants Forum, in the library under AICPA: For Members Only.

IFAC Policy to Encourage International Reciprocity

The International Federation of Accountants recently released a statement of policy, "Recognition of Professional Accountancy Qualifications," indicating its support of initiatives to liberalize the movement of qualified accountancy professionals throughout the world. The policy statement encourages national professional institutes, such as the AICPA, and regulatory authorities to develop ways to recognize the professional qualifications of foreign accountants.

The AICPA supports harmonization of accounting qualifications across international borders and, along with the National Association of State Boards of Accountancy, will review countries' qualifications for accountants and will make recommendations for reciprocity. At its Apr. meeting, the AICPA Board of Directors approved the procedures for a joint AICPA/NASBA International Qualifications Appraisal Board.

IASC, IOSCO Reach Agreement on International Standards

The board of the International Accounting Standards Committee and the International Organization of Securities Commissions have agreed on a plan for the ultimate creation of a comprehensive core set of international accounting standards. Completion by the IASC of an acceptable set of comprehensive core standards will allow IOSCO to recommend to its member bodies (of which the SEC is the U.S. member) endorsement of international accounting standards as an acceptable basis for cross-border capital raising and listing purposes in global markets. IOSCO has already endorsed a standard on cash flow statements, and has indicated that 14 of the existing international accounting standards do not require additional improvements.

News Briefs

Creativity in PR Award Bestowed Upon AICPA

The AICPA has received a Creativity in Public Relations Award presented by *INSIDE PR* magazine, a monthly publication covering the public relations industry. The Institute shared the award with AT&T Capital Corporation and Spector & Associates of New York for their work on the "Partners for Growth" program.

"Partners for Growth" combined the business talents of CPAs in the AICPA Management Consulting Services Division with officials of AT&T Capital Corporation to award grants and business mentoring to socially responsible start-up businesses in the cities of Philadelphia and Houston last year. The program has received extensive national and local media coverage.

AICPA Library Moves to NJ

By Sept. 5 the AICPA Library will have completed its relocation from New York City to the Institute's Harborside facility in Jersey City, NJ. The library's telephone number remains 800/862–4272 (dept. #7), but the fax number has changed to 201/938–3955.

Also, members are no longer required to make appointments to use the library's reading room. Reading room hours remain 9:00 a.m. to 5:00 p.m., except on Tuesdays when the library opens at 10:00 a.m., EST.

Hear the Latest on Flat-Tax Proposals

The AICPA recently established a telephone hotline (202/434–9224) members can call to get current information about alternative tax proposals, such as a flat tax or consumption tax. Callers will hear a three-minute update about current legislation and the AICPA's efforts relating to alternative taxes. CPAs may also choose to request an information package, ask an AICPA staff person to call them back, or express their views about current flat-tax or consumption-tax proposals.

Industry Member Newsletter Postponed to Oct.

To accommodate inclusion of a special *CPA Letter* insert this month on the AICPA's new, national advertising campaign that will begin in Oct., the insert for industry members (*The Financial Manager's Report*) will be featured in next month's newsletter.

Firm Terminated from Peer Review Program

Effective May 30, 1995, the enrollment of the firm of Rowe & Associates of Amarillo, Texas, in the AICPA Peer Review Program (formerly known as the AICPA Quality Review Program) has been terminated due to the firm's failure to provide certain peer review documents to the Texas Society of CPAs.

Rural Utilities Service Approves AICPA Peer Review Program

The Rural Utilities Service (formerly the Rural Electrification Administration) has approved the AICPA Peer Review Program as meeting Section 1773.5 (c)(3)(iii) of the *Code of Federal Regulations.* If a firm has previously had a review under the AICPA Quality Review Program, it will be deemed in compliance with the Rural Utilities Service peer review requirements. The SECPS peer review program continues to be an approved program under Section 1773 (c)(3)(iii) of the *Code.*

The Rural Utilities Service will immediately notify all CPAs who currently audit RUS borrowers of the new peer review program's approval.

ED Issued on Statement on Responsibilities in PFP

An exposure draft of Proposed Statement on Responsibilities in Personal Financial Planning Practice No. 5, *Developing a Basis for Recommendations* (No. 800096CL), has been issued by the Personal Financial Planning Division. This proposed statement would provide guidance on the three functions in developing a basis for recommendations: collecting information, analyzing information and formulating strategies and recommendations.

Comments are due Oct. 16. One free copy of the exposure draft has been mailed to those on the standing order list for exposure drafts and to PFP section members; others may obtain one free copy, with each additional costing $6 AICPA member, $6.75 non-member, from the AICPA Order Department (see page 11). It also is in the library on the Accountants Forum.

Public Meeting Notices

For detailed agendas, call 800/862–4272 (dept. #6) three weeks prior to these meetings.

Accounting & Review Services Committee:
Oct. 23–24, Palm Springs (tentative)

Accounting Standards Executive Committee:
Oct. 17–18, New York; Dec. 14–15, New York

Auditing Standards Board:
Oct. 10–12, New York; Nov. 14–16, New York

Professional Ethics Executive Committee:
Oct. 26, Palm Springs

Other Meetings

Annual Meeting/Fall Council: Oct. 23–24, Palm Springs

Peer Review Board: Oct. 19–20, Palm Springs

Personal Financial Planning Executive Committee:
Oct. 23, Palm Springs

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Accounting & Auditing News

AcSEC Issues ED on Environmental Remediation Liabilities

The Accounting Standards Executive Committee has issued an exposure draft of a proposed statement of position, *Environmental Remediation Liabilities (Including Auditing Guidance)* (No. 800091CL). Comments are due Oct. 31.

The ED, which will apply to all non-governmental reporting entities, provides that:

- Environmental remediation liabilities should be accrued when the criteria of FASB Statement No. 5, *Accounting for Contingencies,* are met, and it includes benchmarks to aid in that determination.
- An accrual for environmental liabilities should include: (1) incremental direct costs of the remediation effort, as defined, and (2) costs of compensation and benefits for employees to the extent an employee is expected to devote time directly to the remediation effort.
- The measurement of the liability should include: (1) the entity's allocable share of the liability for a specific site, and (2) the entity's share of amounts related to the site that will not be paid by other potentially responsible parties or the government.
- The measurement of the liability should be based on enacted laws and existing regulations, policies and remediation technology.
- The measurement of the liability should be based on the reporting entity's estimates of what it will cost to perform all elements of the remediation effort when they are expected to be performed, and that the measurement may be discounted to reflect the time value of money if the aggregate amount of the obligation and the amount and timing of cash payments for a site are fixed or reliably determinable.

The ED also includes guidance on display of environmental remediation liabilities in financial statements and on disclosures about environmental-cost-related accounting principles, environmental remediation loss contingencies, and other loss contingency disclosure considerations.

A separate, nonauthoritative part of the ED discusses major federal environmental pollution responsibility and clean-up laws and the need to consider various individual state and other non-United States government requirements.

AcSEC hopes to make the SOP effective for fiscal years beginning after Dec. 15, 1995, with earlier application encouraged. Transition would be treated as a change in accounting estimate.

One copy of the exposure draft has been mailed to those on the standing order list to receive exposure drafts; others may obtain one free copy, with each additional costing $6 member, $6.75 non-member, through the AICPA Order Department (see page 11). The exposure draft also is available in the accounting section of the library on the Accountants Forum (access by keying GO AICPA).

SOP 95-3 Issued on Distribution Costs of Investment Companies

Statement of Position 95-3, *Accounting for Certain Distribution Costs of Investment Companies* (No. 014885CL), has been issued. The SOP applies to investment companies that adopt plans that comply with Rule 270.12b-1 of the Investment Company Act of 1940. Under one kind of such a plan, "an enhanced 12b-1 plan," an investment company agrees at the inception of the plan to pay the distributor any unreimbursed costs when the plan is terminated.

The SOP specifies how such costs should be computed and requires that investment companies account for such costs that they are obligated to pay as liabilities and expenses as they are incurred by distributors. It also requires that investment companies make certain disclosures in their financial statements for such plans.

SOP 95-3 is effective for annual financial statements for fiscal years beginning after Dec. 15, 1995, and for interim financial statements for periods in such years, with earlier application encouraged. For a copy of the SOP, at $8.50 member or $9.50 non-member, contact the AICPA Order Department (see page 11).

Proposed Amendment to SAS No. 58 Would Eliminate Explanatory Paragraph

An exposure draft has been issued of a proposed amendment to Statement on Auditing Standards No. 58. The amendment, titled "Amendment to Statement on Auditing Standards No. 58, *Reports on Audited Financial Statements*" (No. 800090CL), would eliminate the requirement that, when certain criteria are met, the auditor add an uncertainties explanatory paragraph to the auditor's report.

This proposed revision of SAS No. 58 would not affect SAS No. 59, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern,* nor would it preclude the auditor from adding a paragraph to the report to emphasize a matter disclosed in the financial statements, as provided for in paragraph 37 of SAS No. 58.

Comments are due Oct. 20. One copy of the exposure draft has been mailed to those on the standing order list to receive exposure drafts; others may obtain one free copy, with each additional costing $6 member, $6.75 non-member, from the AICPA Order Department (see page 11). The exposure draft also is available in the library of the Accountants Forum.

Senate Passes Securities Litigation Reform Bill

The accounting profession and other proponents of securities litigation reform won a big victory in the Senate on June 28 (just as the July *CPA Letter* went to print) when the Senate voted 69–30 to pass S. 240. The profession and a coalition of its business allies easily beat back a series of weakening amendments. AICPA Key Persons provided indispensable lobbying support and were an important component of the bipartisan victory. The Institute strongly supported S. 240 and is optimistic that representatives from the House and Senate will work out a compromise bill that will be acceptable to President Clinton.

SAS Nos. 75 and 76, and SSAE No. 4 to Be Issued

To be released by the Auditing Standards Board by Sept. 15 will be Statement on Auditing Standards No. 75, *Engagements to Apply Agreed-Upon Procedures to Specified Elements, Accounts, or Items of a Financial Statement* (No. 060448CL); Statement on Standards for Attestation Engagements No. 4, *Agreed-Upon Procedures Engagements* (No. 023022CL); and SAS No. 76, *Amendments to SAS No. 72, Letters for Underwriters and Certain Other Requesting Parties* (No. 060449CL). SAS No. 75 will supersede SAS No. 35 (AICPA, Professional Standards, vol. 1, AU sec. 624) of the same name.

Both SAS No. 75 and SSAE No. 4 provide guidance on performing and reporting on applying agreed-upon procedures. However, SAS No. 75 should be used when applying agreed-upon procedures to specified elements, accounts or items of a financial statement, and SSAE No. 4 should be used in engagements that generally involve applying agreed-upon procedures to nonfinancial information, such as the inspection of dates noted on certain shipping documents to determine whether any such dates were subsequent to a specific cutoff date.

SSAE No. 4 addresses a number of issues that also are addressed in SAS No. 75. The significant difference is that SSAE No. 4 requires a written assertion from management as a condition of engagement performance and SAS No. 75 does not have such a requirement. The Auditing Standards Board believes a written assertion is not required in an engagement to apply agreed-upon procedures to specified elements, accounts or items of a financial statement because assertions are effectively embodied in such specified elements, accounts or items of a financial statement when the basis of accounting is clearly evident. SAS No. 75 and SSAE No. 4 are effective for reports dated after Apr. 30, 1996.

SAS No. 76, *Amendments to SAS No. 72, Letters for Underwriters and Certain Other Requesting Parties* (No. 060449CL), provides reporting guidance and an example letter when one of the parties identified in paragraphs 3, 4 or 5 of SAS No. 72, other than an underwriter or other party with a due diligence defense under section 11 of the Securities Act of 1933, requests a letter but does not meet the criteria in SAS No. 72. The amendments in this statement are effective for letters issued pursuant to paragraph 9 after Apr. 30, 1996.

Copies will be available through the AICPA Order Department (see page 11). Prices: SASs: $8.50 each for members, $9.25 each for non-members; SSAE: $6.50 member, $7.25 non-member.

Proposed SOP on Mortgage Loan Borrowers Issued

A proposed statement of position, *Reporting by Participating Mortgage Loan Borrowers* (No. 800092CL), has been issued. Comments are due Oct. 5.

This proposed SOP would require the borrower to report, at the end of each reporting period, a participation liability equal to the amount that would be required to extinguish the participation liability if: (a) the participating mortgage loan matured at that date, or (b) the mortgaged property was sold at that date. When establishing or adjusting the participation liability, the offsetting charge or credit should be to debt discount.

As estimates of the participation liability change because of changes in estimates of the market value of the property, the borrower would recalculate the effective interest rate to reflect the changes in expected future payments, using the methodology in FASB Statement No. 91.

The proposed SOP would be effective for fiscal years beginning after June 15, 1996. Earlier application is encouraged. The effect of initially applying this proposed SOP would be reported in a manner similar to that of the cumulative effect of a change in accounting principle.

One copy of the exposure draft has been mailed to those on the standing order list to receive exposure drafts; others may obtain one free copy, with each additional costing $6 member, $6.75 non-member, through the AICPA Order Department (see page 11). It also is in the library on the Accountants Forum.

FASB Puts Out Call for Comments on Current Disclosure Requirements

The Financial Accounting Standards Board has issued a prospectus calling for papers or comment letters on the effectiveness of current disclosure requirements. The board's objective is to obtain comments and encourage research on disclosure-related issues, such as cost-effectiveness, information overload and the role of the accounting profession in providing useful information to investors and other financial-statement users.

Comments on the prospectus are due Nov. 30; the FASB will be scheduling a public meeting sometime after the comment period. One copy of the prospectus is available without charge until Nov. 30 from the FASB Order Department, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856–5116, 203/847–0700, ext. 555.

GASB Releases Preliminary Views on Financial Reporting Models

The Governmental Accounting Standards Board has released two "preliminary views" documents on the financial reporting model for governments and governmental colleges and universities. These documents suggest a significant departure from the current financial reporting models for those entities; public hearings will be held around the country in Nov. and Dec.

GASB is calling for a dual approach to financial reporting in general-purpose financial statements—an entity-wide and a fund perspective. The biggest change would be that an aggregated entity-wide perspective using the "flow of economic resources" measurement focus would need to be provided, and capital assets would be reported with a periodic-use charge.

One copy of each preliminary views document is available until Oct. 31 from the GASB Order Department, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856–5116; 203/847–0700, ext. 555.

IRS Issues Guidance Regarding Erroneous OBRA '93 Tax Payment Notices

The IRS has issued guidance to the AICPA about how taxpayers and practitioners should respond to erroneous notices, which were mailed in July by the IRS, to taxpayers about their OBRA '93 deferred tax accounts. (OBRA deferred tax accounts are used by the IRS to keep track of payments from taxpayers who, as provided in the Omnibus Budget Reconciliation Act of 1993, elected to pay in three equal annual installments their additional 1993 income taxes due to the retroactive increase in tax rates. The installments are due each Apr. 15, beginning in 1994. The second installment was due Apr. 17, 1995.) The AICPA first alerted the IRS that problems could occur in processing these payments last Aug. It was not until the Institute notified the IRS of all the calls it was receiving from CPAs that the IRS realized the pervasiveness of the problem.

A copy of the guidance is available by fax by dialing 201/938–3787 from a fax machine, following the voice cues and selecting document no. 961. It is also on the Accountants Forum in the tax library.

IRS Releases Market Segment Audit Guides

The IRS has released four new Market Segment Specialization Program audit techniques guides focusing on the entertainment industry, bars and restaurants, mobile food vendors and ministers. Copies are available by writing the IRS and requesting the guide by name. Write: IRS, Freedom of Information Reading Room, P.O. Box 795, Ben Franklin Station, Washington, DC 20044. The costs of the guides are: Entertainment Industry—Important 1040 Issues, $15.75; Bars and Restaurants, $11.85; Mobile Food Vendors, $18.45; and Ministers, $4.35. Initial requests are entitled to a $15 credit; members whose orders are for less than $15 will owe nothing, while those ordering more than $15 worth of guides should deduct $15 after tallying the payment due. Make check payable to the Internal Revenue Service.

S Corporation Reform Bill Introduced in House

Rep. E. Clay Shaw Jr. (R-Fla.) on July 18 introduced H.R. 2039, the S Corporation Reform Act of 1995, with a very strong show of support from members of the House tax-writing committee. More than half the members of the House Ways and Means Committee were among the bill's 26 cosponsors at introduction. H. R. 2039 is a companion bill to S. 758, the S corporation reform bill introduced in May (*The CPA Letter*, June). Only two differences exist between the House and Senate versions of the legislation: H.R. 2039 would allow S corporations to issue convertible preferred stock, while S. 758 would allow the issuance of "plain vanilla" preferred stock only; and under H.R. 2039, an S corporation would be permitted to have 75 shareholders, instead of the 50-shareholder limit that would be set by S. 758. The AICPA long has pushed for S corporation reform.

House Holds Hearing on Work Load Relief Bill

AICPA Chair of the Board Robert L. Israeloff urged the House Ways and Means Committee to approve the AICPA's revenue-neutral work load compression proposal, H.R. 1661, at a July hearing. He outlined for the committee how CPAs and their clients have been hard hit by the Tax Reform Act of 1986's requirement that all partnerships and S corporations using fiscal years adopt a calendar year-end for tax purposes. H.R. 1661 was introduced in May by Rep. E. Clay Shaw Jr. (R-Fla.) (*The CPA Letter*, June).

AICPA Key Persons are responding to the call Israeloff sounded to build support for H.R. 1661. At press time, 34 members of the House had agreed to cosponsor H.R. 1661.

Marketing Materials for Use in Year-End Tax Planning Now Available

The following brochures and speeches are designed for use until Dec. 31; the slide presentation can be used until Apr. 15, 1996. All products are available through the AICPA Order Department (see page 11).

20 Ways to Reduce Your 1995 Taxes: A CPA's Guide to Financial Fitness (No. 889536CL) is an eight-panel brochure outlining tax changes that will affect individuals in 1995. It lists proven tips for reducing tax liability and contains a chart of 1995 tax rates. Price: $24 per 100 copies member, $26 per 100 copies non-member.

Fiscal Fitness Strategies for 1995 Taxpayers (No. 889534CL) is a slide presentation that includes 37 color slides and a script. Topics covered range from basic tax-saving strategies to specific actions to reduce tax liability. Price: $165 first set member, $175 first set non-member; $75 each additional set member, $80 each additional set non-member. No returns accepted.

A 20- to 25-minute speech, **Reducing Your 1995 Taxes: Financial Fitness Tips for Consumers** (No. 890684CL), summarizes recent tax law changes and provides tips for individuals to lower taxable income and maximize deductions. Included is an interview guide of 20 questions CPAs may receive during media interviews. Price: $5.50 member, $6 non-member.

The brochure, ***Tax-Saving Solutions for 1995: A CPA's Guide for Small Business*** (No. 889535CL), summarizes tax law changes affecting small businesses and lists tax-saving tips. The 20- to 25-minute speech, **1995 Tax-Planning Strategies for the Small Business Owner** (No. 890685CL), describes various organizational forms and accounting methods as well as their advantages and disadvantages, in addition to tips for lowering income and employment taxes. Price: Brochure: $24 per 100 copies member, $26 per 100 copies non-member; Speech: $5.50 member, $6 non-member.

IRS Financial-Status Audit Approach Spells Danger for CPAs, Clients; IRS Responds to AICPA's Concerns

As part of its "Compliance 2000" initiative, and in response to criticism from the General Accounting Office, the Internal Revenue Service has stepped up its efforts to find unreported income by both corporations and Schedule Cs. To this end, the IRS has instituted new training modules emphasizing the use of techniques that rarely had been applied in tax-return examinations. These techniques have been repackaged and given the title "Financial Status Auditing" (formerly "Economic Reality Auditing").

In this type of audit, the revenue agent will look at the "whole taxpayer" and not just the tax return. Using indirect as well as traditional audit methods, the agent will attempt to create an economic profile of the taxpayer so that conclusions can be reached as to the reasonableness of amounts (e.g., total income) reflected on the taxpayer's tax return. The IRS believes this process is needed to lead to deficiency adjustments that "quantify" any gap between the economic profile and the tax return. Now, the IRS wants to examine a taxpayer's complete financial profile in an effort to find assets and income inconsistent with the tax return, employing techniques used to uncover criminal fraud.

The IRS believes the taxpayer interview and questions concerning the taxpayer's financial situation and "lifestyle" are important tools in building an economic profile. Its manual includes lists of "appropriate" questions, and a new training program is aimed at teaching agents aggressive interviewing techniques in the context of financial-status auditing. In addition, agents will be spending more time prior to the start of the audit gathering and organizing information about the taxpayer and may even have views as to possible underreporting of income before meeting with the taxpayer or a representative.

One disturbing aspect of the financial-status-auditing process is that the new emphasis on unreported income and the accompanying audit procedures blur the line between routine tax-return audits and tax-fraud investigations. Furthermore, there are known examples of IRS revenue agents demanding answers to "lifestyle" questions at the very beginning of their examinations. These types of questions establish a basis for the agent to insist on a direct taxpayer interview because the answers likely will not be obtainable from the representative. Taxpayers may unwittingly make self-incriminating statements, and representatives may feel uncertain as to the precise point to advise their clients to retain legal counsel to protect their rights—undermining the protection of the taxpayer's right to be represented in an examination (the right to representation was specifically provided for in the Taxpayer Bill of Rights to counter problems with the IRS during taxpayer interviews). Traditionally, these types of questions have not been troublesome because the line between routine tax audit and fraud investigation was clearly drawn and marked with the entrance of IRS special agents onto the scene.

An AICPA working group was established to identify and summarize the issues and meet with IRS National Office executives to express these concerns and work toward a change in IRS procedure. The AICPA asked the IRS to issue clarification regarding the raising of financial-status-audit questions with reasonable restraint and only under appropriate circumstances. The Institute also asked for the clarification to indicate that written financial-status questions should not be asked of the taxpayer or taxpayer representative unless and until there was reasonable suspicion supported by documented evidence that income may have been underreported.

In addition, the AICPA requested that the IRS issue guidance in two areas. With respect to pre-audit investigations, the Institute requested that the IRS issue guidance encouraging pre-audit disclosures to the taxpayer or taxpayer representative. Also, with respect to a taxpayer interview/summons, the AICPA requested that guidance be issued to clarify situations in which an administrative summons should be used. The AICPA believes that the standards of "reasonable restraint" and "appropriate circumstances" should apply in these cases.

The IRS National Office has responded with a memorandum to regional chief compliance officers that stated, in part: "... examiners must assess the facts and apply sound judgment in determining the scope on a case-by-case basis. We have been alerted to instances where in-depth initial interviews were routinely used to explore a taxpayer's financial situation when there was not indication of such a need. This may not be appropriate. For instance, if the initial analysis of a return shows sufficient income to support the taxpayer's business needs and to provide for reported expenses, we would then consider the degree of internal controls present in the business. This would be done before asking questions about personal assets or expenditures.

"Examiners should ask the taxpayer only for the information actually needed for the examination of the return in question. If the pre-contact analysis indicates a potential for unreported income or other sources of income, then the scope of the examination should be expanded as appropriate. This would include an in-depth initial interview, among other techniques."

The memo continues, "We have every intention of continuing to deal effectively with taxpayers who underreport their income...However, the timing [of indirect audit methods] is as essential as the questions themselves." Also emphasized twice in the memo was that the IRS National Office strongly supports a review of a taxpayer's financial status as an appropriate examination technique.

The AICPA working group is currently considering other steps to be taken for the education and protection of members and their clients, and the Institute wants to hear about problems that arise regarding the financial-status audit approach. Members who encounter difficulties in dealing with the IRS in this area should call Anita L. Horn at 202/434–9231 or fax 202/638–4512.

THE AICPA'S NATIONAL ADVERTISING CAMPAIGN

The AICPA's national advertising campaign is ready to be launched. As the Institute announced in the July CPA *Letter*, it has developed a creative advertising program to enhance the image of the CPA. And based on the results of pretesting conducted among a representative sampling of corporate clients, individual clients, and CPAs, we expect to achieve that goal over the long term.

Beginning in October, television and print ads will run at the national level, with many state CPA societies reinforcing the national campaign with both print and radio ads in their local markets. On page 2 you will find a reproduction of one of the print ads, and on page 3 you will see the planned national media schedule of where and when the print and television ads will run. Page 3 also features an article highlighting what some of the state societies are doing to support this national communications initiative.

"It raises your awareness about CPAs adding value to your life and your business."
— respondent, advertising pretest

Creating a New Image

The strategy behind this campaign is to help position the CPA as a trusted resource for financial and business planning, in addition to a tax and audit professional. By conveying this message in a compelling, visually exciting way, the profession can begin to take control of its own image and increase awareness of the broad range of skills and services CPAs offer. Ultimately, that kind of enhanced perception will help to add value to your hard-earned designation.

In developing the advertising campaign, the AICPA took a number of factors into consideration: members' requests to address the issue of public image; the results of research conducted with users of CPA services; and the need to begin building an enduring "brand" that would reflect the importance of CPAs.

Research Drives the Message

From the research, we learned that CPAs are not perceived as being either forward-thinking or key business advisers. The creative execution of the advertising campaign, as well as the strategy behind the media schedule, are aimed squarely at helping to change those misconceptions. For example, the television spot and print ads convey the broad range of complex financial issues to which a CPA can bring solutions. The ads also utilize a futuristic, cutting-edge graphic to communicate that while most people simply see numbers, CPAs see opportunities in those numbers.

The four radio spots, which were prepared for state societies to use in their local markets, directly confront stereotypes of CPAs and offer specific information on the range of services the profession offers. Two of the radio ads take a humorous approach that the ad agency believes will help grab listeners' attention.

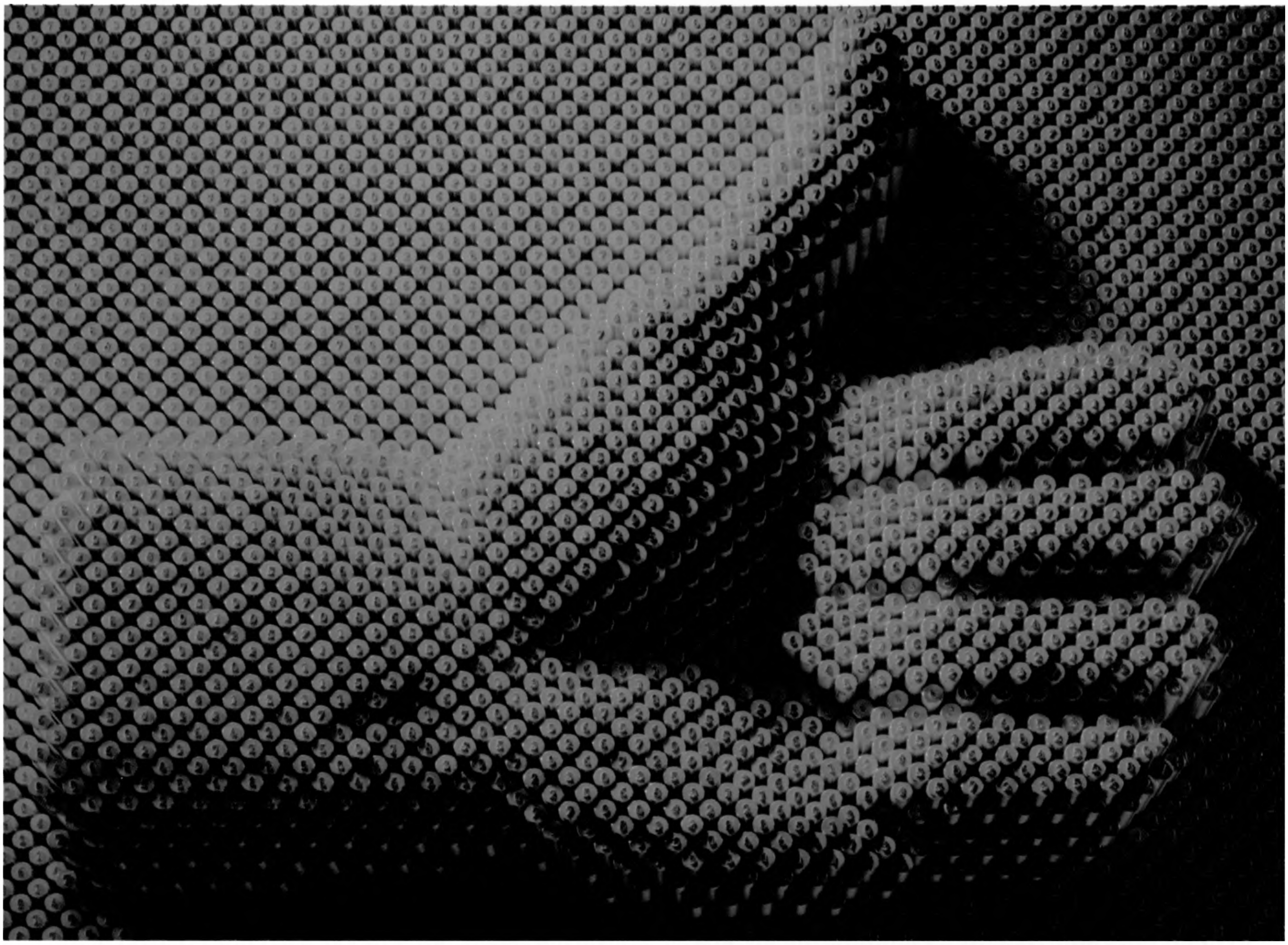
Reaction to the advertising "prototypes" was very positive. Preliminary research found the spots conveyed the messages that CPAs "can help individuals and companies plan for the future," that CPAs "should be involved in all facets of important business and financial planning," and that "CPAs can help contribute to profitability." In each case the creative executions were seen as bold, provocative and effective in communicating the essence of the CPA designation.

Creating a Brand

In keeping with the positioning and image put forth in the advertising campaign, a new logo has been developed. This graphic, supported by the tagline — "The CPA. Never Underestimate the Value." — will be provided to members as camera-ready art for their own use and can be used to reinforce the brand awareness generated by the state and national advertising thrust.

In addition, an order form on the back page features several promotional items you may wish to order. These items are a way to extend the new image of the CPA on a personal level. Together with the advertising campaign and logo, they add up to a powerful new identity that should reinforce members' pride in the accounting profession and significantly help to enhance the image of CPAs.

SURE, YOU'VE GOT LOTS OF MANAGERS GIVING YOU ADVICE. BUT HOW MANY HAVE AS BIG A HAND AS A CPA IN SHAPING YOUR COMPANY'S FINANCIAL FUTURE?

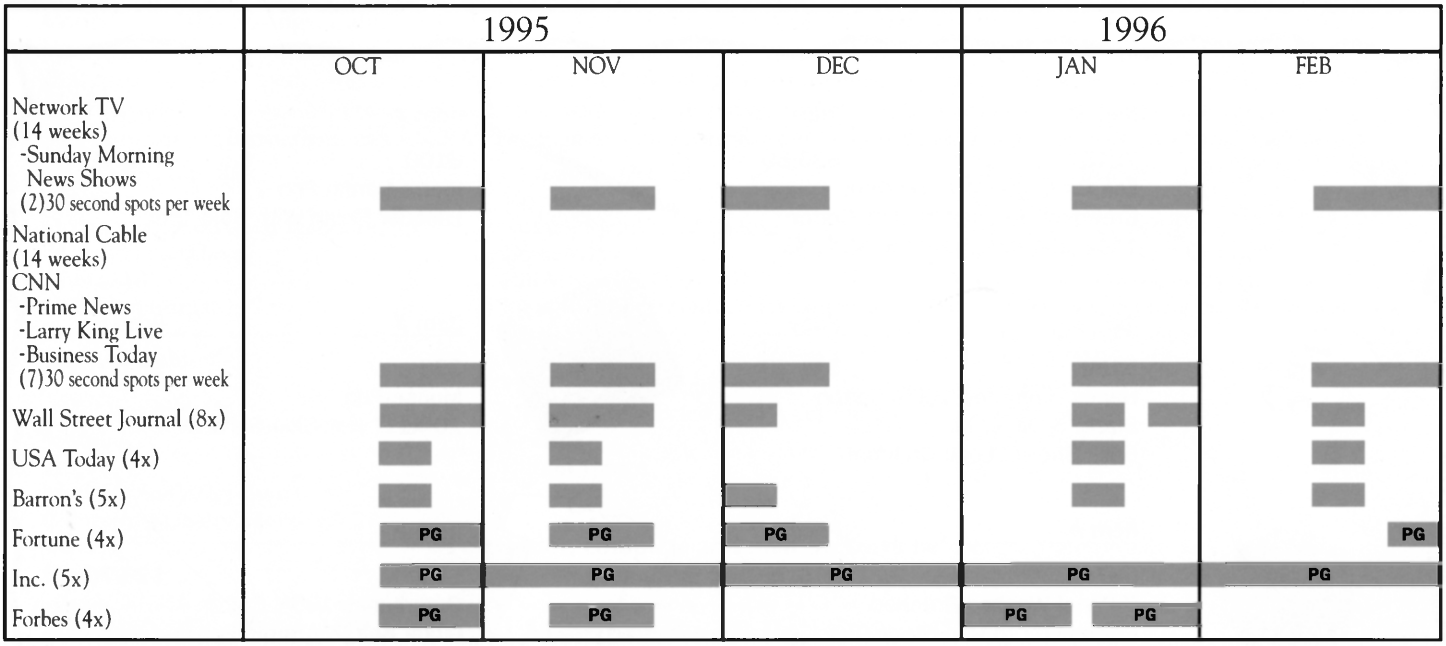


When you're confronting a major business decision, your ability to make the correct choice often hinges on the counsel of your closest and most respected advisors. What their gut tells them. What their experience tells them. And what the numbers really mean. As an integral part of your senior management team, a CPA can identify re-engineering opportunities. Help locate and secure capital. Evaluate the short-term and long-term impact of a merger or acquisition. You see numbers. We see opportunities.

CPA

THE CPA. NEVER UNDERESTIMATE THE VALUE.

American Institute of Certified Public Accountants



The above matrix represents the general timing of the national television and print ads. Actual dates, times and number of appearances of the ads will be determined as the ad agency secures placements based on available space. In addition, the agency will look for opportunities, or "special buys," in television during the campaign. This planned schedule of combined television and print ads will enable the AICPA to communicate its message to potentially 71% of the target audience – key business decision makers – approximately six times. Such penetration of advertising is considered "powerful" by advertising industry standards.

State Society Participation To Boost Advertising Effort

Key to improving the ad campaign's chances of reaching the maximum percentage of its target audience, key business decision makers, as well as increasing the number of times they see or hear the ads, will be the local advertising support of the state CPA societies. More than 70% of the societies have decided on various levels of participation; some will launch their campaigns along with the AICPA in the fall, and others will begin next year.

Here is a sampling of what some of the state societies have planned and what their executive directors have to say about this new, national communications initiative.

"I was thrilled when our board of directors approved spending $66,000 from our reserves to join in the ad campaign," said Mary Medley, executive director of the Colorado Society of CPAs. "We are now developing a media plan that will involve both print and radio ads. I think the ad campaign is one of the best things the Institute has ever done."

Georgia's Jim Martin said, "Everyone is very excited about the image-enhancement campaign, and there is interest in it from all parts of the state. It has opened new marketing doors — we plan to use the tagline to promote the profession in our external campaign. The radio ads are perfect for us because we can run them throughout the year, thereby providing marketing support to our members beyond the tax season."

North Carolina's executive director, James Ahler, said the AICPA's ad campaign could not have come at a better time. "We already had been wanting to do something to promote CPAs' services. So when the AICPA said it had developed an ad campaign that the states could be a part of, we said 'count us in.' Getting people to understand what we do is probably the most important thing that can happen to the profession — I really like this."

Demonstrating the flexibility provided to the state societies in terms of what to run and where, one society has told the AICPA that it probably will run the television ad on local affiliates of ABC, CBS and NBC. "We'll go on TV to promote CPAs like the way you see ads for the cotton industry or for milk," said Raymond Church, executive director of the Rhode Island society. "I think television advertising will give us the best return on our investment."

"The Ohio Society totally supports the research, concept and approaches," said J. Clarke Price, executive director of the Ohio Society of CPAs. "We want to do as much as possible this year, although the campaign wasn't specifically budgeted for, and do even more next year when we can budget for it. Our members strongly support the program and want the society to participate."

At the Texas Society of CPAs' recent annual members' meeting, nearly all members present spontaneously applauded after viewing the new television ad and hearing about the ad campaign.

State society participation is an important element of the AICPA's national image-enhancement program, and the Institute will keep members informed about the states' local efforts in addition to its own.

CPA Accessories Collection

Item #	Price
73157	$30.80

Lee Crossgrain Heavyweight
Crewneck Sweatshirt 95% Cotton
11oz. Material, Sizes: S, M, L, XL

Item #	Price
6100	$13.15

Pierre Cardin Pen
Lacquer Finish With Gold Trim

Item #	Price
5180	$11.30

Hanes Beefy Tee 100% Cotton
Sizes: S, M, L, XL
Back Shown; Logo On Front

Item #	Price
395	$8.50

Mouse Pad
10"x11" Non-Skid Surface

Item #	Price
6374	$13.75

6 Panel Washed Brushed
Cotton Oxford Cap Stone/Black
Embroidered

Item #	Price
5011	$29.70

Outerbanks 100% Cotton
Pique Knit 2" Droptail
Embroidered, Sizes: S, M, L, XL

Item #	Price
CC12	$8.45

11oz. Ceramic Coffee Mug

Item #	Price
2830	$.90

2" Button

Item #	Price
LP1	$2.80

1/2" Lapel Pin
Die-Cast Metal

CPA Order Form

Big Game Outfitters

245 Western Ave., Suite 32
Essex, MA 01929
Tel. (508) 768-7749

Ship To:

Name ____________________

Firm or Organization ____________________

Street Address* ____________________

City ____________________

State __________ Zip __________

*No P.O. Box, please.

Item Description	Item Number/Size	Quantity	Total Price

Paid By: ❑ Check
❑ Money Order

Total Amount	
*Shipping Charges	
**5% MA only Sales Tax (not on food or clothes)	
Grand Total	

Shipping & Handling Charges

These charges are in addition to the final sale price of the ordered items.

Order Amount	S&H Charges	Order Amount	S&H Charges
Up to $5.00	$3.67	$60.01-$80	$9.75
$5.01-$20	$4.75	$80.01-$100	$10.75
$20.01-$40	$5.75	$100.01- $250	$15.75
$40.01-$60	$7.75	Over $250	7% of order

Allow 6-8 weeks for delivery **UPS Ground Trac Delivery**

Please Complete:

AICPA Membership Number ____________________

Signature ____________________

*Shipping charges order amount

**Sales Tax: Only on non-clothing/non-food items with MA as the delivery destination

Make check payable to Big Game Outfitters

Members Invited to Participate in Annual, Council Meetings

AICPA members are invited and encouraged to attend this year's Annual Members' Meeting and fall meeting of Council in Palm Springs, Calif., on Oct. 23–24. The meetings have been expanded and restructured to allow for greater interaction among participants. A meeting of AICPA committee chairs will focus on major goals for the year and issues that must be addressed. On-site meetings of several key committees will also take place. Members are invited to attend the Committee Chairs' Meeting, Annual Members' Meeting, meeting of Council, and the luncheons and reception.

For more information, call AICPA Meetings & Travel Services at 201/938–3232. Participants and format follow:

■ ***Saturday, Oct. 21***
Morning
Orientation session for incoming Council members
Afternoon
Golf tournament
Evening
Hospitality suite

■ ***Sunday, Oct. 22***
Morning
Fun Run
Morning and Afternoon
Committee Chairs' Meeting
Evening
Reception

■ ***Monday, Oct. 23***
Morning
Annual Members' Meeting
Concurrent
Fall Meeting of Council
Meetings of selected AICPA committees
LUNCHEON
Afternoon
Fall Meeting of Council
Meetings of selected AICPA committees
Evening
Dinner Dance

■ ***Tuesday, Oct. 24***
Morning
Fall Meeting of Council
Breakout sessions for Council, committee chairs, members of committees meeting on-site, AICPA members and others
LUNCHEON
Afternoon
Concurrent
Fall Meeting of Council
Meetings of selected AICPA committees

To register, complete and mail the form below.
(cut along dotted line)

Registration Form for Annual Members' and Fall Council Meetings

Send completed form to:
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Meetings & Registration
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Bates # ____________________
(For AICPA Use Only)

Type or print carefully. Photocopy this form for additional registrants. Check where applicable.

AICPA Member 1 ❑ YES 2 ❑ NO Member or Customer Number ____________________

Registrant's Last Name First MI Nickname for Badge

Firm Name or Affiliation

Street Address

P.O. Box

City State Zip Code

Business Telephone

Name & Telephone No. of Individual to Contact in Case of Emergency

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Spouse or Guest Last Name First MI Nickname for Badge

Additional Guest Last Name First MI Nickname for Badge

Street Address

City State Zip Code

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Member to Member... Chair's Corner

By Robert L. Israeloff, CPA
Chair, AICPA Board of Directors

A bit of this and a bit of that....

In tune with our member-responsiveness theme, we have stepped in to help or change procedures in a number of circumstances.

An elderly gentleman with severe financial and health problems did not know how to obtain benefits from the AICPA Benevolent Fund, and his request got bounced around from department to department. He is now receiving a benefit in excess of $1,000 a month.

Another member changed practice paths and substantially reduced his personal financial planning activities. He wanted to place his hard-earned credential, the Personal Financial Specialist designation, into an inactive status. He originally was informed that there was no way to accommodate his specific situation. There now is!

A number of members have complained about the tone of letters they have received in connection with their peer reviews or ethics complaints. We are taking a fresh look at all of the form letters we and the state CPA societies use to make sure they reflect the theme that members are our business.

After receiving dues notices, a few members wanted to resign because of burdensome peer review requirements. They performed no audits, no reviews and a very few compilations. It was pointed out that the exemption from SSARS 1 for internal-use-only financial statements that will soon be exposed for public comment by the Accounting and Review Services Committee, would take these management reports out of the scope of the peer review program. Stay tuned!

A number of members complained about the amount of dues charged for different categories of membership, although no one agreed with anyone else. We will undergo a "dues-equity" study within the next year in an attempt to produce a more equitable dues schedule, if possible.

A member let us know about an overlooked situation in the provisions of the AICPA's standard network license for software. The Information Technology Division handled that member's problem and is clarifying the agreement for everyone's benefit.

And we considered the needs of our 95,000 members who are 35 years old or younger by holding our first Under 35 Symposium in July. We wanted input on how the AICPA and state CPA societies can assist younger members in dealing with balancing work with family and personal lives. There also was discussion on the impact of technology on a member's career, and the role of the AICPA and state societies in helping with computer competency.

Another objective of the symposium was to discover how to get the under 35ers more involved in our professional organizations. We need their active participation to assure a dynamic future for all of us.

A summary and analysis of the symposium's two sets of breakout sessions that were conducted has been prepared. Recommendations for specific follow-up and implementation are now being considered.

Keep those cards and letters coming, folks—they are all answered.

To contact Bob Israeloff, call 516/872-3300 or fax 516/872-3128.

Accountants Forum Usage Credit Now $25, Pricing Reduced, More States In

After the July issue of *The CPA Letter* was printed, CompuServe upped the usage credit from $15 to $25 for members going online for the Accountants Forum. It also will restructure its pricing for all users, effective Sept. 10.

The monthly membership fee of $9.95 will provide users with five hours of access each month to virtually all of CompuServe's services, including the Accountants Forum, all other forums, CompuServe Mail and the Internet. Additional hours on the system will be billed at $2.95 per hour. Under the existing fee schedule, CompuServe's monthly charge of $9.95 covered unlimited access to basic services, but extended services—such as the Accountants Forum—cost $4.80 per hour, and all Internet access cost $2.95 per hour. AICPA staff believe the change likely will benefit most CPA users.

As of Aug. 15, 31 state CPA societies had agreed to contribute files to the Accountants Forum. These state societies have joined in addition to the ones previously listed (*The CPA Letter*, July): Oklahoma, Wyoming, District of Columbia, Vermont, Pennsylvania, Kentucky, California, Utah, Arkansas, Massachusetts, Oregon and Georgia.

In the first month of operation, more than 3,550 different users have accessed the Accountants Forum. To sign up with CompuServe, call 800/524-3388 (ask for the "AICPA Package" or "Rep #748"). Members who already are CompuServe users can access the forum by entering the GO AICPA command, or if using WinCIM, click on the Professional button on the main menu, select Business Management and then Accountants Forum.

Texas Board of Accountancy Sues IDS

Claiming that American Express Tax and Business Services (formerly known as IDS Tax and Business Services) is practicing public accountancy without being licensed by or registered with the Texas State Board of Public Accountancy, the Texas board has filed a lawsuit against the organization. The board said American Express Tax and Business Services is in violation of its statutes because American Express, which employs CPAs, affixed its name to a financial statement.

The board has asked a district court to issue a temporary injunction pending a trial of the case. The case currently is in discovery; the complaint was filed June 14.

Disciplinary Actions

As a result of investigations of alleged violations of the Code of Professional Conduct of the AICPA and/or state CPA societies, the following ethics cases have been resolved by settlement agreements under the Joint Ethics Enforcement Program:

- Martin A. Halpern of Pomona, N.Y., settled charges on May 25, 1995, of violating Rules 202–Auditing Standards and 203–Accounting Principles of the pre-Jan. 12, 1988, Code of Professional Conduct of the AICPA and the New York State Society of CPAs (NYSSCPA) in the performance of an audit of the financial statements of a client. Without admitting or denying the charges, Mr. Halpern agreed to two-year suspensions of his memberships in the AICPA and the NYSSCPA, to complete 80 hours of specified CPE courses during the suspension period and to submit one workproduct to the Professional Ethics Division for review.
- Randy E. Davis of Louisville, Ky., settled charges on May 26, 1995, of violating the Code of Professional Conduct of the AICPA, Rules 202–Compliance with Standards and 203–Accounting Principles in connection with his audit of an employee benefit plan. Without admitting or denying the charges, Mr. Davis agreed to a two-year suspension of his membership in the AICPA, to complete 80 hours of specified CPE courses during the suspension period and to submit one workproduct to the Professional Ethics Division for review.
- Clarence W. Hamilton of Louisville, Ky., settled charges on May 26, 1995, of violating the Code of Professional Conduct of the AICPA, Rules 202–Compliance with Standards and 203–Accounting Principles in connection with his audit of an employee benefit plan. Without admitting or denying the charges, Mr. Hamilton agreed to a two-year suspension of his membership in the AICPA, to complete 80 hours of specified CPE courses during the suspension period and to submit one workproduct to the Professional Ethics Division for review.
- Phillip C. Zarcone of Burr Ridge, Ill., settled charges on June 5, 1995, of violating the Code of Professional Conduct of the AICPA and the Illinois CPA Society (ILCPAS), Rules 102–Integrity and Objectivity and 501–Acts Discreditable by filing, with a regulatory body, documents which knowingly misrepresented facts. Without admitting or denying the charges, Mr. Zarcone agreed to be expelled from the AICPA and the ILCPAS.
- Michael S. Hope of Pacific Palisades, Calif., settled charges on June 12, 1995, of violating Rule 202–Auditing Standards of the pre-Jan. 12, 1988, Code of Professional Conduct of the AICPA, Michigan Association of CPAs (MACPA) and the New York State Society of CPAs (NYSSCPA) in connection with his participation in the 1981 audit of a manufacturing company. Without admitting or denying the charges, Mr. Hope agreed to six-month suspensions of his memberships in the AICPA, MACPA and the NYSSCPA and to complete 40 hours of specified CPE courses during a one-year period.
- Michael L. Ferrante of Pomona, N.Y., settled charges on June 12, 1995, of violating Rule 202–Auditing Standards of the pre-Jan. 12, 1988, Code of Professional Conduct of the AICPA and the New York State Society of CPAs (NYSSCPA) in connection with his participation in the 1981 audit of a manufacturing company. Without admitting or denying the charges, Mr. Ferrante agreed to six-month suspensions of his memberships in the AICPA and the NYSSCPA and to complete 40 hours of specified CPE courses during a one-year period.
- Rosalyn T. Eisner of Brooklyn, N.Y., settled charges on July 3, 1995, of violating the Code of Professional Conduct of the AICPA and the New York State Society of CPAs (NYSSCPA), Rules 101–Independence, 202–Compliance with Standards, 203–Accounting Principles and 501–Acts Discreditable in connection with her performance of a governmental audit. Without admitting or denying the charges, Ms. Eisner agreed to two-year suspensions of her memberships in the AICPA and the NYSSCPA, to complete 87 hours of specified CPE courses during the suspension period and to submit to a preissuance review of all audit, review and compilation engagements performed during that period.
- Hugo H. Hanson II of New York City settled charges on July 3, 1995, of violating the Code of Professional Conduct of the AICPA, Rules 102–Integrity and Objectivity and 501–Acts Discreditable in connection with the filing of a client's Form 4768 with the IRS. Without admitting or denying the charges, Mr. Hanson agreed to a one-year suspension of his membership in the AICPA, and to complete 15 hours of specified CPE during the suspension period.

Under the automatic disciplinary provisions of the Institute's bylaws, the following members have had their memberships:

—*Terminated* because of the final conviction of a crime punishable by imprisonment for more than one year:

- Steven J. Watchmaker of Westwood, Mass., on June 6 after pleading guilty to conspiracy, bank fraud, bankruptcy fraud and concealing assets from the RTC and FDIC.

—*Terminated* following revocation of their CPA certificates by the South Carolina Board of Accountancy for failure to comply with the state's CPE requirements:

- Stephen A. Gimbel of Columbia, S.C., on May 2.
- Judy Casper McMeekin of Georgetown, S.C., on May 2.

—*Terminated* following the revocation of his certificate by his state board of accountancy:

- John L. Henss of West Des Moines, Iowa, on Jan. 20 for violating Iowa Code Sections relating to conduct discreditable and dishonesty and/or gross negligence in the practice of public accounting in connection with the decision by a U.S. Court which stipulated he should not serve directly or indirectly as a fiduciary to any employee benefit plan subject to ERISA and permanently enjoined him from acting as a service provider to any ERISA plan.

CPE News

Self-Study and Video Courses

The Sept. Study Guide of CPE DIRECT, the AICPA's subscription series that gives members the opportunity to earn up to 24 hours a year of CPE credit for reading certain *Journal of Accountancy* articles and completing four study guides each year, covers these timely topics: environmental remediation liabilities, accounting for deferred taxes, the future of finance, COSO and internal controls, tapping into the Internet and retirement plan options.

To receive CPE credit, members need to read designated articles in the *Journal*, complete the study guide, answer the questions correctly and return the answer sheet for grading. They then receive an AICPA Certificate of Completion stating that they have earned 6 CPE credits in specified fields of study.

Since CPE requirements vary from state to state, members should contact their state boards of accountancy for information concerning the state requirements as to the number of CPE credit hours that must be earned and the acceptable fields of study.

Order now to receive the Sept. study guide CPE DIRECT (No. G01054CLS) from the AICPA Order Department (see page 11). For prompt service, give Operator code CLS and ask for CPE DIRECT. Price: $129 for four study guides.

Government self-study, video courses

Selected Readings in Governmental and Nonprofit Accounting and Auditing (1995–96 edition) contains informative and stimulating articles selected from a number of professional journals and newsletters. They deal with a wide variety of pressing issues in governmental and nonprofit accounting and auditing. Recommended CPE credit: 8 hours. Format: Text (No. 730539CLS), $79.

HUD Audits: A Comprehensive Guide describes key regulatory and contract features of HUD projects, and focuses on the new audit requirements of the 1994 Yellow Book and the 1993 Consolidated Audit Guide (latter included with course). Recommended CPE credit: 12 hours. Format: Text (No. 732035CLS), $139.

1995 Government Auditing and Accounting Videocourse is a 2 ½-hour video in which experts explain the latest pronouncements of the GASB, the AICPA, the GAO, the OMB, the PCIE and related federal agencies. Recommended CPE credit: 8 hours group study and self-study. Format: 1 VHS tape/manual (No. 182605CLS), $129; additional manual (No. 182615CLS), $30.

These courses are available from the AICPA Order Department (see page 11) as well as from state CPA societies.

Group Study

Tax-season preparation is at hand with one new AICPA seminar: the **All-Star National Tax Review,** and two previously successful courses: the **1040 Tax Clinic** and the **Corporate Tax Clinic.** The National Tax Review is a fast-paced, one-day update. Three speakers bring up-to-the-minute tax information answers to CPAs' questions, and the know-how to apply tax law changes to tax planning, tax-return preparation and matters before the IRS. Recommended CPE credit: 8 hours. Price: $169.

The two-day basic level 1040 Tax Clinic and Corporate Tax Clinic are designed for tax preparers with one to five years of experience, seasonal preparers, part-time practitioners seeking a refresher and paraprofessionals/support staff with some experience preparing individual and 1120 and 1120s returns. Both courses cover return preparation, strategies for handling property transactions and gain/loss issues and more. Recommended CPE credit: 16 hours. Early-bird price: $219 up till 21 days prior to the presentation. Regular price: $259.

For a brochure with course and registration information, write: LaTanya Junior, AICPA-CPE, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881. Request ADV#104.

Conferences

National Auto Dealership Conference, Oct. 19–20, Chicago, recommended CPE credit: up to 20 hours. **National Conference on Federal Taxes,** Oct. 19–20, Washington, D.C., recommended CPE credit: 16 hours. **Strategic Performance Measures*,** Oct. 25, Colorado Springs, recommended CPE credit: 8 hours. **Finance Best Practices*,** Oct. 25, Colorado Springs, recommended CPE credit: 8 hours. **Fall National Industry Conference*,** Oct. 26–28, Colorado Springs, recommended CPE credit: 21 hours. **National Governmental Training Program,** Oct. 30–Nov. 1, Las Vegas, recommended CPE credit: 24 hours.

For more information, call the AICPA-CPE Division at 800/862–4272 (dept. #3, option #1). For conferences indicated by "*", contact AICPA Meetings & Travel Services at 201/938–3232.

AICPA Announces New Business Valuation Conference

The AICPA's first National Business Valuation Conference, to be held Dec. 4–5 in New Orleans, is designed for practitioners currently performing business valuations or interested in specializing in this area.

Top national experts will share their techniques for performing effective business valuations, and provide participants with strategies to grow and manage their business valuation practice. Learn the latest information on the excess earnings method of valuation, recent court cases, family partnership planning, and discount rates, among other areas. Key factors affecting specific industries—including law firms, restaurants and bars, auto dealerships, franchises, insurance brokers and accounting practices—will also be highlighted.

Recommended CPE credit: 16 hours. Registration fee: $570 if registration is received by Nov. 6 ($595 thereafter). Group discounts for three or more from a firm also available. For more information, to register, or for a copy of a detailed brochure, call the AICPA-CPE Hotline at 800/862–4272 (dept. #3, option 1).

New Products & Publications

Information Technology Publications

Quick Response (No. 043008CL) describes the various technologies that support "quick response" along with the benefits to retailers and suppliers for implementing this strategy. Quick response is a strategy that attempts to best meet the needs of the ultimate consumer by developing new business relationships and utilizing technology to get products quickly through the merchandise pipeline. Industries that are part of the pipeline and play a key role in the movement of merchandise include manufacturers, suppliers, warehousers, distributors and retailers. Price: $17 member; $19 non-member.

EDI Control, Management and Audit Issues (No. 043004CL) is a single reference document that contains informative material on the various management, legal and audit aspects of EDI. It includes the concerns and objectives of the external auditor as well. Price: $19.50 Information Technology section member; $30 AICPA member, $33 non-member.

AICPA & FASB Paperbacks as of June 1 Available

Save with special combination discounts: *AICPA Professional Standards* and *FASB Accounting Standards—Current Text* (No. 005036CL9), $135. Buy all five paperbacks (No. 005066CL9), $260.

AICPA Audit and Accounting Manual (No. 007256CL9) provides comprehensive guidance and advice on every aspect of the audit process. It concisely answers many of the common questions and problems members encounter in their daily work. Price: $62.50 (available 10/2).

AICPA Professional Standards (No. 005015CL9), organized by subject and fully indexed, this current two-volume set features professional standards, guidelines and interpretations. Price: $87 (available 9/15).

AICPA Technical Practice Aids (Including Statements of Position) (No. 005055CL9) contains a selection of audit and accounting questions answered by the AICPA's Technical Information Hotline staff. It also features practice bulletins and complete SOPs issued by the AICPA Accounting Standards and Auditing Standards Divisions. Price: $62.50.

FASB Accounting Standards—Original Pronouncements (No. 005045CL9) contains the comprehensive topical index from the Current Text, and the current original text of accounting standards, interpretations, opinions and bulletins, fully explained and arranged chronologically. Price: $87.

FASB Accounting Standards—Current Text (No. 005025CL9) presents standards generally applicable to all enterprises and specialized standards applicable to specific industries. Included are a topical index to material in the Original Pronouncements and Current Text, issues discussed by the Emerging Issues Task Force and FASB's question-and-answer Special Reports. Price: $87.

The ***Electronic Tax Return Filing Practice Guide*** (No. 024012CL), published by the AICPA's Tax Division, is now available. The guide offers information on how to get started, suitability requirements, how to prepare and transmit electronic returns, IRS electronic filer visitations, sample forms, flowcharts and checklists. Price: $17.50 AICPA member, $19 non-member. Tax section members may obtain one free copy by requesting No. 024012GK and informing the operator of their Tax section membership.

Breaking the Paradigm: New Approaches to Pricing Accounting Services (No. 090401CL9) shows members how to maximize their firms' profits by changing the way they currently price their services. The book contains effective strategies and new techniques that members can put into practice immediately. Price: $28 member, $31 non-member.

Management Review Guide (No. 090410CL9, text; 090419CL9, WordPerfect disk) shows members and their partners how to spot practice management problems and team up to improve their firms' management practice. It is an interactive tool designed for firms of ALL sizes, and is structured around a unique fast-paced question/answer format that encourages partner participation. Price: Text: $40 member, $45 non-member; WordPerfect Disk: $30 member, $33 non-member (available 10/15).

Communicating Understandings in Litigation Services: Engagement Letters (No. 055163CL), published by the Management Consulting Services Division, provides guidance on the issues that the CPA must address in composing an engagement letter for litigation services. It covers the content of engagement letters in relation to services, professional issues, discovery, and administrative and fee matters. The practice aid includes sample letters that address these issues as well as conflicts of interest, liability and disputes about fees and services. Price: $15 member, $16.50 non-member.

U.S. Tax Aspects of Doing Business Abroad (No. 059307CL9) offers up-to-date, practical and comprehensive information on the intricate federal income tax laws for foreign business and investment. It clarifies the applicable tax laws, alerts CPAs to problem areas, and provides tax-planning suggestions members can use to their advantage. Price: $60 member, $66 non-member (available 10/1).

To order, write: AICPA Order Department, CL995, P.O. Box 2209, Jersey City, NJ 07303–2209; order via fax, 800/362–5066; or call 800/862–4272 (dept. #1). Ask for Operator CL995. The best times to call are 8:30 to 11:30 a.m. and 2:00 to 7:30 p.m., EST. Orders for exposure drafts must be written or faxed. Prices do not include shipping and handling. Have membership number ready.

Washington At A Glance

State Taxation of Nonresident Pension Income Subject of AICPA Testimony

In written testimony submitted to a House Judiciary subcommittee, the AICPA supported legislation (H.R. 394) that would prohibit states from taxing nonresidents' pension income. The AICPA said it supported the legislation primarily because there is presently "no administrable system to consistently, fairly and efficiently allocate retirement income based on the state in which it was earned." The Institute also warned that unless states are prohibited from taxing nonresidents' retirement income, "more and more retirees will be subject to double taxation, while an increasing number of employers will be subject to steep administrative costs and increasingly complex tax accounting problems."

For a copy of the testimony, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 960, or look on the Accountants Forum in the tax library.

SEC Proposes Abbreviated Financial Statements

The SEC has proposed rules that would permit SEC registrants to include abbreviated financial statements in annual reports to shareholders and other disclosure documents that are delivered to investors pursuant to the proxy rules.

In a separate action, the FASB has issued a prospectus seeking information and perspective on disclosure effectiveness (see page 4). Also, a special AICPA Private Companies Practice Section task force is focusing on disclosure requirements and practices as part of its consideration of the broad issue of standards overload.

The SEC proposal for abbreviated financial statements would omit footnote disclosure, except with respect to a limited number of specified matters, but the statements themselves would be prepared in conformity with GAAP and Regulation S-X.

In general, the disclosures that would be omitted are those that contain quantitative detail and explanatory information regarding both amounts in the statements and many off-balance-sheet items, such as the composition of inventories and fixed assets; the terms and conditions of borrowings; the components of income-tax expense and related deferred taxes; the status of pension fund assets and obligations; the assets and operating results of business and geographic and operating segments; the details of restructuring charges; and the characteristics of financial instruments, including derivative instruments.

The SEC also is soliciting comments on two alternative approaches to the proposed regulations regarding annual reports to shareholders: The first would permit use of summary annual reports, and the second would involve rescission of the rules requiring companies to furnish annual reports to shareholders. Comments are due Oct. 10 (see *Federal Register,* July 10).

See special pullout on AICPA national advertising campaign

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AICPA
American Institute of Certified Public Accountants

October 1995 Vol. 75 No. 8

The CPA Letter

A News Report to Members

Highlights of What's Inside

ED Issued on Assembly of Financial Statements for Internal Use Only

A first step in alleviating standards overload

The Accounting and Review Services Committee has issued an exposure draft of a proposed statement on standards for accounting and review services, *Assembly of Financial Statements for Internal Use Only* (No. 800097CL) [see article on page 4 for a description of the exposure draft]. Issuance of this proposed SSARS is an important step in addressing the "standards overload" problem.

Since financial statements assembled for internal use only would be exempt from the requirements of SSARS 1, the committee does not expect that they would be included in the scope of a peer review.

The committee believes the proposed statement would permit CPAs to provide nonpublic entities with the financial information they need on a timely and cost-effective basis, and that it is an appropriate response to recent advances in technology. The committee also points out that the proposed statement provides an *alternative* for CPAs—it does not require anyone to offer the new service.

AICPA members are urged to comment on the exposure draft. The committee's chair, Wanda Lorenz of Lane Gorman Trubitt, LLP, Dallas (tel. 214/220-7108), is willing to discuss any questions members have as they prepare their comment letters. She will do her best to talk with all callers. Members who would like to exchange views on the exposure draft with other members are encouraged to do so by posting messages in the "auditing, comp & review" message section of the Accountants Forum on CompuServe.

Comments on the proposal are due Dec. 31. One copy of the exposure draft has been sent to members on the standing order list to receive exposure drafts; others may obtain one free copy (with each additional costing $6.50 member, $7.25 non-member) from the AICPA Order Department (see page 6). The ED also is available in the "auditing, comp & review" section of the library on the Accountants Forum.

AICPA President Melancon Restructures Institute Staff

Greater efficiency, effectiveness to come

A major restructuring of the AICPA staff is in the works to make the Institute a technology, marketing and performance-driven, team-structured organization. The reorganization, presented to the AICPA Board of Directors last month by President Barry C. Melancon, will enable the AICPA to focus on anticipating market and regulatory trends and to respond quickly as the leading provider of technical information, profession advocacy and timely and relevant products and services for CPAs.

This new arrangement will "flatten" the Institute's management structure and empower employees to work in streamlined, action-oriented groups. Four operating groups have been created: Technical Services; Marketing, Organization & Product Development; Operations & Information Technology; and Public Affairs. Named to head up the groups were Edward W. Niemiec, Senior Vice President–Operations & Information Technology and John E. Hunnicutt, Senior Vice President–Public Affairs. Still to be announced are appointments for the senior vice presidents of Technical Services and Marketing, Organization & Product Development.

"These teams are designed to serve the specific needs of all our 'clients', whether they be solo practitioners, small or large firms; in industry, government or education; retired; newly licensed CPAs; or state CPA societies," said Melancon, who added that the AICPA may make further changes as it continues to respond to market, business and technological changes.

Also named as direct reports to Melancon were Richard I. Miller, General Counsel/Secretary, and Gennero Cicalese, Director–Internal Audit/Quality Control; a chief financial officer has not yet been announced.

News Briefs

Three AICPA Publications Win Awards

Three of the AICPA's publications have won awards in the APEX '95 Awards for Publication Excellence. *Accounting Educators: FYI, Planner* (newsletter of the Personal Financial Planning section) and *CPA Management Consultant* (newsletter of the Management Consulting Services section) were honored for their excellence in graphic design, editorial content and overall communications effectiveness.

Report on Under 35 Symposium Now Available

A report on the findings of the Under 35 Symposium sponsored by the AICPA and state CPA societies is now available to members (*The CPA Letter*, Aug./Sept.). More than 100 members participated in the symposium held to uncover what this age group, which represents 38% of the AICPA's membership, wants from its membership organizations and to learn how the Institute and state societies can better help under 35ers in their professional and personal lives.

The report covers career issues, work/life balance, technology, communications/public relations, mentoring/networking and continuing professional education. A copy of the Under 35 Symposium's findings is available in the General Info & Ethics section of the Accountants Forum on CompuServe or from Margaret Melnis of the AICPA Academic and Career Development Division at 212/596-6222.

Minority Scholarship Recipients Announced, Mentors Sought

The AICPA Minority Initiatives Committee has named the winners of its scholarship program for the 1995–96 academic year. A total of $458,500 was awarded to 211 minority accounting students (174 undergraduates and 37 graduate level) from 145 colleges and universities. Selected award recipients were designated as joint award recipients in recognition of contributions received from Arthur Andersen LLP, the Connecticut Society of CPAs, the California Society of CPAs, McGladrey & Pullen and the New Jersey Society of CPAs.

AICPA Scholarships for Minority Accounting Students are competitive merit- and need-based awards of up to $5,000 for outstanding minority students who show significant potential to become CPAs. To be eligible, students must have completed at least 30 college credits (with at least 6 in accounting), be enrolled on a full-time basis, and maintain an overall and accounting grade point average of at least 3.0. The application deadline is July 1. To obtain an application form, send a written request to: AICPA Order Department, P.O. Box 2209, Jersey City, NJ 07303–2209; or fax 800/362-5066.

The Minority Initiatives Committee is also seeking mentors for its Partnerships for Success mentor program. Partnerships for Success is a joint effort between the AICPA and participating state CPA societies in which mentors are matched with the minority scholarship recipients. Involvement with a student might include giving advice on interviewing techniques, assistance with résumé writing and sharing personal experiences.

Members interested in becoming mentors or those wanting a complete list of scholarship winners should contact Gregory Johnson of the Academic and Career Development Division at 212/596-6227.

Calling for Manuscripts for CPA Centennial Project

The AICPA is planning a number of events and projects to celebrate the 1996 centennial of the CPA examination. One project involves providing state CPA society newsletter and journal editors with a series of short manuscripts on noted CPAs and historic events involving CPAs.

Manuscripts are invited that address historical issues and topics related to CPAs and their heritage. Manuscripts with a regional focus are as welcome as those with more of a national spotlight. Manuscripts should be approximately 500 words in length (two pages, double-spaced). Topics might include profiles and contributions of leading CPAs, the evolution of professionalism, the role of CPAs in society or perhaps humorous events surrounding the CPA examination.

Manuscripts will be evaluated by an editorial review committee. Three copies of manuscripts should be sent to: Dale L. Flesher, School of Accountancy, University of Mississippi, University, MS 38677. The deadline for submissions is Jan. 15, 1996.

Public Meeting Notices

For detailed agendas, call 800/862-4272 (dept. #6) three weeks prior to these meetings.

Accounting & Review Services Committee:
Oct. 23–24, Palm Springs

Accounting Standards Executive Committee:
Oct. 24–25, Palm Springs; Dec. 14–15, New York

Auditing Standards Board:
Nov. 14–16, New York; Dec. 12–14, New York

Professional Ethics Executive Committee:
Oct. 26, Palm Springs

Other Meetings

Annual Meeting/Fall Council:
Oct. 23–24, Palm Springs

Personal Financial Planning Executive Committee:
Oct. 24, Palm Springs

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Geoffrey L. Pickard *Vice-President—Communications*
Ellen J. Goldstein *Editor*

Accounting & Auditing News

GASB Takes Actions on NPO Accounting, Conduit Debt, Public Entity Risk Pools, Reverse Repurchase Agreements

The Governmental Accounting Standards Board has issued its Statement 29 (product code GS29) on the use of not-for-profit accounting principles by state and local governments. The statement generally is effective for periods beginning after Dec. 15, 1994. Governmental entities currently using certain private-sector accounting and reporting principles established for not-for-profit organizations may continue to do so, as modified for certain GASB and Financial Accounting Standards Board standards. Governmental proprietary activities that use new FASB standards should use only those standards developed primarily for business enterprises, rather than for not-for-profit organizations.

An interpretation on conduit debt (product code G102) issued by the GASB specifically requires governments to disclose information about such debt, effective periods beginning after Dec. 15, 1995. The interpretation requires that all conduit debt obligations be disclosed in the notes to the financial statements.

In other actions, the GASB released a proposed interpretation and a proposed statement that would clarify or amend parts of GASB Statement 10 on risk financing and Statement 14 on the reporting entity. Both proposals would be effective for periods beginning after Dec. 15, 1995; comments are due Nov. 30.

The proposed interpretation would apply to capitalization contributions made to and received by public-entity risk pools, both with and without the transfer of risk. The proposed statement would clarify the method of calculating premium deficiencies and how to record them.

Also issued by the GASB was a proposed interpretation that would clarify the reporting requirements for reverse repurchase agreements. The proposal would become effective for periods beginning after Dec. 15, 1995. Comments are due Oct. 30.

To obtain GASB documents, write: GASB Order Department, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856–5116; or call 203/847–0700, ext 555. One copy of each proposal is available free through its comment period; Statement 29 and the interpretation on conduit debt cost $9.50 each.

IFAC Releases Paper on Global Implications of Auditors' Legal Liability

Concluding a year-long comprehensive study of auditors' legal liability in countries from every part of the world, the International Federation of Accountants recently released a position paper titled *Auditors' Legal Liability in the Global Marketplace: A Case for Limitation.* The paper reveals that unlimited and unwarranted auditor liability is a worldwide problem having a detrimental effect on the accounting profession, business development efforts and the growth of capital markets.

Among other things, the paper points out that in countries in which auditor liability is limited, the courts are not clogged with frivolous lawsuits, auditors can operate more efficiently and the public interest is protected effectively through professional standards and various public and private-sector enforcement mechanisms. Also noted in the paper is that publicity of the large claims made possible by judicial systems in a handful of countries (including Australia, Canada and the U.S.) has resulted in public misconception of auditor responsibilities and has increased the likelihood of unwarranted claims in many other countries.

Through its study, IFAC found that unwarranted lawsuits against auditors tend to be thwarted in countries with judicial systems that limit punitive damages, provide disincentives for plaintiffs filing frivolous lawsuits, have a system of proportionate rather than joint and several liability, hold company management and boards of directors responsible for losses suffered by the company or third parties, and do not hold all audit partners liable for the wrongdoing of one partner.

To obtain a copy of the paper, fax John W. Gruner of IFAC at 212/302–5964.

International Cooperation on Accounting Standards to Be Enhanced by New Committee

The Financial Accounting Standards Board recently announced its participation with standard setters in Canada, Mexico and Chile to explore areas in which the four countries can more fully cooperate on minimizing differences in their accounting standards. The standard setters met in July to discuss the mission and plans of the American Free Trade Agreement Committee for Cooperation on Financial Reporting.

This newly formed committee's mission is to improve the overall quality and comparability of accounting standards among its members. The committee also will strive to serve the information needs of users of financial reporting by enhancing users' ability to analyze and compare enterprises.

FASAB Publishes ED on Stewardship Reporting

The Federal Accounting Standards Advisory Board has said it expects to complete its work by Dec. on a basic set of accounting standards for federal agencies. The most recent and final draft in this set, *Supplementary Stewardship Reporting,* was published with a comment deadline of Oct. 4; however, the FASAB will accept comments until its Oct. 26 public hearing. The exposure draft would require supplementary information about certain assets, expenses and responsibilities of the government, such as Social Security. For a copy, write: FASAB, 750 First St. NE, Washington, DC 20002; call 202/512–7350; or fax 202/512–7366.

Member to Member... Chair's Corner

By Robert L. Israeloff, CPA
Chair, AICPA Board of Directors

To those who have viewed the 20-year debate on accounting standards overload with despair, believing that the AICPA could not, or would not, take action, I say sit up and take notice. The Accounting and Review Services Committee has taken a major step in providing relief for those serving privately owned companies by issuing an exposure draft of a new standard entitled *Assembly of Financial Statements for Internal Use Only* [see article on page 1].

The committee believes that the current requirements of SSARS 1 make it difficult for CPAs to provide their nonpublic clients with varied accounting and business advisory services that often include preparation of financial statements intended solely for management's use. Many nonpublic entities do not require financial statements that comply in all material respects with generally accepted accounting principles. However, current standards require the CPA to perform a compilation and to issue a report that includes a separate paragraph describing departures from such principles.

The proposed statement defines the "assembly" of financial statements and provides an optional exemption from the requirements of SSARS 1, including its reporting requirements, for the unaudited financial statements of a nonpublic entity assembled for internal use only. A written understanding with the client is required, and an optional legend on each page of the financial statements indicating that they are restricted to internal use is permitted. The issue of peer review for smaller firms may be impacted in a positive manner if the exposure draft is adopted. Firms that limit their accounting practice to "assembly" services may gain peer review relief, depending on the final form of the SSARS and on Peer Review Board interpretations.

If you support such a standard, and I hope you do, it is crucial that you write to the Accounting and Review Services Committee at the AICPA (ARSC File 9508) expressing your opinion. Whether the proposal becomes an actual rule depends on the responses to the committee. The comment period ends Dec. 31. If you have not received a copy of the exposure draft (which is available on the Accountants Forum and has been mailed to those on a standing order list for exposure drafts), write or fax me for one.

* * *

This is my last column as chair of the AICPA Board of Directors, as Ron Cohen takes the helm later this month. The past year has been exciting, demanding and rewarding. We have begun a major effort to make the AICPA more member responsive with the Member Outreach Program. We have supported tort reform and new tax legislation to relieve work load compression. The national image-enhancement program, the Accountants Forum, the Special Committee on Regulation and Structure of the Profession, the CPE Network and other programs all became reality. Thanks to Board members, Council, committee chairs, committee members, my partners, the staff and each and every CPA who worked with me to build a better AICPA.

To contact Bob Israeloff, call 516/872-3300 or fax 516/872-3128.

Quarterly List of Documents Available on AICPA's 24-Hour Fax Hotline

To access these documents, dial 201/938-3787 from a fax machine, follow the voice cues and, when prompted, select the number(s) of the item(s) to be retrieved. There is no charge for this service. Items noted with an asterisk are also available on the Accountants Forum.

Document ***No.***	***Item***
1	AICPA 24-Hour Fax Hotline Catalog
110	AICPA Library acquisition list, Jan. 1995
111	AICPA Library acquisition list, Feb. 1995
112	AICPA Library acquisition list, Mar. 1995
113	AICPA Library acquisition list, Apr. 1995
130*	Highlights of joint meeting of AICPA, SEC regulators
320	GASB comment letter—affiliated organizations
321	GASB comment letter—use of not-for-profit accounting principles
322	GASB comment letter—conduit debt
323*	Comment letter on audit guide for LSC recipients and auditors
399*	Catalog of AICPA software fact sheets
455	AcSEC actions, Aug. 29–30
456	AcSEC actions, Oct. 24–25 (available 10/31)
602	Form-of-practice chart
604	Commission and contingent fee chart
605	150-hour education chart
606	State regulation of financial planners and investment advisers chart
803*	20th Annual AICPA-CPE Conference on Federal Taxes
805*	National Conference on Credit Unions
806*	Sixth Annual Conference on the Securities Industry
807*	Sixth Annual AICPA-CPE National Construction Industry Conference
832*	National Practice Management Conference
833*	National Business Valuation Conference
834*	1996 PFP Technical Conference
835*	National Conference on Savings Institutions
836*	National Conference on Banking
900	List of documents from Tax Division only
955	Oral and written testimony of AICPA Chair Robert L. Israeloff on miscellaneous tax reforms
956*	Comments on Multistate Tax Commission sales factor regulations
957*	Letter to congressional tax-writing committees regarding H.R. 1551 and S. 750: Application
958*	Comments relating to temporary regulation: penalties with respect to Section 482
959*	Deemed-paid foreign tax proposed regulation comments
961*	IRS guidance on erroneous OBRA '93 tax payment notices
962*	Comments on proposed triangular reorganization regulations issued Dec. 23, 1994

New Affinity Programs Offered; Xerox, AT&T Auto Services Run Specials

The AICPA has announced two new member affinity programs, one with Pitney Bowes and one with RIA (Research Institute of America), and special offers from Xerox and AT&T Automotive Services.

Pitney Bowes will now offer to AICPA members discounts on the sale, lease or rental of mailing, weighing, shipping and folding/inserting equipment. Also offered will be special meter rental and equipment acquisition programs through Pitney Bowes' field sales organization. For more information, call 800/MR. BOWES (672–6937), ref. code 4758, Monday through Friday, 8:00 a.m. to 5:00 p.m. local time in all time zones.

From RIA, members will now receive a 10% savings (over and above other discounts and promotions in force) on new purchases of any RIA tax research products and services. In addition, members will receive discounts of 5% on any renewal orders beginning after Jan. 1, 1997, and 30% on the *RIA Federal Tax Handbook.* Call 800/431–9025, ext. 3.

For a limited time (until Dec. 31), Xerox is offering AICPA members a "lease plus" program that includes free supplies and unlimited copies for one year (depending on the copier) on the Xerox 5614, 5328 or 5334. For more information, members should call 800/275–9376, ext. "CPA1," or contact their local Xerox sales representatives or authorized sales agents.

AT&T Automotive Services is offering members — through Oct. 31 only—the opportunity to lease a 1996 Ford Explorer 4WD Sport for $304.43 per month*. Features include a 4.0L V6 engine, air conditioning, antilock brakes, dual air bags, power door locks and windows, automatic transmission, premium AM/FM stereo with cassette and cloth captain's chairs. Call 800/405–9672 for more details and other comparable lease values (a lease special is offered each month).

**Factory order required. Applies to AICPA members. Based on 48-month closed-end lease with total payments equal to $14,612.64. Refundable security deposit equal to one month's payment plus first month's payment due at time of order. Subject to vehicle availability and credit approval. Approximate delivery on factory ordered vehicles is 8 to 12 weeks. Factory options available at additional charge. Taxes, title, license, insurance and registration fees are lessee's responsibility for the term of the lease. [Vehicle may be purchased at any time after 12 monthly lease payments have been made (where permitted by law) for the estimated end-of-lease value, plus any remaining lease payments, less unearned lease charges, as specified in the lease, or at the end of the lease term for the vehicle's then "clean" wholesale value (based upon most commonly used industry guide), plus a purchase option of $150 and any other fees and taxes imposed in connection with the purchase. A $150 administration fee will be imposed if vehicle is not purchased.] Total mileage allowed is 1,250 per month (60,000 miles for 48 months) with a $.12 per mile charge for mileage over 60,000. Lessee responsible for maintenance, repairs and excess wear and tear as provided in the lease contract.*

Disciplinary Actions

As a result of investigations of alleged violations of the Code of Professional Conduct of the AICPA and/or state CPA societies, the following ethics cases have been resolved by settlement agreements under the Joint Ethics Enforcement Program:

■William J. Foster of Russellville, Ala., on July 3, 1995, settled charges of violating the Code of Professional Conduct of the AICPA and the Alabama Society of CPAs (ASCPA), Rules 201(A)–Competence, 202–Compliance with Standards and 203–Accounting Principles in connection with his audit of a local governmental utility. Without admitting or denying the charges, Mr. Foster agreed to two-year suspensions of membership in the AICPA and the ASCPA, to complete 80 hours of specified CPE courses during the suspension period and to submit one workproduct to the Professional Ethics Division for review.

■Harvey R. Corn of Austin, Tex., on July 21, 1995, settled charges of violating the Code of Professional Conduct of the AICPA and the Texas Society of CPAs (TSCPA), Rule 301–Confidential Client Information, in connection with his disclosure of confidential client information, without his client's consent, to a newspaper reporter which was subsequently published in a local newspaper. Without admitting or denying the charges, Mr. Corn agreed to six-month suspensions from membership in the AICPA and TSCPA and to complete 7 hours of specified CPE within the suspension period.

■Billy R. Thomas of Dallas on July 31, 1995, settled charges of violating the Code of Professional Conduct of the AICPA and Texas Society of CPAs (TSCPA), Rule 101–Independence, by having a direct financial interest in an audit client during the period of the audit engagement and at the time of expressing an opinion on the financial statements. Without admitting or denying the charges, Mr. Thomas agreed to expulsion from membership in the AICPA and TSCPA.

■Steve L. Killebrew of Port Arthur, Tex., on Aug. 7, 1995, settled charges of violating the Code of Professional Conduct of the AICPA, Rules 201(B)–Due Professional Care, 202–Compliance with Standards and 203–Accounting Principles in connection with his audit of a local governmental utility district. Without admitting or denying the charges, Mr. Killebrew agreed to expulsion from membership in the AICPA.

As a result of decisions by hearing panels of the Joint Trial Board, the following members have had their AICPA memberships:

—*Terminated:*

■R. Carter Freeman Jr. of San Francisco on Apr. 20 for failing to cooperate with the Technical Standards Subcommittee of the AICPA in a disciplinary investigation.

■James F. Schildt of Hillside, Ill., on May 2 for failing to comply with the directives issued by the Illinois CPA Society in a letter of required corrective action.

■Joanna V. Gloff of Silver Spring, Md., on July 18 for failing to cooperate with the Independence/Behavioral Standards Subcommittee of the AICPA in a disciplinary investigation.

—*Admonished:*

■Beverley Seman of Falls Church, Va., on May 2 for failing to file personal tax returns on a timely basis for the years 1989 through 1991.

—*Terminated* as a result of the acceptance of a guilty plea by the Joint Trial Board in lieu of a trial board hearing:

■Dermott J. Tracey of Tampa, Fla., effective July 28 for failing to cooperate with the Professional Ethics Division in a disciplinary investigation.

Member Outreach Program Update; New Staff Liaisons Assigned

Ten months into the Member Outreach Program (*The CPA Letter*, Nov. 1994), staff liaisons have called more than 101,000 AICPA members and have responded to more than 2,200 calls for assistance (as of Sept. 14). Based on these numbers, as well as feedback from the membership and staff, the program is considered very successful in heightening the AICPA's accessibility and responsiveness to those its serves.

A list of staff contact/member assignments was last published in the June issue of *The CPA Letter*. There have since been changes to that list. To help keep members up to date on their contacts, these changes (effective immediately) are as follows (members whose last names fall into any of the boldface categories will see their new liaisons appearing in boldface italic type): **Andrews-Archeq,** ***Mary Moore (201/938–3438);*** **Burgio-Burtcg,** ***Anthony Crudo (201/938–3274);*** **Gaughan-Georgd,** ***Rick Gesulado (201/938–3328);*** **Harst-Hatcheq,** ***Bob Durak (201/938–3065);*** **Juchniewich-Kalteq,** ***Edith Yaffe (201/938–3173);*** **Lerias-Levx,** ***Julia Perez (201/938–3216);*** **Liebbe-Linkr,** ***Joseph DeRupo (212/596–6120);*** **Links-Lloverar,** ***Jeanette Zembower (201/938–3860);*** **Lugrine-Lynch, R.,** ***Marc Simon (201/938–3818);*** **Mullan-Murphy, P.,** ***Gae Barbano, (212/596–6179);*** **Storevik-Stronf,** ***Jennie Hazan (201/938–3909);*** **Svetik-Sylverr,** ***Rhonda Sugarman (201/938–3887);*** **Winstersteen-Wolfd,** ***Anita Lyons (201/938–3062).***

In addition, the correct telephone number of staff contact Eileen Sherr (member group: Rudow-Rutg) is 202/434–9256.

The CPA Letter plans to publish these updates between publication of the full staff contact/member assignments listing, scheduled for twice a year (winter and summer).

New Products & Publications

The Personal Financial Planning Division has published the ***1995 Personal Financial Planning Practice Handbook*** (No. 017107CL). The 500-plus page handbook, which will be revised annually, is designed to address the many diverse issues of importance to CPAs providing PFP services. Major topics include the PFP process, practice development, engagement management, marketing and selling PFP services, and professional standards. The handbook also contains helpful checklists and data-gathering forms, a PFP work program, a sample business plan, sample correspondence, practice resources, and a diskette with most of the forms, checklists and letters found in the handbook.

PFP section members were mailed the handbook in late July; those who join the section will receive it as well. Others may order a copy from the AICPA Order Department. Price: $60 AICPA member, $66 non-member.

Auditing Practice, Research, and Education: A Productive Collaboration (No. 010290CL) examines the influence of auditing research on financial statement auditing. It details the genesis of auditing practices, emphasizing the vital role that research played in their development. It also documents the impact of joint academic–practitioner pursuits of solutions to challenging auditing problems and explores future directions for effective collaboration. Price: $25 member; $27.50 non-member (educators and students receive a 30% discount off list price).

To order, write: AICPA Order Department, CL1095, P.O. Box 2209, Jersey City, NJ 07303–2209; order via fax, 800/362–5066; or call 800/862–4272 (dept. #1). Ask for Operator CL1095. The best times to call are 8:30 to 11:30 a.m. and 2:00 to 7:30 p.m., EST. Orders for exposure drafts must be written or faxed. **Prices do not include shipping and handling. Have membership number ready.**

Print and Television Ads Set to Run Starting This Month

Placements have been secured for the print and television ads produced for the AICPA's national image-enhancement campaign. Here is the media schedule for the next couple of months.

Print	Issue Date
Wall Street Journal (two-day option offers premium position at no additional cost to AICPA)	Oct. 18 or Oct. 19 Oct. 25 or Oct. 26 Nov. 8 or Nov. 9 Nov. 15 or Nov. 16 Nov. 29 or Nov. 30
USA Today (two-day option as above)	Oct. 18 or Oct. 19 Nov. 8 or Nov. 9
Barron's	Oct. 16 Nov. 6 Nov. 27
INC.	Oct. 15 (INC. 500 issue) Nov.
Fortune	Oct. 16 Nov. 13 (Best Cities for Business issue) Dec. 25 (Investors Guide issue)
Forbes	Oct. 16 (Forbes 400 issue) Nov. 6 (Forbes Up & Comer 200 issue)

Television	Frequency, Week of
CBS	
Sunday Morning with Charles Osgood	2x, 10/29; 1x, 11/19; 1x, 11/26
Face the Nation	1x, 10/15; 1x, 10/29
CNN	
News, Crossfire, Larry King Live, etc.	4x, 10/15; 4x, 10/22; 4x, 11/5; 4x, 11/12; 4x, 11/26
CNN Headline News	6x, 10/15; 6x, 10/22; 6x, 11/5; 6x, 11/12; 6x 11/26

AICPA
American Institute of Certified Public Accountants

Division for CPA Firms—Professional Issues Task Force October 1995

PRACTICE ALERT

COMPLEX DERIVATIVES

No. 95-2

NOTICE TO READERS

This practice alert is intended to provide auditors with information that may help them improve the efficiency and effectiveness of their audits. This document has been prepared by the SEC Practice Section Professional Issues Task Force and is based on the experiences of the individual members of the task force and matters arising from litigation and peer reviews. It has not been approved, disapproved or otherwise acted upon by any committee of the AICPA.

Introduction

Just as both the use of derivatives to manage risks and liquidity and the publicity relating to their usage have increased so, too, have the audit risks associated with derivative transactions. Derivatives are used by large and small businesses in virtually every industry. And while many organizations have sophisticated internal control structures to handle and monitor the use of derivatives, others may not. These factors can increase audit risk in audits of financial statements of companies that engage in derivative activities. Although many derivative contracts and instruments have relatively straight-forward and easy to understand terms, other derivative products have complex features that can create greater audit risk for the auditor as well as greater business risk for the client. This *Practice Alert* explores factors auditors should be aware of that might indicate the presence of a complex derivative structure and the risks associated with such a structure through a discussion of complex swap derivatives. The concepts identified in this *Practice Alert* related to complex swap agreements also are applicable to other derivatives contracts, such as options and forwards, and derivative securities, such as structured notes and collateralized mortgage obligations.

Complex Swap Agreements

Swaps are contractual agreements between two parties to exchange payments periodically over the life of the agreement. Many swap agreements are "plain vanilla"in that the counterparties exchange payments that are based on simple rates and terms that are established at inception for the life of the agreement.

A simple swap agreement could be structured between two counterparties to exchange interest payments based on a notional amount of $10 million for three years. Swap contracts generally involve no exchange of principal at either inception or maturity. Rather, a notional amount serves as a basis for calculating payment streams to be exchanged. One party might receive a fixed-rate payment of 8% annually and agree to pay a variable rate of London Inter-Bank Offered Rate (LIBOR) plus 2% annually. The payments are calculated based on the notional amount of $10 million. The value of the swap agreement at the inception of the contract (and during the life of the contract) is measured by netting the discounted cash flows expected to be exchanged by the counterparties over the term of the agreement. For a "plain vanilla" swap, that value at the inception of the contract generally is zero. Typically, the timing and amounts of net cash flows under simple swap agreements are relatively straight-forward and therefore valuation of these agreements is relatively straight-forward.

However, some companies have entered into more complex swap transactions that contain provisions for variability in factors such as the expiration date of the agreement, the underlying notional amount on which the periodic payments are based, or the payment amounts themselves. Complex swap agreements

CONTINUED ON PAGE 2

introduce varying degrees of uncertainty regarding possible future outcomes (e.g., the timing and amount of the periodic payments under the agreement). In addition, these swap agreements often may not qualify for traditional accounting treatment under which the net periodic payments or receipts are presented as part of the interest expense on the debt and the swaps are **not** marked-to-market. Therefore, it is important for auditors to understand the terms of the various swap agreements that clients enter into and to understand the business reasons for those agreements. Several indicators may alert the auditor to the presence of complex swap structures.

- *Auditors should be alert for swap agreements with terms that vary from prevailing market rates.* A fixed-rate provision in the swap agreement that is different than the prevailing market fixed rate at the inception of the agreement may indicate the presence of embedded options in the agreement. For example, some swap agreements provide one or both of the counterparties with the right to extend (or shorten) the life of the contract or the formula under which the periodic payments are calculated. If the option component is significant, the individual components of the contract may have to be accounted for separately, particularly if the significant option component is a written option. Contracts with terms that differ from market should be analyzed to determine if they result in an acceleration of income to one party early in the life of the contract, with a corresponding increase in expense during the remaining life of the contract. The Emerging Issues Task Force (EITF) is currently considering accounting for derivatives containing both a written option-based component and a forward-based component in EITF Issue No. 95-11.

- *Auditors should be alert for swap agreements under which periodic cash flows have not been consistent over the terms of the agreement.* Some swap agreements may provide for one of the payments to occur only when a certain condition exists. For example, an agreement may provide for a fixed-rate payment only when LIBOR is within a specified range. When LIBOR is outside the range, the fixed-rate payment is not required but the variable rate payment continues. These swaps change in value dramatically as the boundaries of the relevant range are approached or the volatility of the factor defining the boundary changes. Generally, companies would enter into these swap arrangements when they have a strong view about the direction that the boundary indicator is likely to take over the life of the swap arrangement.

- *Auditors should be alert for unusual or marked changes in the level of cash flows under swap agreements.* Some swap agreements provide that one (or both) periodic cash flows are based on a formula that includes a multiple, commonly referred to as a leverage factor. The formula generally refers to the difference between interest rate indices and generally only one of the two cash flows of the swap is affected by the leverage factor. For example, an agreement may require the exchange of a fixed-rate of interest for an amount equal to four times the difference between a five-year interest rate and a one-year interest rate. As the difference between the five- and the one-year interest rate changes, the value and the cash flows from this swap change. In addition, a leveraged swap may also include embedded options. For example, an agreement may require swapping fixed for variable rates for two years; but if interest rate increases or decreases exceed a predetermined percentage, the variable payment increases to ten times the excess and the agreement is extended to five years.

  Leveraged swaps have also been known to exist based on differences in interest rates in various currencies and other factors. Leveraged swap agreements were used by some of the companies whose significant losses from the use of derivatives were widely publicized in the spring of 1994. Because of the leverage feature, leveraged swaps generally would not qualify as accounting hedges.

- *Auditors should be alert for significant changes in value of swap agreements from period to period.* Significant fluctuations in value may indicate the presence of embedded written options or leverage features within the swap structure. The auditor should ensure that the fair value measure has been determined consistently from period to period and consider the need to obtain an independent validation of the values from an investment banker or a broker/dealer. In addition, because market prices will generally not be available for many swap derivatives, the auditor should consider using pricing models to value the agreement. In these circumstances, the auditor should gain an understanding of any underlying assumptions used in applying the pricing model.

- *Auditors should be alert for derivative contracts with long-dated terms, such as those extending beyond ten years.* Derivatives with long terms create additional valuation complexities. The subjective judgments involved in such valuations may be difficult to substantiate.

Risks of Complex Derivatives

Complex derivatives create additional audit risk and increase business risk. One of the principal risks associated with complex derivatives is market risk. In the broadest sense, market risk is the risk that the value of the agreement will change. The value of swap agreements depends on the terms of the swap, the liquidity of the agreement, and other factors. There are several subsets of market risk, all of which contribute to impact the overall market risk of an agreement.

Interest Rate Risk—Because the exchange arising from a traditional interest rate swap is affected by the level of interest rates (with one party receiving fixed-interest payments and the other party receiving variable interest payments), both parties to the exchange face a risk that interest rates will change in an unfavorable direction. As a result of these conditions, the market risk of a swap is comparable to that of a fixed-rate bond. The receiver of the fixed rate on a swap (or a bond) faces the risk that interest rates will rise, while the payer of a fixed rate on a swap (or a bond) runs the risk that fixed rates will decline.

The primary interest rate that affects the value of a swap agreement is the fixed interest rate. As the *market* fixed rate for swaps with a certain remaining term and notional amount increases, the fixed rate receiver will experience a loss in fair value while the fixed-rate payer will experience a gain in value of its swap agreement. If the relevant interest rate declines, the opposite situation will occur. The magnitude of the gain or loss will essentially reflect the difference between the fixed rate of the swap and the market fixed rate, the remaining term of the swap, the notional amount of the swap, and other embedded features such as leverage factors.

Liquidity Risk—Liquidity risk refers to the ability to find a counterparty to enter or terminate a transaction. Liquidity risk increases as the number of market participants for a given derivative declines. As the length of time until maturity of a swap contract increases, it becomes more difficult to find a counterparty to the transaction. Similarly, complex swap agreements have a higher level of liquidity risk than "plain vanilla" agreements.

Basis Risk—Basis is the difference between two risks or prices. For interest rate swaps, basis risk is the risk that two interest rate indices might fluctuate relative to one another.

Assume that a company negotiates a swap agreement to modify the terms of a bank loan. Under the terms of the swap agreement, the company will receive variable rate payments based on six-month LIBOR. The company will continue to pay interest on its bank loan based on the prime rate. The basis in this transaction is the difference between the six-month LIBOR rate and the prime rate. The differential between the two rates is not constant and may in fact fluctuate over time. The fluctuations are the source of the basis risk.

Market risk is controlled through a variety of

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activities. These include clearly defining acceptable risk parameters and monitoring of risk levels relative to the parameters, stress testing of positions and exposures in a wide variety of possible market scenarios, and developing a thorough understanding of the nature and terms of derivative positions and the risks they are intended to manage. Periodic valuations of derivatives are essential to understanding the behavior of derivatives in response to changes in market conditions. Because changes in market conditions will not affect all derivative products the same way, a portfolio should be disaggregated into components (e.g., forwards versus options) and marked-to-market on that basis to better understand and manage the underlying subsets of market risk.

Resources Available

In addition to swap agreements, complex derivative agreements include many other types of agreements. Because derivative contracts can be custom designed to fit whatever risk/reward profile the investor desires, the types of derivative contracts are essentially unlimited. When one or more basic derivatives are combined to create a more complex structure that is designed to satisfy an investor's particular risk management strategy or investment objective, new risks that may not be readily apparent at the inception of the contract often are created. Gaining an understanding of these complex contracts is essential to assessing the value of the instrument and the judgments upon which a particular valuation is based. A careful assessment also will help identify the extent to which derivatives are embedded in the instrument and the effect that those derivatives might have on future values under changing market conditions.

The Financial Instruments Task Force of the American Institute of CPAs Accounting Standards Executive Committee has developed a report, *Derivatives-Current Accounting and Auditing Literature*, which describes current authoritative accounting and auditing literature on derivative transactions and provides background information on basic derivatives contracts, risks, and other general considerations. Copies of the report are available by calling the AICPA order department at (800) 862-4272.

THE FINANCIAL MANAGER'S REPORT

A Periodic Update for CPAs in Management, Business & Industry ■ October 1995

Is Your Company Reviewing Its CPA Firm Services?

The time may arrive when you and other members of the senior management team will need to conduct a cost/benefit review of the services you currently receive from your accounting firm. In preparing for a possible change in your accounting service provider, organizing a request for proposal (RFP) is an essential first step in the process. Many firms with experience in preparing RFPs for CPA firms have said that the first quarter of the year is an appropriate time to begin this process.

The following sample questions may assist you in organizing your company's RFP. Most department heads will modify these questions before offering it as a basis for your RFP.

Background

1. Please describe your firm's industry competence and specialization in <*your company*> (hereafter referred to as XYZ's) core businesses (support by a representative listing of clients). Please indicate whether the work has been auditing and/or consulting and, if possible, describe the types or major engagements performed.
2. Identify partners of your firm who are recognized as specialists in our industry, including examples of their contributions.
3. Describe any positions taken by your firm with the SEC, AICPA, FASB, or FCC that could be viewed as controversial and that are relevant to our businesses.
4. What lawsuits are presently pending against your firm involving the SEC and, if relevant, what judgments have been made against your firm or its employees in the past three years?
5. Given that many of XYZ's core businesses are dynamic and complex, what commitments will your firm make to staff continuity? What has been your staff turnover in the _____ *office* (name the appropriate city) in recent years?
6. What investment banking firms and law firms has your firm dealt with in respect to our businesses? Which partners of these firms have you had continuing contact with, and may they be contacted?
7. Please comment on your experience and what views and/or resources you may have in helping your clients deal with various federal regulatory agencies (e.g., FCC, SEC, IRS, FTC).
8. Please identify the ten largest clients your firm (or office) has lost in the past three years and the reasons. Were any of these the clients of the partner who will be in charge of the XYZ account?

Technical Support

1. Define and discuss your firm's procedures for resolution of technical questions raised by clients or encounters during an engagement. Please be specific as to where the buck stops. When a decision is made by the engagement partner, is it binding on the firm or can it be reversed?
2. The internal audit function at XYZ is relatively new, having been in place for four years. Describe your firm's philosophy concerning working with and relying on internal auditing staff, and give examples of innovations in the way your firm uses internal auditors and the attendant cost reductions for external auditors.
3. Can you describe the strengths of your organization in providing investment advice (both tax and accounting) on the creation of joint-venture partnerships? (Many of our future transactions may be done on a joint venture basis with third parties.)
4. Do you have a position on technological obsolescence in industry and, relatedly, what are your recommended ranges for the useful life of our assets?

Engagement Team and Fee Proposal

1. Identify the partners and principal managers who would have substantial involvement in the engagement, and furnish biographical material on each.
2. Describe how your firm will approach the XYZ audit.

(Continued on page 6)

Inside The Financial Manager's Report

Cover Article:

DON'T FORGET. . . . .

Register to attend the 1995 Fall National Industry Conference — **October 26–28** in Colorado Springs, Colorado. A new format this year allows CPAs in industry to attend 8 separate concurrent sessions, 3 general sessions and one forum over 2½ days for a maximum of **23 CPE credits!** Also, CPA Financial Manager's may come one day earlier to attend either the AICPA Finance Best Practices Conference or the AICPA Strategic Performance Measures Conference for **8 additional CPE credits.**

If you would like more information on these conferences, please call the AICPA Meetings and Travel Department at (201)938–3232.

Big Tax $avings for Small Companies

by Jan Bond

One of the few benefits you can offer employees that saves money for you both is a program established and maintained under IRS Code Section 125. Such a program, known as a Cafeteria Plan, allows employees to redirect a portion of their salary to cover certain medical and insurance premiums as well as dependent care expenses. Because neither employee nor employer pays income and social security taxes on the portion redirected, both realize a savings: the employee gets a larger paycheck and the employer a lower tax liability. So if your company does not offer a Cafeteria Plan, it's time to start one; if you do, it's time for a review to make sure your Plan is maximizing savings and complying with IRS regulations.

A voluntary plan that allows employees to use pre-tax dollars to pay for qualifying expenses, a Cafeteria Plan allows participants to select from a variety of benefits according to their personal and financial needs. As an employer, for example, you may offer accident and health plans whose premiums employees may choose to pay with pre-tax dollars. This group of benefits may include medical plans, HMOs and PPOs, dental and vision care plans, accidental death and dismemberment coverage, prescription drug programs, and disability insurance. These plans can be self funded or provided through insurance carriers.

You may include employee contributions to a 401(k) plan as well as group term life insurance in a Cafeteria Plan. You may arrange Flexible Spending Accounts (FSA) to help employees take full advantage of pre-tax spending. By determining how much they are likely to spend for dependent day care or medical care not covered by insurance and diverting that amount to an FSA, for example, employees can be reimbursed from the diverted non-taxable dollars for eligible expenses.

In most cases, the tax savings a company realizes through a Cafeteria Plan is more than enough to offset the cost of starting and maintaining the plan. And by providing a Cafeteria Plan to your employees, you are offering them a benefit made visible: generally they pay less tax so their take-home pay increases.

Before starting or modifying a Cafeteria Plan, define your goals and objectives. Your purpose will shape the Plan's design and development. As you determine the types of benefits to be offered, consider tax savings, administrative costs, the employee group, plan eligibility, and the employee fringe benefit package. Remember, too, that a Cafeteria Plan need not cause substantial alterations in your existing benefit package.

Once you have designed or modified the Plan, you must introduce it to your employees in a way that wins their acceptance and subsequent participation.

The enrollment process starts with education—through explanations as well as worksheets and surveys that help employees understand how the new Plan works and how they may best participate. Distribute an informational brochure; provide a worksheet for estimating medical expenses not paid by insurance and another for calculating tax savings. Compare before and after paychecks so employees will see how their participation affects their take-home pay.

During enrollment seminars, lead employees through the worksheets and encourage them to ask questions about the Plan and how it fits their needs. Explain aspects that may be problematical—the use it or lose it rule, for example, or how the dependent care assistance offered through a Cafeteria Plan differs from claiming a child care tax credit. Make sure employees know that their social security benefits may be reduced as a result of their lower taxable wages but that a conservative investment of the increase in monthly take-home would far outweigh that reduction.

In short, the employee must be well-advised. The well-advised employee is happier and more willing to participate in the Plan—and your own tax savings stems from your employees' willing participation.

Maintaining their participation depends on your ability to administer the Plan in an orderly way. Process claims and distribute reimbursements in a timely and efficient manner so that employees know what to expect and when to expect it. Inform participants of account balances regularly. At least two months before the plan year ends, send participants a statement of account balances as well as year-to-date contributions, claims, and disbursements; remind them of their annual election amount, the amount they need to request by plan year end, the number of grace days allowed after the plan year end, and their risk of forfeiture.

A month before the plan year ends, distribute reelection forms that show the previous year's elections and the coming year's options, including any changes scheduled for the new plan year. And, by January 31st of each year, you are responsible for furnishing those who participated in the dependent care portion of the Plan with a W-2 showing total benefits provided for their taxable year through the Cafeteria Plan.

Your other responsibility, of course, is to the IRS.

You must submit a completed Form 5500 and Schedule F by the last day of the seventh month after the plan year ends. The IRS also demands certain compliance assurances, largely to make sure that plans do not favor highly compensated or key employees. Using IRS formulas, you will need to test for discrimination when the plan starts, at least quarterly thereafter, and at the plan year end. The plan must pass all discrimination tests, based on disburse-

(Continued on page 5)

The Financial Manager's Report is a publication of the AICPA Members in Industry Executive Committee and is mailed five times per fiscal year to all AICPA members in industry as an insert to *The CPA Letter.* Opinions of the authors are their own and do not necessarily reflect policies of the Institute.

The Committee and Staff welcome your input on ways to make FMR *more responsive to your needs. Please address comments in writing to AICPA, Industry Member Programs, 1211 Avenue of the Americas, New York, NY 10036-8775 or e-mail the editor, 102353,1142@compuserve.com.*

Monitoring Customer Value

In many markets, customers already take low price and high quality for granted. The current battleground in sophisticated markets, and the next battleground in developing ones, is superior customer value.

Unfortunately, many organizations' information systems have historically emphasized internal financial results. Few organizations have paid enough attention to truly understanding markets, channels, competitors, and specific customers. Organizations must also understand when, why, and how customers react to products, services, and price changes, and use that information to better manage their customers through value managing internal functions and processes.

Defining Customer Value

The concept of value is ever present in the minds of most customers. Such phrases as "value for the money," "best value," and "you get what you pay for" are fairly commonplace. Customers have at least two different definitions of value.

- **Value is getting what I want in a product/service:** buyers look at value in terms of the benefits they receive from the item or service. They focus on their own subjective estimate of the usefulness or amount of need satisfaction resulting from the product.
- **Value is low price:** other buyers use the word "value" to refer to situations where they simply pay a relatively low price. The focus here is purely on what is given up monetarily.

Since the customer determines the anticipated benefits and costs, it is the customer's perception of each that is relevant. The customer's perceptions of expected benefits derive from product attributes and service attributes, each of which may be subdivided into greater detail. Different customers will probably place different priorities and emphases on the various product and service attributes. Expected costs consist of the specific purchase price or cost during the transaction, plus continuing life cycle costs of sustaining the product and service, plus a risk factor based on the life of the product and/or service and the relative uncertainty of the life cycle costs.

Customer Value Axioms

Five fundamental customer value axioms apply to virtually any business in any industry. Organizations in growing and changing industries must learn these axioms quickly; organizations in more stable industries have a little more time.

First, the *customer* defines the product quality, service quality, and acceptable price. More important, it is possible to translate customers' expectations of benefits and costs into usable data. Organizations must implement organized systems to capture customers' expectations of product and service quality and reasonable price.

Second, customers form their expectations relative to *competitive* alternatives. Determining what customers think of an organization's products without referring to these alternatives is hollow. An organization can actually improve its product and service quality and reduce its price, and still lose ground to its competitors. Relative performance can only be determined by both customer and competitive analysis.

Third, customer expectations *change*, usually upward. The rate of change is determined largely by competitive performance. As markets become more competitive, those competitors cause changes and offer alternatives, which in turn influence customer expectations. An organization must undergo a continuous process of determining customer expectations.

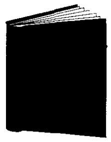
Fourth, product and service quality must extend throughout the *value chain*. Upstream suppliers must continually improve quality; all the downstream intermediaries must deliver maximum value to the end user.

Fifth, maximizing customer value requires that the *whole organization* be involved. Top management directives alone will have little effect. Delegating responsibility to functional departments such as marketing, sales, or customer service will have little effect. To maximize customer value through product and service quality, all members of the organization must assume responsibility.

These five axioms constitute the core issues of customer value. Management must recognize and explicitly address all five. An organization that ignores any one of them will probably not achieve outstanding customer value.

This article has been extracted from the Management Accounting Guideline #36, Monitoring Customer Value. This guide and others are included in the Management Accounting Series, *created by the Society of Management Accountants of Canada. The full series consisting of 56 publications is available for $295; individual publications are also available for $15 each. For a gratis publication (number G00107) detailing each publication in the series or to order the series, please call the AICPA Order department at 1-800-862-4272.*

Suggested Reading: M&A in the Middle Market



Over the past several years, merger and acquisition activity has heated up substantially, particularly in the middle market. When working for a company in the $1 million to $50 million range, a CPA financial manager must rely on thorough preparation to cement deals, ease transitions and keep the company out of court.

In an upcoming issue of The *Journal of Accountancy*, authors Robert Moore, Jr., Paul Floyd and Ron Korabik advise CPAs of the opportunities and pitfalls which arise out of this m&a activity.

The article includes valuable information for FMR readers. Even if you don't anticipate being involved in this kind of activity in the near future, watch for the future article in JofA. It will prepare you for when (not if) it does affect you.

Be Aware of Your Decision-Making Styles

It's a familiar scene to most professionals: your boss calls you and your colleagues into his or her office and announces "I have a major decision to make, and I'd like input from you, the key members of my team." The boss provides some background information and describes the options, the alternative decisions. A team member suggests option A, giving his or her reasons. The boss responds by acknowledging the suggestion, but provides a well thought out answer as to why A won't work and C is a much better solution. Another colleague recommends B. You provide or support any argument. The response from the boss is the same. "Thanks for the suggestion, but B just won't work and here's why. What do you folks think of C?" Soon a bright light switches on and your boss provides a lengthy argument in support of option C. When the boss asks if everyone is in agreement, everyone nods in unison. "Thanks for coming in folks, your input has been invaluable."

You head back to your office thinking "yeah, right." It's not that, on reflection, you didn't agree with the decision, and you certainly recognized that it was your boss's prerogative to make it. It's just that the process seemed a bit of a sham. The boss clearly had his or her mind made up before calling in "the team." It doesn't leave you with a good feeling. Hopefully the meeting didn't last too long.

In fact, you've probably experienced this management style at one time. According to Dr. Rick Ross, a speaker at the recent AICPA Financial Management Symposium, most managers are not conscious of these anti-motivating practices. In the scenario outlined, the bosses probably think they are being good inclusive managers.
Ross says most managers make decisions in a variety of modes, any of which can be appropriate given the circumstances. Ross's modes vary according to the level of participation of staff who report to the manager. "Successful managers operate at appropriate times all along the spectrum (see chart below). The key for most successful managers is that they recognize which mode they are in and *communicate* that to their team," says Dr. Ross. Thinking back to your personal experiences that approximated the above scenario, wouldn't you have been happier if the boss had called you in and said, "I've made a decision. We're going with option C. Here's, why. I wanted to make sure you were aware of my decision and the reasoning behind it. Thanks." Ross calls the decision-making mode just described, "the tell mode." In the scenario described, the boss was also in the "tell" mode, but his or her opening remarks gave the impression that he or she was in the "consult" mode. A quick summary of the five styles:

Tell "Here's what we are going to do. Now go do it. Please (optional)."

Sell "Here's what we are going to do. Here's why. I hope you understand because you are going to implement this.

Test "We have five options: Here's what they are. I'm leading toward (but not 100% committed) to option 5. Here's why? What do you think? I would like your input.

Consult "We have five options. Here's what they are. I need you all to participate with me in evaluating the pros & cons of each choice. In the end, it'll be my decision, however your input and support is vital.

Join "The team has an important decision to make and it needs to be made as a team. After I give you some background, I am going to take myself and my prejudices out of the process. When you've reached a decision, let me know which and why."

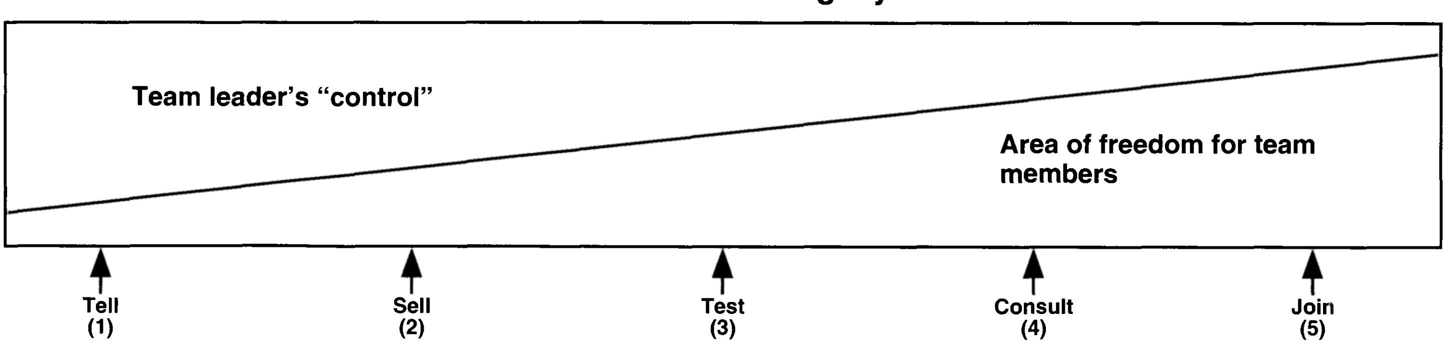
Ross suggests that managers display the chart shown where team meetings are held. It can serve as a reminder to "the boss" to state at the outset exactly in which mode a decision is to be made. Team members will clearly understand their roles and can feel free to point out if the boss slips into another mode in the middle of the process. Ross's advice is that any style or mode is valid, depending on the circumstances. "Just be clear in your communication with the staff. That's the key to successful team decision making."

This article was adapted from a presentation given at the 1995 AICPA Financial Management Symposium by Dr. Richard B. Ross, senior partner of Ross Partners. Dr. Ross, trainer and organizational consultant, speaks annually to numerous Fortune 500 companies on topics ranging from visionary leadership to developing high performance cultures and building learning organizations. He is codesigner of the new seminar, "Leading Learning Organizations, the how-to course for building a learning organization, as well as coauthor of "The Fifth Discipline Field Book: Strategies and Tools for Creating a Learning Organization."

Watch for... in November

- **CPAs in industry focus in *Journal of Accountancy***
- **Next issue of *Financial Manager's Report***

Five decision-making styles



Board of Directors vs. Board of Advisors
by Gary Zeune

You are the CFO of a $12 million dollar privately held company. New entrants into the market are competing based on price, and their quality is improving. Your customers are loyal, but you know they won't say no to competitors' price incentives much longer. Your boss, the owner, is terrified. She knows new ideas are needed, but is terrified of asking outsiders to join the board of directors — to ask outsiders to peer into the inner workings of the company — and give them voting power.

What about using consultants? Usually an expensive proposition, consultants normally don't stick around to see the real-life implications of their suggestions. And, consultants tend to push CEOs toward a solution that will utilize their area of expertise.

What's the solution? A board of advisors. John Nash, president of the National Association of Corporate Directors recently estimated that 80% of owners considering outside directors end up putting together a board of advisors. A more informal arrangement, a board of advisors has no voting power, so is less threatening, and generally has no legal liability to protect shareholder interests.

Like a board of outside directors, the goal is to assemble a team of more experienced advisors. As a result, a certain amount of second-guessing will make your CEO uncomfortable. But, that pales in comparison to the uncertainty the rest of the company will feel. If not dealt with in a forthright manner, such stress can nearly cripple a company, at the very time it can least afford the distraction. Management will fear being second-guessed by more seasoned executives. Let the employees know up front that the board's mission is strategic, advisors will not get involved in day-to-day operations. Also, keep the management team informed about the candidates. Ask how they would select advisory members, let appropriate management join the interviewing process. Familiarity significantly reduces the stress.

A board of advisors has other benefits. Many members will have been senior executives. If the relationship is handled properly, members will be there long-term. Advisors have no particular ax to grind, and are also substantially less expensive than consultants. Don't expect your advisors to rubber-stamp decisions. Advisors will shake up the company culture by asking hard questions — questions that make you sweat and squirm in your seat. Advisors will require a break with the old way of thinking.

What kind of people do you want on your board of advisors? First, you need a fresh perspective. That means people who don't even know about your company. So how are you going to find them? Since the company is in crisis, neither you nor the CEO probably have the time or the expertise. But, some executive recruiting firms specialize in finding advisors. Ask around for references.

Your CEO will likely be drawn to candidates who challenge her. Prepare for the interviews by deciding what approach you are going to take — the hard sell or let the candidates form their own opinions by asking questions. The most critical issue is why each candidate wants to be an advisor. If someone asks you to raise the meeting fee, they may be primarily interested in a second income. If an investment banking candidate continually talks about her firm's financing capability, the real issue may be earning a fee by taking the company public or raising private capital. Look for candidates who bombard you with enthusiastic questions about the company, and offer ways they can help.

Expect the board to slay a lot of sacred cows. For example, many owners focus on the internal workings of the company, and use this view to market the business. But most customers don't care about the company's internal workings. They only care if you solve their problems. For example, say you run a technical training school for high school graduates. Students don't care about the equipment. Students are interested in getting a job. Instead of promoting your state-of-the-art equipment (an internal view), advisors might suggest a strategic shift in your marketing — promote the number of job offers your graduates receive.

Once in place, how do you keep the board running smoothly? Here are some suggestions:

- At each meeting, schedule the next several meetings.
- Prepare name tents to facilitate communication between management and the group of advisors.
- Begin and end meetings on time.
- Have a set agenda.
- Have lunch with at least one advisor between meetings.
- Keep the board's role strategic.

As managers sort out which board ideas they want to implement, they will form natural bonds with the advisors to implement the plans. Fear of losing power to advisors will transform into power being used.

Properly formed and utilized, boards of advisors can be extremely valuable in changing the secretive culture found at most private companies. Why adopt a board of advisors? Because you can't afford not to. The world is changing much too fast to ignore the vast talent that is available for the asking. But if needed, you must make changes. Board members will not tolerate leaders who won't admit what they don't know.

Adapted from the author's live all-day course, Beyond the Bottom Line — Using Nonfinancial Performance Measures to Drive Profitability. Mr. Zeune has spoken at the AICPA's National Industry Conference, and for numerous state CPA societies. He counsels numerous companies on competitive techniques. He can be reached at 614–885–0262 or at 285 Pinney Drive Suite 300, Columbus, Ohio 43085.

Big Tax $avings for Small Companies

Continued from page 2

ments, as of the end of the plan year.

Designing and administering a Cafeteria Plan does take care and attention. But your tax savings will probably pay for the Plan's initial costs in less than a year and more than pay for administration costs in subsequent years. And at the same time your employees will save.

With a Cafeteria Plan, everybody benefits.

Jan Bond, QPA is Director of Flexible Benefits at Mayer Hoffman McCann L.C. in Kansas City, Missouri. Jan will be a featured speaker at the ***AICPA's 1995 Fall National Industry Conference*** *on October 27. Call 800-876-7548 to receive a free newsletter, the Cafeteria Plan Alert or a sample kit on how to administer cafeteria plans in-house. Write to Jan at 420 Nichols Road, Kansas City, MO 64112.*

Is Your Company Reviewing Its CPA Firm Services?

Continued from page 1

3. The international area is becoming increasingly important to XYZ. Please describe your international partners who would be assigned our account and your firm's international expertise in our industry.
4. The culture of XYZ is highly entrepreneurial, fast-paced, dynamic, and consensus-oriented in its decision making. Please describe how your firm can meet XYZ's demands for commitment, in depth knowledge of our core businesses, and, on occasion, immediate service responsiveness.
5. Set forth your fee proposal for the 19__ Audit, with whatever guarantees can be given regarding increases in future years.
6. Furnish standard fee billing rates for classes of professional personnel for each of the last three years.
7. What has been your firm's [*or_____ office*] experience regarding realization rates of standard fees for audit engagements?
8. Although the technical and professional expertise of our independent accounting firm is important, we also believe that such a firm should exemplify a businessperson's approach to servicing our company. Please comment and/or demonstrate how this "street-smart" business aspect would be part of your firm's approach to client issues.
9. Please identify three to five clients of the partner who would be in charge of the XYZ audit and the names of the CFO and CEO to contact for references.

Other

1. Describe how important XYZ would be to your firms as a client.
2. Summarize how and why your firm is distinct from the other firms being considered and why the selection of your firm as independent accountants for XYZ is the best decision our company could make.

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SAVE 10% when you order any 3 courses!

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This course will show you the online basics of how to use a modem, how to use the AICPA's Accountants Forum on CompuServe, how to navigate the Internet as well as various bulletin boards of special interest to CPAs. You'll receive keystroke-by-keystroke instructions along with free software and sufficient online time so that you can easily complete the course and do some online exploration of your own.

This course uses the **mentored self-study** approach pioneered by Kent Information Services, Inc., so that you are in touch with a human instructor until you complete the course. Your mentor will be available to answer questions and give you assistance throughout.

Course highlights include:

- Using the Internet
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- America on Line
- Bulletin Boards
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- World Wide Web
- Gophers
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- Internet Sites
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- Modems
- USENET

Author: Kent Information Services, John Graves, CPA, President
Course Level: Basic
Recommended CPE Credit: 16 Hours
Course Format: Text and online contacts; phone mentors (739055CLT)
$195.00

Equipment requirements:

- PC with Windows 3.0 or higher or a Macintosh computer
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Revised! SEC Reporting

This course outlines the latest Securities and Exchange Commission pronouncements bearing on financial reporting of publicly held corporations. It explains and illustrates the relationship of the initial registration statement, Forms 10-K and 10-Q, and the proxy statement, so that you'll gain a solid understanding of SEC reporting requirements.

You'll also develop an understanding of the requirements of the Securities Acts of 1933 and 1934; of Regulations S-X and S-K; of the process of "going public," and you'll learn to prepare and review financial statements and related disclosures required in SEC filings.

Course highlights include :

- SEC organization chart, contacts and phone numbers.
- SEC enforcement activities.
- Summary of current legal and regulatory environment.

Bonus: CCH's SEC Handbook is included with the text.
Authors: Leland E. Graul, CPA, Wayne A. Kolins, CPA, and Jeffrey W. Lenz, CPA
Course Format: Intermediate
Recommended CPE Credit: 14 hours
Course Format: Text (736332CLT)
$149.00

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This course, newly revised to include mutual fund investing and a derivative overview, equips the CPA, who is not an investment specialist, with a working knowledge of current investment strategies. It is applicable to any CPA who is responsible for investing in personal, client or corporate funds.

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Course highlights include:

- Model portfolios for each investor risk type.
- Strategies to predict and time the market.

Author: David B. Lippman, CPA, JD
Course Format: Basic
Recommended CPE Credit: 10 hours
Course Format: Text (735916CLT)
$129.00

To order these courses, please call the AICPA Order Department at **1-800-862-4272** (dept. #1), Monday–Friday, 8:30am–7:30pm, EST. These courses are also available through your state society.

CPA Logo: Regulations for Reproduction

Good visual identification depends upon the strong and clear presentation of the logo and tagline. They should never be confused by the close proximity of other distracting design or copy elements. The logo should not be redrawn or modified or otherwise distorted, but may be reduced in size. Members are encouraged to present these instructions to local printers, art directors or other vendors working on applying the CPA logo and tagline. To increase the flexibility in the use of the logo, two basic versions have been created.

One color: The logo and tagline are to be reproduced this way for a one-color format. The single-color application is always black.

CPA[SM] CPA[SM]

The CPA. Never Underestimate The Value.[SM] The CPA. Never Underestimate The Value.[SM]

Two color: The logo and tagline are to be reproduced this way for a two-color format:

Inside oval solid black

Outer rule black

CPA[SM]

Rule "knocks out" to white

Letters print PMS 1385

The CPA. Never Underestimate The Value.[SM]

Because of the unique lettering treatment executed in both versions, they should never be reset in type or reconstructed by outside vendors. To obtain additional photostats of the logo, work with a local printing service.

Under no circumstances may the logo be screened. This would reduce the impact of the logo by diminishing the contrast between the foreground and background of the design. When used on colored paper stock, the logo should drop out to the color of the paper stock.

An integral part of the identity program is the use of the color PMS 1385. In those applications where this color is deemed inappropriate, the logo may appear in another solid color with the letters "CPA" dropped out of the color background, as long as the selected color provides sufficient contrast with the logo and with the surrounding area.

Smallest allowable size
(when logo is shown with tagline):

½"

CPA

The CPA. Never Underestimate The Value.[SM]

CPA SM

The CPA. Never Underestimate The Value. SM

CPA SM

The CPA. Never Underestimate The Value. SM

CPA[SM]

The CPA. Never Underestimate The Value.[SM]

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The CPA. Never Underestimate The Value.[SM]

CPA[SM]

The CPA. Never Underestimate The Value.[SM]

Auto Dealership Engagement Manual is the only practice aid of its kind on the market. You'll learn about the latest industry trends, the operating characteristics of a dealership's four departments, the unique accounting and income tax issues particular to this important industry, and providing consulting services to your clients.

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Banks and Savings Institutions Audit Manual (formerly the *Bank Audit Manual*) shows you how to create an efficient mix of tests based on your clients' high risk areas. This Manual gives you vital industry and regulatory information, as well as practical guidance for every step of the engagement. It even includes an extensive chapter on over 50 financial instruments. This new edition now covers savings institutions, the AICPA's upcoming Audit and Accounting Guide, *Banks and Savings Institutions*, and compliance audits under the federal student loan program.

WP CPE *Three volumes* No. 008877HF $165 *Non-members* $180

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For more information on APG Software and Practice Aids, call the AICPA's 24-hour fax hotline at 201/938–3787 from a fax machine, follow the voice cues and select document no. 354.

When ordering by phone, give operator HF code. VISA and MasterCard accepted.

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TO ORDER, CALL 800/862-4272 (DEPT. #1) OR FAX 800/362-5066

CPE News

Self Study and Video Courses

New—**Annual Tax Update** (1995/96 Edition). The tax laws that emerge from Congress are just the bare-bones framework of the tax system. IRS regulations, rulings and releases, court decisions and the like build on that framework and add the nuts and bolts that make the system really work. This annual tax update course shows members exactly how the IRS and the courts are handling critical new issues—and alerts CPAs to tax-saving opportunities for clients or employers (as well as tax pitfalls to avoid). It brings members up to speed on all the important federal tax developments relating to individual income taxes; partnerships; C corporations; S corporations; and estates, gifts and trusts.

The authors are nationally recognized experts in each of these fields of taxation. Covering developments from June 30, 1994, through July 1, 1995, the course materials include the texts of selected pertinent regulations, rulings and court decisions.

Course Level: Update. Recommended CPE credit: 8 hours. Format: Text (No. 736052CLT), $119.

New—**1995 Corporate Tax Returns Videocourse** (available 10/20). This 3-hour video highlights key changes in the corporate tax law affecting preparation of 1120 and 1120S returns for the 1995 tax year. Highlights include recent and proposed legislation, form changes and common return errors, S corporations and shareholders, limited liability companies, tax accounting, income items, alternative minimum tax, deductions, passive activity losses, depreciation and amortization, employee benefit plans, travel and entertainment and other expenses, net operating losses, tax credits, multiple corporations, estimated taxes, and a comprehensive return problem.

Moderator/Author: Sidney Kess, CPA, JD, LL.M. Course Level: Update. Recommended CPE credit: 16 hours group study and self study. Format: 2 VHS tapes/manual/looseleaf text (No. 112564CLT), $199**; additional looseleaf text/manual (No. 112566CLT), $80; additional manual only (No. 112565CLT), $50.

New—**1995 Individual Tax Returns Videocourse** (available 10/20). This 3-hour video highlights key changes in the individual tax law affecting preparation of 1040 returns for the 1995 tax year. Course highlights include recent and proposed legislation; form changes and common return errors; filing status, exemptions and dependents; income items and adjustments to gross income; retirement plans; standard deduction; casualty and theft losses; alternative minimum tax; investment interest; interest expense; education expenses; alimony; vacation homes; travel and entertainment; depreciation and amortization; hobby losses; moving expenses; net operating losses; tax credits; estimated taxes; and a comprehensive return problem.

Moderator/Author: Sidney Kess, CPA, JD, LL.M. Course Level: Update. Recommended CPE credit: 16 hours group study and self study. Format: 2 VHS tapes/manual/looseleaf text (No. 113555CLT), $199**; additional looseleaf text/manual (No. 113557CLT), $80; additional manual only (No. 113556CLT), $50.

** Get both tax returns video courses in the 1995 Tax Returns Package (No. 114500CLT) for only $348—a $50 savings. The video courses and self-study course are available from the AICPA Order Department (see page 6) as well as from state CPA societies.

Conferences

Strategic Performance Measures Conference*, Oct. 25, Colorado Springs, recommended CPE credit: 8 hours. **Finance Best Practices Conference***, Oct. 25, Colorado Springs, recommended CPE credit: 8 hours. **Fall National Industry Conference***, Oct. 26–28, Colorado Springs, recommended CPE credit 21 hours. **National Governmental Training Program,** Oct. 30–Nov. 1, Las Vegas, recommended CPE credit: 24 hours. **National Small Firm Conference***, Nov. 1–3, Scottsdale, Ariz., recommended CPE credit: up to 24 hours. **Accounting Educators Mini-Conference***, Nov. 3–4, Tampa, Fla., recommended CPE credit: 15 hours. **Finance Best Practices/Strategic Performance Measures Conference***, Nov. 13–14, Baltimore, recommended CPE credit: 8 hours each conference. **National Conference on Credit Unions,** Nov. 13–15, Naples, Fla., recommended CPE credit: up to 20 hours. **Annual Conference on the Securities Industry,** Nov. 14–15, New York City, recommended CPE credit: 14 hours. **National Conference on Banking***, Nov. 16–17, Washington, D.C., recommended CPE credit: 17 hours. **National Business Valuation Conference,** Dec. 4–5, New Orleans, recommended CPE credit: 16 hours. **National Construction Industry Conference,** Dec. 4–5, Phoenix, recommended CPE credit: up to 18 hours. **Fall Tax Division Meeting***, Dec. 4–6, San Diego, recommended CPE credit: 8 hours.

For more information, call the AICPA-CPE Division at 800/862–4272 (dept. #3, option #1). For conferences indicated by "*", contact AICPA Meetings & Travel Services at 201/938–3232.

Group Study

For over 30 years, AICPA members have made Sidney Kess' **Individual** and **Corporate Income Tax Returns Workshops** the first stop on the road to a successful tax season. Loaded with on-point analysis and taught by top AICPA discussion leaders, these two-day programs highlight new legislation, rulings and case law, and provide an excellent review of basic principles that crop up frequently in day-to-day practice. Kess workshops are being offered in 60 locations from Oct. to Jan. 1996.

To receive a brochure with course details, presentation schedules and registration information, dial 201/938–3787 from a fax machine, follow the voice cues and request document no. 711. To have materials sent by mail, write: LaTanya Junior, AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311–3881. Or, call 800/862–4272 (press 1, 3, 2). Be sure to mention ADV #105 in all phone and mail requests.

Washington At A Glance

IRS Postpones TCMP Audits Until December 1

According to the IRS National Office, the decision was made Sept. 6 to delay the start of Taxpayer Compliance Measurement Program audits by 60 days, until Dec. 1.

The IRS National Office has said the delay in TCMP audits was "due to the uncertainty around the budget for fiscal year 1996." The IRS noted that it will "reevaluate all compliance programs and a part of the reevaluation is assessing the extent, if any, that compliance resources may be needed to deliver critical activities or programs in other parts of the organization, such as taxpayer services." During the 60 days between Oct. 1 and Dec. 1, "the IRS will decide where they spend their dollars—TCMP, telephone assistors, etc."

The IRS emphasized that "during the delay, support and planning activities that are needed to begin TCMP will continue." When asked if the IRS would discontinue TCMP altogether, the IRS said that they "will not discontinue, just postpone" the audits.

All federal agencies have been asked to prepare contingency plans, should a budget stalemate between Congress and President Clinton result at the end of Sept. (i.e., no operating funds for federal agencies).

Members who have any questions, concerns or comments should contact Anita L. Horn, AICPA, 1455 Pennsylvania Avenue NW, Washington, DC 20004–1081; 202/434–9231.

Update on OBRA '93 Election

The AICPA notified members (*The CPA Letter*, Apr.) that it had sent the IRS a letter concerning the IRS's disallowance of the election to pay in three equal annual installments the additional 1993 income taxes due to the retroactive increase in the tax rates enacted as part of the Omnibus Reconciliation Act of 1993. Members who have encountered problems with the disallowance of the election because the IRS deemed a taxpayer's return "not timely filed" may wish to contact Anita L. Horn at 202/434–9231.

Guidance Available on HUD Audit Reports Based on "Yellow Book" Revisions

Illustrative audit reports conforming to the 1994 revisions to *Government Auditing Standards* for engagements conducted in accordance with the U.S. Department of Housing and Urban Development Handbook 2000.04 REV-1 (July 1993) are available from the AICPA Fax Hotline by dialing 201/938–3787 from a fax machine, following the voice cues and selecting document no. 412. HUD has indicated it has no plans to revise the handbook this year.

The CPA Letter
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AICPA
American Institute of Certified Public Accountants

November 1995 Vol. 75 No. 9

The CPA Letter

A News Report to Members

Highlights of What's Inside

The "New" AICPA: What It Means for Members

Less than a month after AICPA President Barry C. Melancon announced a major staff restructuring at the AICPA, new teams are beginning to emerge and the process of change is evolving. The ultimate outcome of the AICPA's metamorphosis is for the Institute to be the leading "one-stop" multi-purpose provider of technical information, professional advocacy and timely and relevant products and services for CPAs—the CPA's partner and resource.

More Coordination Needed

Melancon says that the Institute's various areas were not working well together and were operating too independently. "The concept is for the Institute to be coordinated and focused simultaneously on any specific effort," he said. For example, continuing professional education and technical support need to be better coordinated with the AICPA's professional standards. "We should not only issue a standard, but help members understand and implement that standard," he explained. "There's no reason why an auditing standard can't be issued in a friendlier fashion, encompassing practice guides, checklists and educational wrap-around material. But only a team approach could make this happen."

The team approach also allowed for the creation of a flatter organization with greater spans of control for vice presidents and directors. Overall a 13% reduction in management positions occurred.

In describing the reasoning behind forming the three functional areas identified—technical services; public affairs; and marketing, product and organizational development—Melancon said that members look to the AICPA basically for three things: technical information (standard setting and guidance), public affairs (delivering messages to members, the public, government bodies, the media and state legislatures, as well as assisting in accounting education and the recruitment of students into the CPA profession); and lastly, practical application to make members successful (CPE, guides, practice aids, reference material, etc.).

Rounding out the function areas of the AICPA are three support functions: finance, operations and information technology, and general counsel/secretarial.

"After seeing how we needed to operate to accommodate members' needs," said Melancon, "we divided up the staff into those six areas and will utilize a team philosophy so that coordination and cooperation among those six groups will exist to an extent it never has before. These cross-functional teams will consist of people who are focused on niches or segments of our membership, effectively serving as experts in those areas. The AICPA will be better able to focus on all of its membership groups. Our membership diversity is one of our core competencies, and we need to take advantage of that diversity by realizing one size doesn't fit all. For example, a team may have someone from the industry area (from a specific industry as well as from a functional area), working together with staff from continuing education, accounting or auditing standards, professional ethics, and from public affairs on issues relevant to that industry or finance function. Each team member covers a base and is an equal contributor so that nothing falls through the cracks and our members have the benefit of a true AICPA effort that provides effective results at the time the members need it," explained Melancon.

"All this leads up to helping members reinforce their public responsibility," added Melancon. "We need to be more responsive to our members so that they, in turn, can be responsive to the public's expectations. We are more committed than ever to the public interest, but we realize that without better communication, education and motivation of our members to effectively implement standards and business practices, we can never expect to achieve that goal."

Teams Are the Answer

Enthusiastically supporting this new team approach are Senior Vice President of Operations and Information Technology, Ed Niemiec, and Senior Vice President of

(continued on page 3)

News Briefs

Annual Report to Appear in December *Journal of Accountancy*

The AICPA's annual report for fiscal year 1994–95 will be published in the Dec. issue of the *Journal of Accountancy*. A new format for the report highlights the more significant activities as well as reduces the overall page count. A letter from new AICPA President Barry C. Melancon also is included.

Tax Information Phone Service to Begin November 27

A new member benefit to help members with tax questions is slated to launch on Nov. 27. The Tax Information Phone Service initially will be only for members of the Tax section and the Private Companies Practice Section, but is expected to open up to the full membership in two years.

TIPS will operate on a "user-fee" basis. Calls will cost $2 per minute, except for calls during tax season (Jan. 15 through Apr. 15) which will cost $3 per minute. For help with highly complex or industry-specific questions, or for written responses, members will be referred to other CPAs knowledgeable in those practice areas (on a fee basis).

To have access to the Tax Information Phone Service, individual members can join the Tax section (call the Tax Division at 202/434–9270 to apply), while firms should join the Private Companies Practice Section (call 800/CPA–FIRM).

Outstanding CPA in Government Named

Dr. Linda J. Blessing, director of the Arizona Department of Economic Security, is the 1995 recipient of the AICPA's Outstanding CPA in Government award. The award recognizes CPAs in government who have made significant contributions to the increased efficiency and effectiveness of government organizations and also to the growth and enhancement of the profession.

The IRS Responds to AICPA Again on the Continuing Erroneous OBRA '93 Notices

Taxpayers who elected to defer part of their 1993 additional taxes continue to receive erroneous notices from the IRS. This time, the notices threaten lien action. The AICPA continues to communicate with the IRS National Office on this issue and recently received additional guidance.

The IRS National Office has stated that "no lien, levy, or other collection actions will be taken on affected taxpayers." In addition, the Assistant Commissioner for Taxpayer Services has stated that the IRS said it has implemented 100% quality reviews of these OBRA notices. The IRS began the 100% quality checks with the CP-21 and 22-A type notices dated Aug. 7; however, the collection type notices (CP-503) were not quality reviewed. These OBRA-related collection notices (CP-501, CP-502, CP-503 and CP-504) dated Aug. 21 were the first OBRA collection notices to go through this quality review process, according to the IRS National Office. The Sept. 20, 1995, response from the IRS containing this information is available by fax by dialing 201/938–3787 from a fax machine, following the voice cues and selecting document no. 963.

Committee Members Wanted

There will be approximately 600 openings for AICPA members who would like to serve on an Institute committee beginning Oct. 1996. To apply, write: Committee Appointments Coordinator, AICPA, 1211 Avenue of the Americas, New York, NY 10036–8775; or fax L.J. Vendura at 212/596–6213. Members will receive a Committee Booklet listing current committees, objectives, major projects and estimated time commitments, as well as a biographical form to complete. To ensure being considered for the 1996–97 committee year, the biographical form must be returned by Feb. 15, 1996.

Financial Reporting Committee's Data Base Free on Internet

In addition to issuing its report, *Improving Business Reporting—A Customer Focus*, the AICPA's Special Committee on Financial Reporting built a substantial data base of its research on the information needs of users that includes the source of information and analysis of it. This data base is now available without charge through the Internet at the following address:
http://www.rutgers.edu/Accounting/raw/aicpa/index.htm

Journal of Accountancy Wins Award

The Oct. issue of *The CPA Letter* announced AICPA publications that won awards in the APEX '95 Awards for Publication Excellence competition. The Institute is pleased to announce that the *Journal of Accountancy*, for the sixth time, also won an award in that nationwide competition which judges publications on editorial content, graphic design and overall communications effectiveness.

Public Meeting Notices

For detailed agendas, call 800/862–4272 (dept. #6) three weeks prior to these meetings.

Accounting Standards Executive Committee: Dec. 14–15, New York

Auditing Standards Board: Nov. 14–16, New York; Dec. 12–14, New York

The CPA Letter (ISSN 0094-792x), November 1995, is published monthly, except bimonthly Jan./Feb. and July/Aug. Publication and editorial office: 1211 Avenue of the Americas, New York, NY 10036-8775, 212/596-6200. Second-class postage paid at New York, NY and at additional mailing offices. Postmaster: Send address changes to *The CPA Letter*, Circ. Dept., Harborside Financial Ctr., 201 Plaza Three, Jersey City, NJ 07311–3881.
Geoffrey L. Pickard *Vice President—Communications*
Ellen J. Goldstein *Editor*

What the "New" AICPA Means for Members *(cont. from page 1)*

Public Affairs, John Hunnicutt. "I've always been a proponent of teams," said Niemiec. "I think using the concept here at the AICPA will go a long way toward advancing service to members, both in what is offered and how it is delivered. In terms of information technology, the team approach will absolutely ensure each member segment that we address its needs, not what we perceive those members' needs to be," Niemiec added.

"Working as teams will enhance our ability to fulfill CPAs' professional needs and member product and service demand without diminishing our attention to the public interest," said Hunnicutt. "For example, our technical standards and services functions will become more efficient, more timely and more effective, better enabling us to preserve our tradition of self-regulation. In the area of public affairs, the new structure will help us better focus on external publics as well as strengthen our relationship with the media. The most important partners of the AICPA in shaping the profession's future —academia and state CPA societies—also will be better served."

The Best the AICPA Can Be

"My goal is for the AICPA to be the best professional organization in the country, and for every CPA in the land to be proud—and glad—to be a member," said Melancon. "And I know we'll get there because our Internal Audit/Quality Control group will not only be monitoring our progress to see that we're hitting the marks, but will be players on all the process-improvement teams."

The CPA Letter will continue to keep members informed about how the Institute is moving along in its process to be the premier professional organization and a partner in success for CPAs nationwide.

AICPA Work Load Relief Bill, S Corp Reforms Included in House Budget Bill

The AICPA's work load compression relief bill is included in the budget reconciliation package being considered by the House; also included in the mammoth bill are provisions long supported by the Institute to reform the rules governing S corporations. While these are giant steps for the profession, there are procedural and political obstacles ahead.

It was the AICPA's ultimately successful strategy to hook the work load relief bill, H.R. 1661 (*The CPA Letter,* June), on to the first tax bill slated for a vote by Congress this year. But with this budget bill encompassing tax cuts, as well as welfare and Medicare reform, it is one of the most controversial ever to come before Congress; it could face a veto by President Clinton.

Therefore, AICPA Key Persons are pressing ahead with their lobbying effort on work load relief, and the Institute has hired a firm that manages grass-roots lobbying efforts to mobilize the business community in selected states and congressional districts. The company has engaged local political operatives to contact small businesses/business groups and urge them to contact their legislators on the issue. The activities of the firm are being coordinated with the state CPA societies in the targeted states.

S corporation reform provisions also are included in this hotly debated budget reconciliation bill. The AICPA was instrumental in helping draft some of these provisions and is gratified to see they are included.

Among the S corporation reform provisions included in the budget package are the following: 1) Increase the allowable number of shareholders from 35 to 75; 2) Expand the types of trusts that can own S corporation stock; 3) Remove tax traps by permitting the Secretary of the Treasury to treat invalid elections as effective and by providing for automatic waivers of certain inadvertent terminations; and 4) Permit an S corporation to own up to 100% of a corporate subsidiary. S corporation reform provisions not included in the budget bill are the ability to issue preferred stock and to aggregate members of one family in order to be counted as one shareholder.

The PAC Needs You!

The AICPA's political action committee is your direct link to Capitol Hill. Get involved today!

The PAC focuses thousands of our individual voices into one forceful voice. It protects your interests as a CPA and business person. From our campaigns to enact a work load compression relief bill and reform the nation's securities litigation laws, to efforts to update S corporation rules and Fair Labor Standards Act regulations, the PAC strengthens the AICPA's advocacy for you.

Support the federal PAC by mailing a personal check (payable to the Effective Legislation Committee) to: AICPA Effective Legislation Committee, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311–3881. Contributions are voluntary and are limited to $5,000 per person, per year by federal law. For information, write or call: Sheila Colclasure, AICPA, 1455 Pennsylvania Ave., NW, Washington, DC 20004–1081; 202/434–9263.

Taxpayers Don't Have to Answer IRS Agents' Questions, IRS Reiterates

The AICPA has become aware that at least two IRS service centers have reiterated that taxpayers can decline answering questions posed by IRS agents during "economic reality" audits. An IRS newsletter for tax practitioners featured an article on economic reality audits that stated: "...a taxpayer does not have to answer an agent's questions, including those being asked to determine monies expended for personal assets and support. In this situation, agents will arrive at a determination based on the records provided by the taxpayer."

Also mentioned in the article is that the chief compliance officer is meeting with the AICPA to obtain input as to the proper manner to present economic reality auditing techniques and tools to taxpayers.

Accounting & Auditing News

Audit Risk Alert—1995/96, Compilation and Review Alert—1995/96, and Industry Alerts Soon to Be Available

The AICPA's risk alert series consists of *Audit Risk Alert—1995/96* (No. 022180CL11), *Compilation and Review Alert—1995/96* (No. 060669CL11), and 20 industry-specific risk alerts. Risk alerts are valuable, nonauthoritative practice aids that are designed to be used as engagement planning tools.

Following is an overview of key topics discussed in *Audit Risk Alert—1995/96:*

■ **Implications of the Current Economic Environment**—discusses how the current slow-growth economic environment that is still smarting from the 1990–91 recession may raise such issues as an increase in merger and acquisition activities and questions on the appropriate accounting for restructuring charges as entities continue to downsize and reengineer operations.

■ **New Auditing and Attestation Pronouncements**—includes an overview of Statement on Auditing Standards No. 75, *Engagements to Apply Agreed-Upon Procedures to Specified Elements, Accounts or Items of a Financial Statement;* Statement on Standards for Attestation Engagements No. 4, *Agreed-Upon Procedures Engagements;* SAS No. 76, Amendment to SAS No. 72, *Letters for Underwriters and Certain Other Requesting Parties;* SAS No. 74, *Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance;* and several new auditing interpretations.

■ **Auditing Issues**—provides an overview of several auditing issues, including the use of analytical procedures, audit sampling, using the work of an attorney, and the audit team's responsibility for subsequent events for the period from completion of fieldwork to the release of the auditor's report.

■ **Audit Communication and Reporting Issues**—provides insightful information on various topics including predecessor/successor auditor situations, reporting terminated auditor–client relationships to the SEC, reissuing the auditor's report to remove a going-concern report modification, and the proposed elimination of the required uncertainties explanatory paragraph.

■ **Audit Problems to Watch For**—discusses numerous problems of which auditors should be aware, including detection of fraud, revenue recognition issues and several developments related to the role computers play in audit engagements.

■ **AICPA Peer Review Program**—includes reminders for auditors based on frequently recurring issues from peer review letters of comment.

■ **Lessons from Litigation**—discusses fundamental issues to keep in mind to elude potential auditor litigation and outlines the signs of a client that may present a litigation risk.

■ **New GAAP Requirements**—provides an update on new accounting standards in the GAAP hierarchy and their related audit implications. Discussions focus on, among other things, derivatives, impaired long-lived assets, risks and uncertainties, and accounting for limited liability companies and limited liability partnerships.

■ **Accounting Issues**—provides an overview of several accounting issues, including environmental matters and financial statement disclosures.

■ **Accounting Pronouncements Soon to Be Issued**—discusses upcoming generally accepted accounting principles, including accounting for stock-based compensation.

Following is an overview of key topics discussed in *Compilation and Review Alert—1995/96:*

■ **Proposed Assembly Service**—provides a summary of the Accounting and Review Services Committee's new exposure draft of a proposed Statement on Standards for Accounting and Review Services, titled *Assembly of Financial Statements for Internal Use Only,* that would exempt CPAs from the requirements of SSARS No. 1, *Compilation and Review of Financial Statements,* when assembling financial statements for internal use.

■ **Alternatives to Full-Disclosure GAAP Financial Statements**—describes alternatives under existing standards to compiling full-disclosure-GAAP-basis financial statements. These scaled-down compilations enable CPAs to compile less complex financial statements tailored to meet clients' needs.

■ **Agreed-Upon Procedures Engagements**—provides an update on two recently issued auditing and attestation standards, SAS No. 75 and SSAE No. 4, that provide guidance on applying agreed-upon procedures to financial statement and non-financial statement subject matter, respectively. Although SAS No. 75 is lodged in the auditing standards, a practitioner is not required to audit financial statements to perform these engagements.

■ **Financial Statements Submitted in Litigation Support Engagements Involving Bankruptcy and Reorganization**—alerts practitioners to Interpretation No. 20 of SSARS No. 1 that exempts financial statements from the applicability of SSARS in litigation support engagements when certain criteria are met.

■ **Compiling or Reviewing Financial Statements Previously Compiled or Reviewed Using a Different Basis of Accounting**—answers practitioners' questions about whether they may compile or review financial statements covering the same period using a basis of accounting different from the basis that was originally used.

■ **Representation Letters**—illustrates a modification to the standard representation letter used in SSARS review engagements to make clients feel more comfortable about making representations about GAAP.

■ **Independence and Client Services**—provides examples of services a CPA might perform for a client, ancillary to a compilation or review engagement, that could impair the accountant's independence.

■ **Electronic Pronouncements**—alerts practitioners to the availability of certain professional standards in electronic format for computer use, and describes how to obtain them.

■ **New GAAP Requirements**—provides an update on new accounting standards.

Following is a list of the 1995/96 industry-specific

(continued on page 5)

AICPA
American Institute of Certified Public Accountants

Division for CPA Firms—Professional Issues Task Force November 1995

PRACTICE ALERT

AUDITING RELATED PARTIES AND RELATED-PARTY TRANSACTIONS

No. 95-3

NOTICE TO READERS
This practice alert is intended to provide auditors with information that may help them improve the efficiency and effectiveness of their audits. This document has been prepared by the SEC Practice Section Professional Issues Task Force and is based on the experiences of the individual members of the task force and matters arising from litigation and peer reviews. It has not been approved, disapproved or otherwise acted upon by any committee of the AICPA.

Introduction

One of the more important and yet, more difficult, aspects of a financial statement audit is the identification of related parties and transactions with related parties. This aspect of the audit is important because of (1) the requirement under generally accepted accounting principles to disclose material related-party transactions and certain control relationships, (2) the potential for distorted or misleading financial statements in the absence of adequate disclosure, and (3) the instances of fraudulent financial reporting and misappropriation of assets that have been facilitated by the use of an undisclosed related party. Further, while not discussed in more detail in this Practice Alert, it is incumbent upon the auditor to assess the propriety of the accounting for material related-party transactions in accordance with their substance.

Related parties and related-party transactions are difficult to audit for several reasons. First, transactions with related parties are not always easily identifiable. For example, a series of sales in the normal course of business, individually insignificant, could be executed with an undisclosed related party that in total could be material. Second, although other procedures are ordinarily performed, the auditor relies primarily upon management and principal owners to identify all related parties and related-party transactions. Third, such transactions may not be easily tracked by a company's internal control.

Generally accepted accounting principles (FASB Statement No. 57, *Related Party Disclosures*) define related parties and require certain disclosures regarding material related-party transactions, as well as the nature of control relationships that could result in operating results or financial positions significantly different from those that would have been achieved in the absence of such relationships, regardless of whether there were transactions between or among the related parties. Generally accepted auditing standards (SAS No. 45, *Related Parties*, AU Section 334) provide guidance on procedures that should be considered by the auditor to identify related-party relationships and transactions, and to satisfy him or herself that such relationships and material transactions are properly accounted for and adequately disclosed in the financial statements.

The detailed requirements of generally accepted accounting principles and generally accepted auditing standards are not discussed here. The purposes of this practice alert are twofold: first, to focus on events that may indicate transactions with *undisclosed* related parties are occurring; and, second, to offer suggestions on how to respond to those events.

Events that May Indicate Transactions With Undisclosed Related Parties

In the hands of the unscrupulous, an undisclosed related party is a powerful tool. Using controlled

CONTINUED ON PAGE 2

entities, principal shareholders or management can execute transactions that improperly inflate earnings by masking their economic substance or distort reported results through lack of disclosure, or can even defraud the company by transferring funds to a conduit related party and ultimately to the perpetrators. Examples of events that may indicate transactions with undisclosed related parties are occurring include:

- Sales without substance, including funding the other party to the transaction so that the sales price is fully remitted.
- Sales with a commitment to repurchase that, if known, would preclude recognition of all or part of the revenue.
- Accruing interest at above market rates on loans.
- Loans to parties that do not possess the ability to repay.
- Advancing company funds that are subsequently transferred to a debtor and used to repay what would otherwise be an uncollectible loan or receivable.
- Services or goods purchased from a party at little or no cost to the entity.
- Borrowing at below market rates of interest.
- Loans advanced ostensibly for a valid business purpose and later written off as uncollectible.
- Payments for services never rendered or at inflated prices.
- Sales at below market rates to an unnecessary "middle man" related party, who in turn sells to the ultimate customer at a higher price with the related party (and ultimately its principals) retaining the difference.
- Purchases of assets at prices in excess of fair market value.

Responding to Related Parties and Related-Party Transactions Not Voluntarily Disclosed by Management

Assessing Risk. The number one rule for potentially identifying related parties and related-party transactions that management does not disclose to the independent auditor is simply to be alert to that possibility. Generally accepted auditing standards (SAS No. 53, *The Auditor's Responsibility to Detect and Report Errors and Irregularities,* AU Section 316) require the auditor to "assess the risk that errors and irregularities may cause the financial statements to contain a material misstatement." This assessment is based on the auditor's consideration of the characteristics of the audit engagement and of the company's management, operation, and industry. When making such an assessment, the auditor may conclude that related parties and/or related-party transactions are a potential source for material misstatement. Following are examples of indicators that may cause the auditor to conclude that such a potential exists:

- Complex corporate structure, possibly with restrictions on the disclosure of ownership or the identity of shareholders.
- Audit responsibilities for entities that have material intercompany transactions with one another divided among two or more auditing firms, or in which one of the entities is not audited.
- Highly complex business practices that enhance the ability of management to mask their economic substance.
- The existence of unique, highly complex, and material transactions close to year–end that pose difficult "substance over form" questions.

Responding to risk. When the auditor concludes there is a significant risk that errors or irregularities may cause the financial statements to contain a material misstatement, he or she might respond in a number of ways, such as assigning more experienced staff to the engagement. Ordinarily, higher risk requires more experienced personnel or more extensive supervision by the auditor with final responsibility for the engagement during both the planning and the conduct of the engagement. Higher risk also may cause the auditor to expand the extent of procedures applied, apply procedures closer to or as of the balance sheet date, or modify the nature of procedures to obtain more persuasive evidence. According to generally accepted auditing standards, evidential matter obtained from independent outside sources provides a greater assurance of reliability than evidence secured solely within the company (SAS No. 31, *Evidential Matter*, AU Section 326.19a). Higher risk will also ordinarily cause the auditor to exercise a heightened degree of professional skepticism in conducting the audit.

Without regard to the auditor's risk assessment, the auditor would perform many, if not all, of the procedures suggested in SAS No. 45 for determining the existence of related parties. These include evaluating the company's procedures for identifying related parties, requesting from management the names of all related parties, reviewing SEC and other regulatory filings for names of possible related parties, reviewing stockholder listings of closely held companies, inquiring of predecessor, principal, or other auditors of related entities, and reviewing material investment transactions which might create related parties.

The auditor would also perform many, if not all, of the procedures suggested in SAS No. 45 for identifying transactions with known related parties. Among the suggested procedures are: reviewing minutes of board of directors meetings; reviewing conflict-of-interest statements; reviewing the extent and nature of business transacted with major customers, suppliers, borrowers, and lenders; reviewing the accounting records for large, unusual, or nonrecurring transactions or balances; and reviewing correspondence and invoices from law firms for indications of possible related parties and related-party transactions.

When deciding which related-party procedures to perform during the audit, the auditor may want to consider in that determination the results of an evaluation of the effectiveness of the company's procedures for identifying related parties and related-party transactions and the company's controls over management's ability to enter into related-party transactions. Generally accepted auditing standards (SAS No. 19, *Client Representations*, AU Section 333) require that a written representation letter be obtained from management and states that such letter should ordinarily cover transactions with related parties. Although not required by SAS No. 19 or suggested by SAS No. 45, the auditor may want to obtain written representations from the entity's board of directors about whether they or any other related parties engaged in transactions with the entity during the period under audit.

The related-party procedures performed would be considered in relationship with the other audit procedures performed in response to the overall risk assessment on the audit. Many of the related-party procedures suggested in SAS No. 45, such as reviewing minutes, serve more than one audit objective. When performing other procedures on the audit, the auditor may encounter information that can assist him or her in identifying the existence of related parties and related-party transactions. Therefore, it is important that information about known related parties be communicated to all engagement team members, including those performing work at other locations. The development during the audit planning process of a list of related parties could serve as the vehicle of this communication.

CONTINUED ON PAGE 4

When performing the audit, all team members should be alert for transactions that might involve undisclosed related parties. When events come to the auditor's attention that may indicate transactions with related parties, the performance of additional audit procedures related to the other party to the transaction may be necessary to determine whether an undisclosed relationship exists. Such procedures could include confirming details of the transaction with the principals of the other party or, with the other party's permission, its auditors, as to the nature of any relationship with the company and its management. In complex situations, the auditor may need to discuss the related-party transaction with other outside parties such as bankers or legal counsel who are familiar with the transaction or request to inspect evidence in the possession of such persons and/or the other party.

When an undisclosed related party has been identified, the audit team would assess whether management's failure to disclose was merely an oversight or a deliberate attempt to mask the relationship. If the latter, the auditor would reassess the overall audit scope and the ability to rely on management's representations in other areas. If the auditor believes he or she can no longer trust management, the best course of action may be to withdraw from the engagement. The auditor may want to consult with legal counsel in these circumstances.

Conclusion

Identifying related parties and material related-party transactions is a key component of any audit. The likelihood of identifying undisclosed related parties and related-party transactions is enhanced when the auditor maintains throughout the audit an awareness for events that may indicate such undisclosed parties or transactions. By following up on such events and determining whether they are the result of related parties, the auditor enhances the likelihood that related-party transactions are properly accounted for and disclosed in the financial statements, thereby providing users with relevant information for decision-making.

AICPA
American Institute of Certified Public Accountants

FYI

Accounting Educators:

Volume VII, Number 2 — November 1995

AICPA Reorganizes to Better Serve Members

Bea Sanders to Head Academic and Career Development Division

The AICPA's new President, Barry Melancon, has restructured the Institute to improve service to all its members — educators, CPAs in industry, government and public practitioners. The new AICPA will be more efficient, effective and less costly. A new flattened structure, comprised of four main operating functions, will allow the AICPA to become a team-structured organization, driven by technology, a focus on marketing and performance accountability.

In the reorganization, Bea Sanders heads the Academic and Career Development Division. A 30-year veteran of the Institute, Bea is well-known and respected by CPA educators. The Division is part of the new Public Affairs function headed by John Hunnicutt, one of four senior vice presidents reporting directly to Melancon. A focus on academic and career development becomes even stronger in the newly streamlined AICPA.

In addition, the AICPA's new Chair, Ron Cohen, is committed to the academic community, openly encouraging university accounting faculties around the country to become more active in the AICPA. Cohen pledged to pursue the goal of developing accounting programs that are more relevant to the needs of practitioners. "Today's accounting graduates, whether starting in public accounting or industry, need to be better equipped to handle more than just numbers," he said in his first address as the new AICPA chair.

Hunnicutt echoes Cohen's commitment to educators in an interview in this issue of *FYI* (see page 4). As part of his active campaign to meet with educator members and hear their views, Hunnicutt spoke at the recent AICPA Accounting Educators Mini-Conference in Florida.

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In this issue...

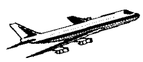
From the Editor's Desk...

This issue of *FYI* presents the newly restructured AICPA, an organization committed to serving members better through efficient teams of empowered staff. It also voices the personal commitment made to accounting educators from the Institute's new leaders who see education as vital to the profession's future and encourage educators to take a greater role in Institute affairs.

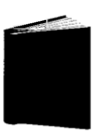
I hope you took advantage of the chance to hear John Hunnicutt speak at the Accounting Educator's Mini-Conference in Tampa, Florida. The opportunities afforded under the new structure are exciting. A specific team, dedicated to educator members, will be established to develop customized products and services for educators. The team will have direct access to increased information made available through enhanced technologies and a strong marketing focus. It will also derive benefit from the individual strengths of its diversified members. I have great confidence in the new structure and philosophy and look forward to providing improved service to accounting educators.

Elizabeth Scifo Koch
Editor

News and Notes



The **19th Annual Meeting of FSA, *Hands-on Education,*** will be held in Las Vegas, Nevada, on December 3–5, 1995. The program provides effective teaching techniques which attendees can practice in concurrent workshops. Some of the topics to be covered in the workshops include: small group writing assignments, strategies and management of team assignments and creating an effective learning environment in mass sections. In addition to the workshops, Michael Moore, Ernst & Young LLP, will discuss strategic planning for accounting programs. For more information, call the FSA at (314) 872–0211.



A newly published book-length monograph, **"Auditing Practice, Research and Education: A Productive Collaboration,"** was commissioned by the Auditing Section of the AAA, funded by the KPMG Peat Marwick Foundation and published by the AICPA. The monograph provides insights into the genesis of current auditing practices and highlights the value of joint academic–practitioner pursuit of solutions to challenging auditing problems. To order a copy, call the AICPA toll-free at 1–800–862–4272 and ask for product number 010290. Educators and students receive a 30% discount off the list price of $25 for members or $27 for nonmembers.

A newly formed **AICPA Technology Curriculum and Competencies Task Force** has decided to develop an Implementation Guide to help educators respond to the IFAC (International Federation of Accountants) guideline, ***Information Technology in Accounting Curriculum,*** to be issued this winter. The IFAC document discusses requisite information technology skills and knowledge that must be developed in professional accountants. The AICPA Guide will give educators an implementation plan to address IFAC's recommendations by covering such issues as establishing leadership, a written plan, budget, training, technical support and outcome assessment. *FYI* will update you on availability of the Guide in its next issue.

A report on the **findings of the Under-35 Symposium** sponsored by the AICPA and state CPA societies is now available to members. More than 100 members participated in a symposium held to uncover what this age group, which represents 38% of the AICPA membership, wants from its membership organizations and how the Institute and state societies can better help this group in their professional and personal lives. The report covers career issues, work/life balance, technology, communications/public relations, mentoring/networking and continuing professional education. A copy of the report is available to members by searching the "General, Information and Ethics" section of the Library using the key word, "Under" on the Accountants Forum or by calling Margaret Melnis at the AICPA at (212) 596–6222.

1996 AICPA Doctoral Fellowship applications are now available. This program awards fellowships of $5,000 per year, for a maximum of three years, to practicing CPAs with at least five years' experience, to complete full-time study in a Ph.D. program in accounting and become accounting educators. Applicants must be U.S. citizens, fluent in English and either be accepted by, or in the process of applying to, a doctoral program in accounting at a college or university whose business administration programs are accredited by the AACSB (American Assembly of Collegiate Schools of Business). Letters and application forms will be sent to all administrators of accounting programs and directors of accounting doctoral programs later this month. Copies of the application form are also available by dialing (201) 938–3787 from a fax machine, following the voice cues and selecting document number 651. Alternatively, applications can be found in the Accounting library of the Accountants Forum on CompuServe. The application deadline is April 1, 1996. For further information on requirements and application procedures, contact the AICPA at (212) 596–6221.

Applications for 1996 AICPA **Fellowships for Minority Doctoral Students** are now available. This program is designed to make it possible for more minorities to enter the accounting professorate. It provides competitive awards of up to $12,000 per year to minority doctoral students in accounting who show significant potential of becoming accounting educators. The awards are renewable for up to an additional four years. For the 1995–96 academic year, nine Ph.D. candidates were awarded fellowships, seven of which represent renewals from the previous year. The application deadline is April 1, 1996. An application form can be obtained by sending a written or fax (212/ 596–6292) request to AICPA Minority Doctoral Fellowships, 1211 Avenue of the Americas, New York, NY 10036–8775

The AICPA Minority Initiatives Committee (MIC) is seeking information on **innovative recruitment programs geared towards increasing minority enrollment in accounting programs.** MIC's mission is to integrate the profession by helping minority students to become CPAs and to encourage their advancement and retention in the profession. MIC administers several initiatives, including minority scholarships, fellowships and accounting faculty development programs. If your school has such a program or if you have information about such programs, the committee would like to hear about it. Please fax (212/ 596–6292) or mail information to the AICPA, ATTN: Gregory Johnson, Manager — Minority Initiatives, 1211 Avenue of the Americas, New York, NY 10036–8775. If you have any questions or would like to discuss this further, please call Gregory Johnson at (212) 596–6227.

Survey Results in on 150-Hour Implementation

Schools Responsive to 150-Hour Requirement

In July 1995, the AICPA mailed 864 surveys to accounting program administrators nationwide to obtain information on 150-hour implementation efforts and needs. A total of 353 responses were received, yielding a 41% response rate. The survey asked schools to report whether they already had, or were planning to provide, "qualifying curriculum" that enables students to sit for the CPA exam in states requiring 150 hours of education. It also inquired about usage of cooperation/articulation agreements and resources with regard to 150-hour curriculum development.

The most significant finding is that 43% of the responding schools already have "qualifying curriculum" and, of the schools that don't have existing qualifying curriculum, 70% are in the process of, or considering, curriculum modification. This means that 83% of the respondents either have, are currently developing or are considering developing qualifying curriculum. This responsiveness is impressive, given that the respondent pool includes a large number of schools (155) from states that have not yet enacted the 150-hour requirement.

Of the schools that have existing qualifying curriculum, over half qualify by offering Macc/MPA (53%), and about a third via MBA (36%) or by offering additional courses (28%). Of those schools who intend to qualify students to sit for the exam, only 20% currently have or are developing cooperation agreements. Schools who have considered cooperation agreements report that transferability of courses and timing of transfer are the most important issues.

Regarding resources, most respondents were aware of and have used the AICPA *150-Hour Curriculum Development Handbook,* but only a quarter have used the AAA *Graduate Accounting Program Resource Document* and the AICPA/NASBA *Digest of State Accountancy Law.* The AAA *Graduate Accounting Program Resource Document* compiles graduate accounting program information on 37 selected institutions across the country. It describes degree programs and total credit hours required; courses; existence of internship and minority outreach programs; program flexibility (full versus part-time, day versus evening options) and scholarship/financial aid availability. An annotated bibliography of articles, dealing with graduate accounting programs that appeared in recent accounting education journals, is also included in the Document. The AAA Document is available via the Internet at HTTP://ANET.SCU.EDU.AU/ANET/EDUCATION/STOUT-REPORT/INDEX.HTML.

The AICPA/NASBA *Digest of State Accountancy Laws and State Board Regulations* provides practical information on educational, experience, examination and continuing professional education licensure requirements on a state-by-state basis. To order the Digest, call the AICPA at 1–800–862–4272 and ask for product number 064039. The price is $26.50 for members or $29.25 for nonmembers, and a 30% discount is available to educators. □

Legislative Update: DC Becomes 33rd Jurisdiction to Require 150 Hours

The minimum education requirement for becoming a CPA in the District of Columbia will be 150 semester hours, including a baccalaureate, according to DC's Public Accountancy Amendment Act of 1995. The act calls for the requirement to be in place by the year 2000.

▶ AICPA Reorganizes. . .
continued from page 1

In addition to Public Affairs, the other three main operating functions that will form the basic structure of the new AICPA are technical services; marketing, organization and product development; and operations and information technology.

The changes within the Institute are dynamic, according to Melancon. "We will follow a clear plan and continue to make adjustments when and where necessary," he said. "As 'Team AICPA,' there isn't anything we can't accomplish as we move confidently toward the next century." □

A Message to Educators from John Hunnicutt

John Hunnicutt, SVP – Public Affairs, will now be overseeing activities of several Divisions, including the AICPA's Academic and Career Development (ACD) Division. In this interview, FYI *gets insight into Mr. Hunnicutt's background and his plans for serving the education community. For the past three years, Hunnicutt, as the senior officer of the AICPA's Washington office, representing the accounting profession before Congress, the Executive branch and federal regulatory agencies, has been one of the profession's principal advocates. He now assumes a similar role for the academic community. Prior to joining the AICPA, Mr. Hunnicutt was responsible for federal government relations at KPMG Peat Marwick and has a long history of experience in government positions.*

FYI: What is the mission of the new Public Affairs Group?

Hunnicutt: The Divisions within the Public Affairs Group are responsible for maintaining relations with the profession's external publics and serving two of the most important constituencies in the profession, the academic community and state societies.

FYI: Describe what impact, if any, will be felt by accounting educators based on the decision to eliminate the position of VP–Education.

Hunnicutt: Lest there be any doubt, let me emphasize that serving educator members and the academic community is a high priority at the AICPA. In fact, the new structure will strengthen services to accounting educators. With the establishment of cross-functional teams, more information on the diverse activities of the AICPA will be at the fingertips of staff, who can in turn serve educators in a timely manner. There will be a specific team within the Institute dedicated to the Institute's academic "clients." It will be responsible for solving problems and providing products, services and support to educators. The team will have solid operational support, as well as a strategy, accountability and performance standards. The AICPA will continue to both develop and offer programs that support the needs of educators.

FYI: How will you determine educators' needs, since you are not an educator yourself?

Hunnicutt: I am counting on the educators to tell us. I will pay close attention to the concerns expressed thus far and I intend to encourage continued counsel. I heard from educators first-hand, when I was on the program at the AICPA Accounting Educators Conference in Tampa, Florida, on November 3–4, 1995. I will continue to be active in education matters by attending meetings and other conferences where I can visit with educators one-on-one. In addition, educators can contact their peers serving on academic committees of the Institute or, better yet, volunteer to serve on AICPA committees themselves. The ACD committees will drive the education agenda. This will afford the education community a better opportunity to participate in and guide the academic activities of the AICPA.

FYI: How can your background in government affairs and your position at the Institute help further education programs?

Hunnicutt: Coming from a political background, I am by nature constituent-driven and see my role as helping the education community achieve its strategic goals in the AICPA. That's my agenda. Also, let me give you a specific example. I think we have a political task in getting enactment of the 150-hour requirement. My background lends itself to spearheading a campaign to enact 150-hour legislation in the states that have yet to pass it. I believe that is why the Board of Directors asked me to take responsibility for achieving it.

FYI: Does the AICPA's reorganization change the Institute's relationship with the AAA and the Accounting Education Change Commission?

Hunnicutt: We are not altering or changing our relationship with academic organizations. I see our reorganization as strengthening our focus, understanding, and commitment to educators. I hope educators will see this as an opportunity to have a greater role in the affairs of the AICPA. I certainly see educators as indispensable to the future of the profession.

FYI: Will you be responsible for the CPA Examination?

Hunnicutt: No. The CPA Examination, a licensing exam, more appropriately comes under the self-regulatory activities within the Technical Services Group. ☐

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Elizabeth Scifo Koch, *editor*

THE FINANCIAL MANAGER'S REPORT

A Periodic Update for CPAs in Management, Business & Industry ■ November 1995

Economic Value Added (EVA®) — An Instrument on the Dashboard — Part 1

by Mark Gressle

EVA® is a registered trademark of Stern Stewart & Co. Mr. Gressle was a founding partner of Stern Stewart & Co. and contributed to the development of EVA. He presently is a partner of Finegan & Gressle, a New York–based financial consulting firm.

EVA is a financial measure of performance. It combines an old concept called residual income with principles of modern corporate finance, specifically that all capital has a cost and that earning more than the cost of capital creates value for shareholders. To make EVA work for your company, here are the three practical steps we have developed during the past ten years working with a wide range of companies.

Step 1. Understand what EVA is (and what it is not).

EVA is the dollar amount of value that has been created for investors over a set period of time, such as a quarter or a year. The "value added" is any excess of after-tax operating profit over all the costs of doing business, including the interest cost of debt and the opportunity cost of equity. Stated differently, EVA is the after-tax operating profits less a capital charge. The capital charge is the amount of profit needed to cover interest expense and provide an adequate return for the equity investors.

EVA Calculation	Example	Comment
Operating Profit	$120	After-tax profit achieved by management
less: Capital Charge	100	After-tax profit required by debt and equity investors
equals: EVA	$ 20	"Value added" by management

What EVA *is*

- EVA is the single best integrated measure of growth in operating profits and operating efficiency. As such, it is a measure which holds management accountable for all economic outlays whether they are recorded on the income statement, balance sheet or in the footnotes of the financial statements.
- EVA measures the value created during a single period through increased margin, improved asset management, profitable incremental investment or redeployment of underutilized assets.
- EVA creates a common language for making capital budgeting decisions, evaluating performance and measuring the value-creating potential of strategic and tactical options.

What EVA *is not*

- EVA is not a holy grail. EVA does not solve problems; managers do. EVA is a good instrument on the dashboard that tells management how much shareholder value they have created. However, it does not make difficult decisions easier. Even though Scott Paper adopted EVA in 1993, management's actions did not significantly enhance shareholder's returns. The company's value was dramatically increased through a restructuring that was effected by a new chief executive whose reward was tied to equity ownership and stock options.
- EVA is distorted by historical cost accounting. EVA is computed from historical accounting information, or sunk costs. From an economic viewpoint, sunk costs are irrelevant to the generation of future free cash flow, and hence share value. Without adjustment, an old factory will report higher EVA than a new one, even though both have the same net present value of free cash flows. On the other hand, adjusting historical costs to economic reality is not a perfect science and can add a layer of administrative complexity and confusion. To reduce distortions caused by historical cost accounting, management should focus on the change in EVA.
- EVA is not directional. Because it is a single period measure, it provides no direction about the future. For example, negative EVA is not necessarily indicative of a company that should be sold or liquidated. The imbedded capital may be worth little, but new capital may generate positive EVA. Likewise, a positive EVA business is not necessarily one that shouldn't be sold. If the offer price exceeds the value management can achieve, a sale of the business is in the best interests of shareholders.

Step 2. Integration of EVA within your company

There are several key ingredients that are associated with companies that have adopted EVA successfully.

- There is a high ranking EVA champion. The champion views EVA as a critical part of the company's strategy to change the way it operates, and in many cases, the way it evaluates and rewards performance.
- The company recognizes that the current financial measure, whether it's earnings growth or return on assets, distorts the allocation of capital and

(Continued on page 4)

Inside The Financial Manager's Report

Cover Article:

Double Tax: Can Its Effect be Mitigated or Avoided Entirely?

by Roy C. Thornton, CPA

The double tax could erase over 60% of a life time's worth of effort without proper planning.

Time is both the owners' ally and foe in avoiding the double tax. If owners plan early in the life of the corporation, they probably can avoid the entire tax. However, if owners plan too late, they may only be able to mitigate the tax rather than avoid it entirely.

How Double Tax Works

Since 1986, C corporations have been penalized with a double tax for selling the assets and liquidating the corporation. Here's how the double tax works:

	Amount	% of Profit
Profit on asset sale	$5,000	100.0%
Less tax 40%	(2,000)	(40.0%) (double tax)
Distributed to shareholders	$3,000	60.0%
Basis (assumed)	0	0
Gain	$3,000	60.0%
Shareholder tax 35%	$1,050	(21.0%) (double tax)
Net proceeds	**$1,950**	**39.0%**

Owners will have four opportunities to avoid this tax during the life of the entity. They are the entity selection, the formation of the corporation, the operation of the corporation or the sale of the business.

■ *Entity Selection*

In general, owners can avoid a double taxation simply by avoiding the C corporation status. Or, if they have a C corporation they can change the status to an S corporation. However, the owners must survive the S election for ten years prior to the sale of corporate assets in order to avoid double taxation. Consider paying additional taxes now to avoid more taxes later.

■ *Formation of the Corporation*

The best opportunity to avoid this double tax is when the entity is being incorporated.

Withhold any appreciating assets from the corporation such as real estate and equipment.

Consider withholding intangibles from the corporation. Key processes, patents, and even utilization of the shareholder's name can all be rights that are reserved for the shareholder. Thus, future appreciation will inure to the shareholder and net the corporation.

■ *Operation of the Corporation*

Consider establishing a fully vested non-qualified deferred compensation plan for the owner of the business. When the business is sold, the non-qualified plan payments are made to the employee shareholder. At that time, the payments are deductible by the corporation and taxable to the shareholder. Social Security taxes will be levied upon this deferral before it is subject to income taxes. This is very advantageous because it enables the shareholders to receive retirement benefits, and still collect social security.

■ *Sale of the Business*

This problem of "double taxation," becomes very obvious when the business is being sold. If the owners can allocate part of the sales price to the individual (for instance, covenants not to compete, employment contracts, etc.), they may help avoid some of the double tax. However, the allocations of price must be reasonable, and any side agreements for rentals, employment agreements and covenants not to compete with more than a 10% shareholder, must be disclosed on the tax return.

Have you heard the expression, "You name the price, I'll name the terms; you name the terms, I'll name the price."? This is simply a way of saying the price is inflated because of the financing terms. In such case, if the corporation has received an installment note, consider liquidating the corporation now. The present value of the note is not the same as the face value. Therefore, the collection of the note will inure the discount on the note to the shareholder. This will help avoid some of the double taxation.

Conclusion

This article has given you a few suggestions on how to avoid the double tax. It should alert you to the fact that double tax can potentially destroy years of hard work by the business owners. Proper planning — as soon as possible — is imperative. It is best if the owner plans early in the life cycle of the business as opposed to the disposition stage of the ownership of the business.

Don't let your business owner be a victim of having almost the entire value of his/her company wiped out by doubled taxation and estate taxes.

Roy C. Thornton, CPA, MBA, is the owner of R.C. Thornton & Company in Phoenix, AZ. A former agent for the IRS, he is the author of various tax articles and has co-authored "Hard Hitting Tax Strategies for Corporations" for the AICPA. Mr. Thornton was recently a featured speaker at the AICPA's 1995 Fall National Industry Conference in Colorado Springs, CO.

The Financial Manager's Report is a publication of the AICPA Members in Industry Executive Committee and is mailed five times per fiscal year to all AICPA members in industry as an insert to *The CPA Letter*. Opinions of the authors are their own and do not necessarily reflect policies of the Institute.

The Committee and Staff welcome your input on ways to make FMR more responsive to your needs. Please address comments in writing to AICPA, Industry Member Programs, 1211 Avenue of the Americas, New York, NY 10036–8775 or e-mail the editor, 102353,1142@compuserve.com.

LANs, WANs and the Internet

by Brooks Hilliard

The May issue of the FMR featured Hilliard's informative facts on monitors, input devices and notebooks. This article covers developments in computer networks and their value to business. Brooks Hilliard is President of Business Automation Associates, a consulting firm in Phoenix, Arizona which focuses on the selection and use of computers for small and medium-sized businesses. Complimentary subscriptions to Business Automation Bulletin, *from which this article is adapted, are available by calling BAA at (602)264–9263 or send an E-mail message to: brooks@busauto.com. Brooks also invites you to visit BAA's Worldwide Web home page: URL:http://www.busauto.com.*

Although computer networks have been around for nearly 20 years, they didn't come into mainstream business usage until the late 80s (the Bulletin's first coverage was in early 1987). Since then, they've been the most dynamically changing part of the entire computer business. This issue of the Bulletin concentrates on the uses of networks (which continue to expand), the types of networks in use, and the infrastructure that makes networking possible.

Reasons for Using a Network

The reasons for using one may seem obvious, but most organizations with networks don't use anywhere near their full capabilities. These capabilities fall into three broad categories: collaboration, communication and access to shared resources.

Collaboration is the most common reason for first putting in a network. For businesses that have had central computers for a long time, the key factor is often allowing its PC users to access the main computer system. But this barely scratches the surface of the potential for collaboration using computer networks. The hottest area for collaboration in the next few years will undoubtedly be what's called "groupware."

Groupware capabilities include electronic mail (E-mail), personal and company-wide name/phone lists, document routing and shared "bulletin boards." But its most acclaimed feature is the ability (particularly of Lotus/IBM's Notes product) to hold electronic "meetings" that allow participants to view documents on their computers and revise them concurrently. Adherents claim this can be far more effective than actual meetings for some kinds of work (much like E-mail can be more effective than phone calls for some kinds of communication). There are skeptics, however, including some with years of Notes experience, who deride this whole notion.

The second reason for using networks is communications. In particular, E-mail has grown dramatically, largely because it's become standardized in the last two years. What this means is that anyone, no matter what E-mail service he uses, can now correspond by E-mail with anyone else on any other E-mail service. For those who don't use E-mail, it's like using a fax, but better for three reasons:

- It's faster.
- It's free (once you have a basic fixed-price per month connection).
- It delivers a computer-readable version of what you send (unlike a FAX, which sends a "picture").

Its only drawback is that, although it can send pictures, it's much harder to do that with E-mail than by FAX.

The communications benefits of networks include much more than just E-mail, however. The depth and breadth of online information accessible via computer networks is hard to overstate. For years, most business-oriented information was confined to fee-based or subscription-only dial-in databases (e.g., Dialog, Lexis/Nexis, Dow Jones, etc.), but the recent growth of the Internet has brought all kinds of new data online. Recreational use has created most of the growth to date, but that's changing rapidly. I expect that commercially-oriented databases (including many solely for business use) will soon predominate.

The most common reason cited for networking is to share high-cost or scarce resources such as printers and disk drives. This is actually much less important today than it used to be, since printer and disk prices have come down so much. Three of the most cost-saving areas today are: access to data communications (covered above), special-purpose printers and reference information. A bank of CD-ROM drives (or a jukebox), for example, can allow the whole network to use an extensive reference library on CD right from the users' desks.

Types of Networks

There are only three types of networks that most businesses need to be concerned with: local area networks (LANs), wide area networks (WANs) and internetworks. All three have been around for several years, but until recently only LANs and WANs had significant business use.

(Continued on page 6)

Suggested Reading

Some interesting and informative articles for CPAs in industry:

"The Cause for Better Measurement and Reporting of Marketing Performance" by Irene M. Herremans & John K. Ryans, Jr. (*Business Horizons,* September–October 1995/Published for Indiana University Graduate School of Business, JAI Press, Inc.)

- Descriptions of methods for linking strategy to marketing and financial performance.

"How Much PC Will $2,500 Buy?" by Ted Needleman (*Accounting Technology,* September 1995)

- Which machines give you the most value and performance for the money.

If you have recently read an article that may pique the interest of your fellow CPA in management, business and industry, we would like to hear from you. Each month we will devote a section of the FMR to list these readings. Please send your suggestions to the *Financial Manager's Report* Editor, 1211 Avenue of the Americas, New York, NY 10036–8775 or send an E-mail message to 102353.1142@ compuserve.com.

Please include the name of the article, its author(s), the publication in which it appears and the date.

Continued from page 1

does not relate to the value created for shareholders.

- The company spends the time and resources required to help managers understand what EVA is and how it should be used in managing their business.

Step 3. Implementation: Practical Assessments

A vital prerequisite to becoming a successful EVA company is a coherent implementation plan. Anyone charged with capital investment or operating decisions (i.e. management) should be able to answer three questions about the financial management system:

- What is EVA?
- What is the relationship between key value drivers (margin, inventory turns, etc.) and EVA? and,
- How should the inevitable trade-offs and conflicts that arise in using EVA be resolved?

The mathematical relationship between those factors that have the greatest impact on share value (i.e. value drivers) and EVA is relatively easy to derive. Some companies have modified the DuPont Formula to include a capital charge. Briefly, the Dupont Formula separates the return on capital into three components — margin, capital turnover and taxes — to assist managers in identifying specific areas for improvement.

Modified DuPont Formula

Return on Capital	= Margin	× Capital Turnover	× (1 – Cash Tax Rate)
ROC	= EBIT/Sales	× Sales/Capital	× (1 – Cash Tax Rate)
less:	Cost of Capital (C)		
equals:	(ROC – C)		
times:	Capital Employed		
equals:	EVA		

For stable and predictable businesses, this approach works well because it provides managers a complete picture of the interrelationship of capital, margin and EVA. Also, this approach has contributed millions in shareholder value to its subscribers by making managers conscious of every dollar they spend. The long term value-added comes from changing traditional patterns of behavior. Briggs and Stratton, a major manufacturer of small horsepower engines, observed that inventory and receivables tended to move in lock-step with sales. This increased market share but did not improve returns to shareholders. After the company installed an EVA system, that pattern was broken. EVA increased because less capital was tied up in working capital even as sales grew and the company's stock price has outperformed its competitors.

Increased shareholder value also is derived from better resolution of tradeoffs and conflicts. Tradeoffs fall into two broad categories — intertemporal and structural change. Intertemporal tradeoffs pit current EVA against future EVA. An emerging cable company used EVA to evaluate a major system upgrade to enhance service quality. The questions were: if the company spent $200 million today, would the incremental profit offset the increased capital charge; and if the company didn't upgrade, were they more vulnerable to competitive threats from new entrants (i.e. telephone companies and direct satellite service)? Upgrading would have been penalized by traditional measures like return on capital (ROC), cash flow and earnings growth and might have thus been foregone. The same fate might have befallen EVA except that EVA amortizes against earnings only a small portion of new investment in any given year. Furthermore, the present value of EVA equates to the Net Present Value (NPV) of cashflows. EVA enabled the managers to see both the magnitude and timing of EVA over time. EVA permits a more balanced assessment of whether the high upgrade costs will be justified by later improvements in market share, customer satisfaction and other seemingly non-numerical measures of performance.

Structural change reorders the way business is conducted. Deregulation reorders business and can lead to a restructuring of an industry. For example, the deregulation of the airlines in the late 1970's and early 1980's created price competition and has led to a major change in the number and type of companies that compete for airline travelers. A shift in the balance of power between buyer and seller can change the way business is conducted. A mid-sized manufacturer of specialized hand tools used EVA to evaluate the transition from regional distributors to direct selling to large retailers like Home Depot. EVA provided a value-based framework for analyzing the alternatives. Basing the decisions on market share or earnings could have cost shareholders significant value. While the larger retailer provided the opportunity to increase market share, the net effect was reduced margins and increased working capital to support the entire product line. Earnings would be reduced because of lower selling prices and higher operating costs. EVA identified a value maximizing strategy to distribute a low end product line through the large retailer and a premium product line through specialty stores.

Conclusion

EVA can be a powerful tool for change. It can identify strategic and tactical actions that can significantly increase shareholder value. More importantly, it can create a mind-set throughout the organization that encourages managers and employees to think and act like shareholders. There are many companies that provide testimony to the effect EVA has had on their performance and share price. The key to success is a well conceived and executed implementation plan that links EVA with the company's business strategy and incentive compensation scheme.

In the January 1996 issue of the FMR, Mr. Gressle will present four rules for successfully implementing EVA.

Business and Investment Guides

Your company's future may depend on how successfully you can exploit new markets for your products or services. With slow growth in the domestic economy, many U.S. businesses are achieving new growth through cross-border and overseas ventures. The CPA financial manager plays a critical role in navigating through variations in business practice, custom, culture and regulation that can inhibit a company's success in a foreign market. The AICPA's Members in Industry Executive Committee is sponsoring a series of low cost/high value Business and Investment Guides to help you effectively play that role in your company. The titles currently available are described below.

China: A Business and Investment Guide

Hong Kong's anticipated return to China in 1997 makes this former "sleeping giant" the nation to watch. Investment opportunities abound in this country which has been rapidly emerging as a growing market since the 1970s.

This new guide is intended to give a general understanding of China and its developing business environment so that you and your company can make educated decisions regarding business endeavors and investments in China. Get an overview of the country, its political environment, economy, banking and finance, business operations, employment, accounting and auditing considerations, and taxation.

Canada: A Business and Investment Guide

With approximately 30% of its income and employment dependent on exports, Canada has created trade and investment policies that will help it thrive in today's global economy.

If you or your company are contemplating doing business with or investing in our neighbor to the North, this guide will be a great help. You'll benefit from the discussions of Canada's positive new investment climate and the tax aspects of investing in Canada. You'll also learn about the labor and social environment, and other information that gives you the "big picture" you need to see in order to make wise business decisions.

Mexico: A Business and Investment Guide

NAFTA has put Mexico at the forefront of the international business scene. If you or your client are considering starting a business in Mexico or investing in the country, this new publication serves as an excellent general guide. Areas covered include:

- *The emerging economy* — the country and its people, political organization, education, and extensive discussion of the economic environment under NAFTA, copyrights, and much more.
- *Communication and transportation* — telecommunication, air, highway and rail transportation, press, etc.
- *Foreign investment* — regulations, real estate required procedures.
- *Forms of business organization* — the standard corporate form, the limited liability company, branch of a foreign corporation, maquiladoras (in-bond industries), etc.
- *Taxation* — fiscal code, commercial and individual income tax.
- *Employment* — unions, employing Mexican management, labor regulations, mandatory profit sharing, and much more.
- *Accounting and financial reporting.*

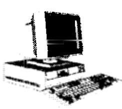
The Business and Investment guides and the new AICPA software can be ordered toll free by phone — 1-800-862-4272.

AND...

An essential program for any financial manager who needs to calculate the time value of money.

TValue 4 — AICPA Special Edition

Now available in DOS and Windows!



New TValue 4 makes structuring and analyzing loans easier than ever.

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- Improve control over report formatting and amortization schedule exporting.
- Quickly access commands with pull down menus and mouse support.

TValue 4 displays, prints and saves reports to a spreadsheet or ASCII file for integration with other programs.

DOS and WINDOWS versions are available to members for $109. For more information on TValue, call the AICPA's 24-Hour Fax Hotline at (201)938-3787 from a fax machine, follow the voice cues, and ask for doc. 391.

The AICPA Introduces CPE on CD-ROM!

Free Demo Available!**

Three New Self-Study Courses Covering Today's Most Important Issues:

Estate Planning — Practical Applications

Discover how to initiate the estate planning process with your client, build an estate planning team and take the first steps. This challenging course includes an Options menu, a Glossary and a Course Map — tools to help you study at your own pace quickly and efficiently.
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Course Format: CD-ROM
(738101CLU) $99.00

Financial Reporting — A GAAP Refresher

This computer-assisted course offers important research tools such as original pronouncements, recent articles and a thorough course directory. You'll find pop-up quizzes, case studies, instant exam results and the ability to direct your own study.
Recommended CPE Credit: 10 hours
Course Format: CD-ROM
(738120CLU) $109.00

Investment Essentials

Can your knowledge of investments beat that of a computer? You'll find out with this computer-based course. It offers challenges (and fun) with investment skills games and role-playing exercises where you must answer questions as an investment adviser.
Recommended CPE Credit: 10 hours
Course Format: CD-ROM
(738030CLU) $109.00

****Free CD-ROM Demo Sampler available while supply lasts!**

To order your free CD-ROM demo sampler or the above courses, call the AICPA Order Dept. at **1-800-862-4272** (dept. #1). Be sure to ask about our **Multi-User Discounts!**

For more information or to place an order for CPE products, please call 1-800-862-4272 (dept. #3).

CPE Direct

This popular subscription series gives members the opportunity to earn up to 24 hours a year of CPE credit for reading certain *Journal of Accountancy* articles and completing four study guides each year. The December Study Guides cover these topics:

- The New Finance
- Thinking Computers
- Agreed-Upon Procedures
- Mergers and Acquisitions
- What's Ahead in EDI
- AcSEC Update

(Please note: The North Carolina State Board of Accountancy does not accept **CPE Direct** credits towards its requirements.)

LANs, WANs and the Internet *Continued from page 3*

LANs, as suggested by the name, link computers that are local to one another, usually in a single building or a single interconnected "campus." Nearly all LANs in use today have a theoretical maximum transmission capacity great enough to support 50 to 100 attached computers.

LANs are, by definition, local. When you connect several remotely-located LANs into a single network, that's called a "wide area network" or WAN. WAN connections are usually made over digital phone lines, the price of which has come way down in the past few years. But the capacity of these circuits is only about 0.5% to 15% of the speed of the LANs they connect, and the fastest ones (called "T1") are still quite costly.

Internetworking has been in existence for years, but has only recently become practical for business usage. By definition, an internet is a network that connects other networks. Although some other internets do exist, the one known as "The Internet," which extends around the world, is the most heavily used by far. There are two major differences between a WAN and the Internet:

- The Internet transmits data much faster than a LAN (although, because it has so many users, the capacity available to any single user is well below LAN speed).
- The Internet is public, which means that, unlike a WAN, it's open to anyone who wants(and is willing to pay) to use it.

This second feature is a two-edged sword. Because the Internet links so many networks, it provides a nearly universal way of sending data to almost any country on earth. But this very openness and universality make the Internet notoriously accessible to electronic "eavesdroppers" as well as legitimate users. That's why it's so critical to protect confidential data on the Internet and to set up barriers (called "firewalls") to protect private networks from unwanted intruders on the Internet.

Next Issue of the FMR: *January 1996*

audit risk alerts that are currently available or that will be available on Nov. 15:

- Agribusiness (No. 022174CL11)
- Airlines (No. 022182CL11)
- Banks and Savings Institutions (No. 022165CL11)
- Casinos (No. 022171CL11)
- Common Interest Realty Associations (No. 022183CL11)
- Construction Contractors (No. 022176CL11)
- Credit Unions (No. 022167CL11)
- Employee Benefit Plans (No. 022157CL11), issued 6/95
- Federal Government Contractors (No. 022169CL11)
- Finance Companies (No. 022172CL11)
- Health Care (No. 022162CL11)
- High-Technology Enterprises (No. 022175CL11)
- Insurance Companies (No. 022168CL11)
- Investment Companies (No. 022163CL11)
- Not-for-Profit Organizations (No. 022159CL11), issued 6/95
- Oil and Gas Producers (No. 022166CL11)
- Public Utilities (No. 022173CL11)
- Real Estate Companies (No. 022170CL11)
- Securities (No. 022164CL11)
- State and Local Governments (No. 022158CL11), issued 6/95

Copies of the alerts will be available from the AICPA Order Department (see page 7) after Nov. 15. Price: $10.50 each for *Audit Risk Alert—1995/96* and *Compilation and Review Alert—1995/96* for members, $11.50 each for non-members; $6.50 for each of the industry alerts for members, $7.25 for non-members. The Private Companies Practice Section will be providing each member firm with gratis copies of the *Audit Risk Alert* and the *Compilation and Review Alert.* The risk alert series is also included in the loose-leaf service for audit and accounting guides. *Audit Risk Alert—1995/96* will also be available in WordPerfect electronic format (No. 022181CL11) for $10.50 members, $11.50 non-members.

Interpretation of SAS No. 19 on *Client Representations* Issued

An interpretation of Statement on Auditing Standards No. 19, *Client Representations,* has been issued. The interpretation, titled "Management Representations When Current Management Was Not Present During the Period Under Audit," discusses the auditor's responsibility for obtaining written representations in an audit engagement when current management was not present during the period under audit and states that the auditor should obtain written representations from current management on all periods covered in the auditor's report. The interpretation appeared in the Oct. *Journal of Accountancy* and was effective upon publication.

Notice Issued on Engagements to Report on Investment Performance Statistics

The AICPA's Investment Companies Committee has prepared a Notice to Practitioners titled "Examination Engagements to Report on Investment Performance Statistics Based on Established or Stated Criteria." This notice includes guidance on what criteria are considered established for performing an attest engagement, what to consider when performing an engagement with nonestablished criteria, clarifying the practitioner's association with the rates of return when performing a Level I examination in accordance with the *Performance Presentation Standards 1993,* and practical examples for reporting on examination engagements. To obtain a copy of the notice, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 477.

Schedule of Print, Television Ads Through Campaign's First Year Announced

Placements have been secured for the rest of the first year of the AICPA's image-enhancement campaign. Here is the media schedule.

Print	***Issue Date***
Wall Street Journal (two-day option offers premium position at no additional cost to AICPA)	Nov. 29 or Nov. 30 Jan. 17 or Jan. 18 Jan. 24 or Jan. 25 Feb. 7 or Feb. 8
USA Today (two-day option as above)	Jan. 17 or Jan. 18 Feb. 7 or Feb. 8
Barron's	Jan. 15 Feb. 5
Fortune	Nov. 13 Dec. 25 Mar. 6
INC.	Jan. Feb. Mar.
Forbes	Jan. 2 Jan. 16

Television	***Frequency, Week of***
CBS	
Sunday Morning with Charles Osgood	1x, 11/19; 1x, 11/26; 2x, 12/3; 2x, 12/10; 2x, 12/17; 2x, 12/31; 2x, 1/7; 2x, 1/14; 2x, 1/21; 2x, 1/28; 2x, 2/11; 2x, 2/18
CNN	
News, Crossfire, Larry King Live, etc.	4x, 11/12; 4x, 11/26; 4x, 12/3; 7x, 1/7; 7x, 1/14; 7x, 1/21; 7x, 1/28; 7x, 2/11; 7x, 2/18
CNN Headline News	6x, 11/12; 6x, 11/26; 6x, 12/3; 6x, 1/7; 6x, 1/14; 6x, 1/21; 6x, 1/28; 6x, 2/11; 6x, 2/18

Member to Member... Chair's Corner

By Ron Cohen, CPA
AICPA Chair of the Board

Having just assumed my new role and responsibility, I look forward to continuing this communication with you each month. It's an opportunity to let you know what's on my mind and what's happening at the Institute.

Since becoming vice chair a year ago, many people have asked me what my theme as chair will be. Let me say that I'm more concerned about the long-term future of the profession than I am about my short term as chair. I see our profession at a crossroads today—increased competition from outside the profession, increased demand for a wider array of services and increased complexity in everything we do — all of this creates a new level of challenge.

This is a new era for CPAs. Many old assumptions will no longer hold true and standard practices will no longer apply. But these new economic realities are opportunities, not threats, for a profession known for its integrity, professional judgment and objectivity.

I believe the AICPA has to assume a greater role in helping guide our members to opportunity in this complex world, full of uncertainty and constant change. We can do it by providing technology assistance—tools, education and training to make us more effective users of technology to survive in this new information age; we can do it by providing industry members with assistance in managing their organizations; we can do it by improving our image as CPAs, destroying the old stereotypes and letting the public know the broad range of our capabilities; we can do it by attracting and retaining outstanding people in the profession—keeping the pipeline full of bright accounting students; and we can do it by helping build our skill levels so that we can provide outstanding value to our clients, our employers and the public.

To improve our ability to attract talent we will work with educators to develop accounting programs that are more relevant to our needs; we will push for passage of tort reform legislation—a must for a healthy profession; we will push hard for passage of relief from work load compression (to eliminate the image to students of a winter "sweat shop"); we will encourage university accounting faculty to become more active in the AICPA; we will continue our recruitment efforts on the campuses; and we will find ways to increase minority participation in our ranks.

The AICPA must be "partners in change" with CPAs in all membership groups and with the state CPA societies. In the months ahead, the AICPA will concentrate on providing value to and for its members. A new internal structure will enable us to do that more effectively.

These are some of my goals and objectives. Basically, what I hope to do is accelerate change, increase efficiency, enhance service and concentrate on adding value —to and for our members.

To contact Ron Cohen, call 219/236–8677 or fax 219/236–8692.

Highlights of Board of Directors' September Meeting

At its recent meeting on Sept. 14-15, the AICPA Board of Directors:

- Unanimously adopted a resolution approving the President's plan of reorganization of the AICPA staff structure and supporting implementation with all deliberate speed (*The CPA Letter*, Oct.).
- Approved the AICPA financial statements for the fiscal year ended July 31, 1995, for which revenue exceeded expenses by $6.3 million.
- Approved AICPA participation in the CPE Network developed by the Planning Committee of the CPE Board of Management.
- Heard a presentation from Michael Sutton, Chief Accountant of the SEC.
- Received reports from the chairs of the Committee Operations Committee, the Special Committee on Regulation and Structure of the Profession, the Members in Industry Executive Committee, the Board of Examiners Computerization Task Force, the SECPS Task Force on Congressional Review of the SEC, and the Special Task Force working on the development of a response to the SEC on its proposal for abbreviated financial statements.
- Received an update from the Tax Executive Committee on its efforts to develop a recommended solution to the issue of uncertainty businessmen face with respect to the IRS stance on the classification of workers as independent contractors or employees.
- Heard a report from the AICPA Foundation Trustees on its progress over the past year.
- Received a report on the Symposium for Members Under 35 Years of Age held last summer and requested staff develop a proposed program that is responsive to the needs of that membership group.
- Conducted a follow-up discussion on the future role and the relationship of the AICPA with the educational community.
- Approved recommendations from the AICPA/CPA-SEA Meetings Task Force to restructure the present system of AICPA/state society conferences to ensure the greatest value for all participants.
- Approved the agenda for the Annual Members' Meeting/Fall Meeting of Council to be held in Palm Springs in Oct.
- Approved establishment of a joint AICPA/American Accounting Association award to be presented annually to an AICPA member to recognize, and thereby encourage, greater collaboration between educators and practitioners.

The minutes are available on the Accountants Forum in the Library under AICPA: For Members Only. Members who do not have access to the Accountants Forum may obtain the minutes through the AICPA's fax hotline by dialing 201/938–3787 from a fax machine, following the voice cues and requesting document no. 121.

CPE News

Self-Study and Tax-Preparation Guides

1995–96 AICPA Guide to Preparing Form 1120 (available 1/96)—Contains the most up-to-date information and the 1995 forms members need to prepare accurate returns and protect their corporate clients. Highlights include the test of the reasonableness-of-income-tax provision and accruals; alternative minimum tax, including Adjusted Current Earnings; and computing federal income tax deductions for state and local income taxes. Recommended CPE credit: 17 hours. Format: 2 audiocassettes/workbook (No. 744355CLU), $159; additional workbook (No. 744356CLU), $82.50.

1995–96 AICPA Guide to Preparing Form 1040 (available 1/96)—Includes realistic examples and all the necessary 1995 forms. Featured is dependent's tax returns; dividends, interest and Social Security benefits; and sales and exchanges of property. Recommended CPE credit: 12 hours. Format: 3 audiocassettes/workbook (No. 744241CLU), $125; additional workbook (No. 744242CLU), $69.50.

1995–96 AICPA Guide to Solving Advanced 1040 Problems—Parts I and II (available 1/96)—These courses allow members to focus quickly on new developments and key fee-generating planning opportunities. The course material also include the 1995 forms packet.

Topics covered in Part I include employee business expenses, passive loss rules (including the IRS passive activity audit guidelines) and interest expense. Topics covered in Part II include stock and other securities transactions, casualty gains and losses, and sale of residence.

Recommended CPE credit: (Each part) 8 hours. Format: Part I: 2 audiocassettes/workbook (No. 754006CLU), $119; additional workbook (No. 754007CLU), $69.50. Part II: 2 audiocassettes/workbook (No. 754026CLU), $119; additional workbook (No. 754027CLU), $69.50. Parts I and II: 4 audiocassettes/2 workbooks (No. 754046CLU), $159; 2 additional workbooks (No. 754047CLU), $89.50.

These courses are available from the AICPA Order Department as well as from state CPA societies.

Group Study

Three AICPA courses with presentations now through Jan. have been designed to help members "hit the ground running" this tax season.

The National Tax Review is a fast-paced, one-day update on recent developments in federal taxation featuring two top AICPA tax presenters and a special luncheon speaker. Price (including luncheon): $169. Recommended CPE credit: 8 hours.

The two-day, basic level **1040 Tax Clinic** and **Corporate Tax Clinic** provide training for tax preparers with one to five years of experience, seasonal preparers, part-time practitioners seeking a refresher and paraprofessionals/support staff with some experience preparing individual, 1120 and 1120S returns. Both courses cover return preparation, strategies for handling property transactions, gain/loss issues and more. Early-bird price per course: $219 (up to 21 days prior to presentation). Regular price: $259. Recommended CPE credit: 16 hours.

To obtain complete course and registration information, dial 201/938–3737 from a fax machine, follow the voice cues and request document no. 702. Or, write: LaTanya Junior, CPE Marketing, AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881. Refer to ADV106.

Reporting on Corporate State Administrative Uniformity (No. 016044CL11) outlines the many state rules concerning filing dates, penalties, reporting of federal adjustments and statutes of limitations, and presents recommendations for uniformity. The report supersedes the analogous practice guide on the same subject (issued Mar. 1990). Price: $10 member, $11 non-member; a gratis copy has been mailed to all members of the Tax section.

To order, write: AICPA Order Department, CL1195, P.O. Box 2209, Jersey City, NJ 07303–2209; order via fax, 800/362-5066; or call 800/862-4272 (dept. #1). Ask for Operator CL1195. The best times to call are 8:30 to 11:30 a.m. and 2:00 to 7:30 p.m., EST. **Prices do not include shipping and handling. Have membership number ready.**

Under the automatic disciplinary provisions of the Institute's bylaws, the following members have had their memberships:

—*Terminated* because of final judgments of conviction for crimes punishable by imprisonment for more than one year:

■ Joel H. Beldner of Dix Hills, N.Y., on June 25 after pleading guilty to bank fraud.

—*Terminated* following revocation or cancellation of their licenses by the California State Board of Accountancy:

■ Daryl D. Behrens of Hanford, Calif., on June 21 for violating sections of California's Business and Professions Code and its Code of Regulations in that he failed to disclose a lack of independence in connection with the preparation of compiled financial statements and attempted repayment of money borrowed from clients through the issuance of checks on accounts with insufficient funds. He also failed to prepare and file a deed of trust on personal property which was his responsibility.

■ Herbert J. Berghoff of Chatsworth, Calif., on June 6 for unauthorized removal of funds from trust accounts for which he served as custodian.

Washington At A Glance

IRS Suggests Increasing Limit for Substantiating Travel & Entertainment Expenses

The IRS has suggested upping the limit for documenting travel and entertainment expenses to $75. Current regulations, set in 1962, require taxpayers to keep receipts for such expenses when they are $25 or more. The proposed increase would be effective for expenditures incurred on or after Oct. 1, 1995. Comments are due Dec. 15. For more information, see IRS Notice 95-50, which appeared in *Internal Revenue Bulletin 1995-42,* dated Oct. 16.

Market Segment Audit Guides Available from IRS

The IRS has available a number of Market Segment Specialization Program audit techniques guides. Copies are available by writing the IRS and requesting the guide by name. Write: IRS, Freedom of Information Reading Room, P.O. Box 795, Ben Franklin Station, Washington, DC 20044. The names and costs of the guides are: Air Charters, $3.60; Architects, $3.80; Attorneys, $12.75; Beauty and Barber Shops, $5.55; Bed and Breakfasts, $6; Entertainment—Foreign Athletes and Entertainers, $49.35; Entertainment—Music Industry, $9.50; Gas Retailers, $9.30; Mortuaries, $22.80; Passive Activity Losses, $27.90; Rehabilitation Tax Credit, $17.25; Resolution Trust Corporation: Cancellation of Indebtedness, $9.30; Taxicabs, $3.45; Trucking, $17.10; and the Wine Industry, $15. (The Aug./Sept. *CPA Letter* listed four other MSSP guides.) Initial requests are entitled to a $15 credit; members whose orders are for less than $15 will owe nothing, while those ordering more than $15 worth of guides should deduct $15 after tallying the payment due. Make check payable to the Internal Revenue Service. The guides are available to the public.

CPA Applicants Sought for SEC Fellowship Program

The Securities and Exchange Commission is seeking CPA applicants for three fellowships in the Office of the Chief Accountant. During two-year terms beginning in 1996, the fellows will study and develop proposed federal securities rules. Applications are due Dec. 31. For information, write: Office of the Chief Accountant, SEC, Mail Stop 11-3, 450 Fifth St., NW, Washington, DC 20549, or call the SEC at 202/942-4400.

The CPA Letter
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American Institute of Certified Public Accountants

December 1995 Vol. 75 No. 10

The CPA Letter

A News Report to Members

Highlights of What's Inside

Entities Offered Limited Opportunity to Reclassify Securities

The Financial Accounting Standards Board is offering entities a one-time opportunity, which ends Dec. 31, to reclassify their securities among its Statement 115's (*Accounting for Certain Investments in Debt and Equity Securities*) three categories (trading, available-for-sale and held-to-maturity) in conjunction with adopting a new implementation guide. During this time, entities can move any securities out of the held-to-maturity category to get more flexibility in managing their investments without tainting their other held-to-maturity securities, the FASB says.

The Dec. 31 expiration date applies even for those entities with fiscal years ending on a later date. Any reclassifications made in 1996 should not be back-dated as of Dec. 31, 1995, and would expose the entity to a taint of remaining held-to-maturity securities.

Members may wish to obtain the implementation guide on Statement 115 (product code SQA115). Call the FASB Order Department at 203/847–0700, ext. 555. Price: $11 for non-members of the Accounting Research Association, $8.80 for ARA members.

FASB Issues Statement on Stock Compensation; Proposals on Financial Asset Transfers, Consolidated Statements; Special Report on Hedge Accounting

The Financial Accounting Standards Board has issued its Statement 123 on accounting for stock-based compensation, which encourages employers to account for stock compensation awards based on their fair value at the date the awards are granted. The resulting compensation award would be shown as an expense on the income statement.

Entities can choose not to apply the new accounting method and continue to apply current accounting requirements, which generally result in no compensation cost for most fixed stock-option plans. Those that do so, however, will be required to disclose in the notes to the financial statements what net income and earnings per share would have been had they followed the statement's accounting method.

Statement 123 is effective for calendar-year 1996; however, employers will be required to include, in that year's financial statements, information about options granted in 1995. The new statement also applies to equity instruments issued for goods or services provided by persons other than employees.

In other actions, the FASB published a proposal that would provide standards for transfers and servicing of financial assets and extinguishing liabilities. A public hearing is scheduled for Feb. 26 and 27; the proposal once adopted would be effective in 1997. Comments are due Jan. 22.

Another proposal, issued for comment by Jan. 15, would prescribe when entities should be consolidated and how consolidated financial statements should be prepared. If adopted as a final statement, the proposal would be effective for calendar-year 1997 financial statements. A public hearing on this proposal is scheduled for Feb. 20 and 21.

Also issued was a special report, "Major Issues Related to Special Hedge Accounting," which is designed to further the understanding of hedge accounting issues confronting accounting standard setters. It presents an open discussion of the issues and poses questions based on that discussion.

To obtain the statement (product code S123), the proposal on financial asset transfers (product code E134), the proposal on consolidated financial statements (product code E133), or the special report (product code SRMI), call the FASB Order Department at 203/847–0700, ext. 555; or write: FASB, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856–5116. Prices: Statement 123, $11; proposals are free through their comment periods; special report, $11.

News Briefs

CPA Volunteers Needed to Write Questions for CPA Exam

The Examinations Division will be conducting workshops in the AICPA's New Jersey office to develop questions for the Uniform CPA Examination. The question-development workshop for governmental and not-for-profit organizations will be held Apr. 16–17, 1996, and the one on financial accounting and reporting will be on Apr. 22–23. CPA volunteers with a minimum of five years' experience in these areas are needed to be trained to write questions for those sections of the exam.

Participants will receive CPE credit, be acknowledged in the annual edition of *Selected Questions & Unofficial Answers,* and receive a small honorarium for each accepted question. Expenses will not be reimbursed. For an application, write: Question Writers Workshop, AICPA Examinations Division, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311–3881; or fax 201/938–3443. Application deadline is Dec. 29.

Members who have questions or are unable to participate but would like to be considered for future workshops should call Fran DiPietro (governmental) at 201/938–3435 or Ahava Goldman (financial accounting) at 201/938–3424.

Supply and Demand Study Released

The number of accounting degrees awarded continues to be about the same as it has been for the past 10 years, according to the recently released report, *The Supply of Accounting Graduates and the Demand for Public Accounting Recruits—1995* (No. G00101CL12). More than 60,600 accounting degrees were awarded for the 1993–94 academic year.

The report, prepared by the AICPA's Academic and Career Development Division, also shows that 53% of accounting graduates (bachelor's and master's) were women and that the percentages of accounting degrees going to minorities were up for Asians, Blacks, Hispanics and "others."

For a free copy of the report, write or fax the AICPA Order Department (see page 12).

AICPA Names Senior VP to Head Marketing Group

Chuck Peck has been named Senior Vice President—Marketing, Product and Organizational Development, one of the AICPA's six groups under its new team structure. Peck assumed the position on Nov. 1.

The positions of chief financial officer and senior vice president—technical services remain unfilled.

PFS Exam to Be Given May 10; Waivers Available

AICPA members interested in obtaining the Personal Financial Specialist designation have an opportunity to take the PFS exam on May 10. The exam will be administered at more than 250 test sites nationwide; the deadline for applications is Apr. 10.

Additionally, members who hold either a valid certified financial planner or chartered financial consultant designation can waive the PFS examination, provided they meet certain criteria. Applications for waivers must be received by Dec. 31, 1996.

Applicants for both the PFS exam and test waiver must comply with all conditions of the PFS program, including AICPA membership, 250 hours of personal financial planning experience each year for three years prior to applying for the PFS designation, six references, and ongoing continuing professional education in PFP.

There are currently 1,400 PFS practitioners nationwide. Of that number, approximately 280 applicants were qualified for the exam waiver since the test substitution program was implemented this past Jan.

Contact the AICPA Order Department (see page 12) to obtain the exam information package (No. G00055CL12) or the PFS test substitution package (No. G00105CL12).

PCPS Peer Review Committee Holds Final Meeting

Signaling the official end of the Private Companies Practice Section Peer Review Program, the PCPS Peer Review Committee held its final meeting in Oct. A letter to the committee from the Peer Review Committee of the California Society of CPAs states: "Our greatest debt of gratitude to your committee is for the growth and development of the peer review program.... As a profession, we know that we can effectively monitor the performance of our own firms and colleagues."

The PCPS peer review program began 15 years ago. It was combined with the AICPA's national peer review program, which is now administered by the state societies.

Public Meeting Notices

For detailed agendas, call 800/862–4272 (dept. #6) three weeks prior to these meetings.

Accounting & Review Services Committee:
Feb. 15–16, New York
Accounting Standards Executive Committee:
Dec. 14–15, New York; Jan. 23–24, New York
Auditing Standards Board:
Dec. 12–14, New York; Jan. 30–Feb. 1, Scottsdale, Ariz.

Other meetings
Peer Review Board: Jan. 22–23, Naples, Fla.

The CPA Letter (ISSN 0094-792x), December 1995, is published monthly, except bimonthly Jan./Feb. and July/Aug. Publication and editorial office: 1211 Avenue of the Americas, New York, NY 10036-8775, 212/596-6200. Second-class postage paid at New York, NY and at additional mailing offices. Postmaster: Send address changes to *The CPA Letter,* Circ. Dept., Harborside Financial Ctr., 201 Plaza Three, Jersey City, NJ 07311-3881.

Geoffrey L. Pickard, *Vice President—Communications*
Ellen J. Goldstein, *Editor*

Accounting & Auditing News

Accounting for Refunds or Special Assessments of FDIC Premiums

The Federal Deposit Insurance Corporation currently administers two separate deposit insurance funds, the Bank Insurance Fund and the Savings Association Insurance Fund. The BIF and SAIF have been established primarily to insure the depositors of insured banks and savings associations and to finance the resolution of failed institutions. FDIC-insured institutions pay deposit insurance premiums to the appropriate insurance fund based on a rate applied to an institution's assessable deposits. On Sept. 5, 1995, the FDIC announced that it would refund to most BIF member institutions a portion of the deposit-insurance premiums they had paid; the refund was paid on Sept. 15. In addition, Congress is considering proposed legislation that would recapitalize the SAIF through a special assessment on the assessable deposits of SAIF member institutions. In Nov. 1995, the AICPA Banking and Savings Institutions Committee asked the FASB staff to address the appropriate accounting for the refund of BIF premiums and the potential special assessment on the insured deposits of SAIF member institutions.

At the Nov. 15 meeting of the FASB's Emerging Issues Task Force, the FASB staff made an announcement about accounting for refunds or special assessments of FDIC premiums. The FASB staff observed that issues similar to those in the potential SAIF assessment were addressed in EITF Issue No. 87-22, "Prepayments to the Secondary Reserve of the FSLIC," and that the accounting treatment discussed below is consistent with certain aspects of the consensus reached and the FASB staff conclusions on Issue 87-22.

The staff also said it believes that the refund of BIF premiums should be reported as a component of operating income in the interim period that includes the dates the refund was announced and paid, and should not be reported as an extraordinary item. The FASB staff said that if financial statements for that interim period have already been issued, an institution that did not report the refund as a component of operating income should do so in the following interim period.

The FASB staff said it believes SAIF member institutions should not accrue a liability for a potential special assessment of deposit insurance premiums until the period in which any proposed legislation is enacted, and that when such legislation is enacted, a liability should be accrued and a charge should be reported as a component of operating income in the period that includes the enactment date. The FASB staff said the charge to income should not be reported as an extraordinary item, and added that it understands that under the proposed legislation, premiums paid under the potential SAIF assessment would not be refundable and therefore would *not* result in an asset to be recognized under generally accepted accounting principles.

With respect to disclosure of the proposed assessment, the chair of the AICPA Banking and Savings Institution Committee noted that the SEC requires institutions that are SEC registrants to describe in management's discussion and analysis, "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations" (Regulation S-K, Item 303(a)(3)(ii)). The committee chair has suggested that non-registrants also may wish to consider disclosures about the potential assessment. For example, FASB Statement of Financial Accounting Concepts No. 1, *Objectives of Financial Reporting by Business Enterprises,* says financial reports should help users "assess the amounts, timing, and uncertainty of prospective net cash inflows to the related enterprise" (paragraph 37) by providing "information about the economic resources of an enterprise, the claims to those resources...and the effects of transactions, events, and circumstances that change resources and claims to those resources" (paragraph 40).

For an update, dial 201/938–3787 from a fax machine, follow the voice cues and select document no. 415.

Auditing Standards Board Votes Yes on Amendment to SAS No. 58

The Auditing Standards Board will issue by Dec. 31 a statement on auditing standards that amends SAS No. 58, *Reports on Audited Financial Statements,* to eliminate the requirement that when certain criteria are met, the auditor add an uncertainties explanatory paragraph to the auditor's report (*The CPA Letter,* Aug./Sept.). FASB Statement No. 5, *Accounting for Contingencies,* and SOP 94-6, *Disclosure of Significant Risks and Uncertainties,* establish standards for the accounting and disclosure of contingencies and certain significant estimates. If the financial statement disclosures are inadequate, the auditor is required to express a qualified or adverse opinion on the financial statements because of departures from GAAP. If the financial statements have been prepared in accordance with GAAP, no modification of the report will be required because of the uncertainty. The amendment to SAS No. 58, titled *Amendment to Statement on Auditing Standards No. 58, Reports on Audited Financial Statements,* will be effective for reports issued or reissued on or after Feb. 29, 1996. Earlier application of the provisions of the statement is permissible.

CFPBS Issues First Proposed PFP Practice Standard

The Certified Financial Planner Board of Standards has issued an exposure draft of its first proposed practice standard, *Gathering Client Data: Determining a Client's Personal and Financial Goals, Needs and Priorities,* and anticipates that it will apply to all personal financial planning practitioners, not just CFP designees. To obtain the exposure draft, call the CFPBS at 303/830–7543 or fax 303/860–7388. Comments are due Dec. 31.

Schedule of Print, Television Ads Through Campaign's First Year

Placements have been secured for the rest of the first year of the AICPA's image-enhancement campaign. The media schedule follows.

Print	***Issue Date***
Wall Street Journal (two-day option offers premium position at no additional cost to AICPA)	Jan. 17 or Jan. 18 Jan. 24 or Jan. 25 Feb. 7 or Feb. 8
USA Today (two-day option as above)	Jan. 17 or Jan. 18 Feb. 7 or Feb. 8
Barron's	Jan. 15 Feb. 5
Fortune	Dec. 25 Mar. 6
INC.	Jan. Feb. Mar.
Forbes	Jan. 2 Jan. 16

Television	***Frequency, Week of***
CBS	
Sunday Morning with Charles Osgood	2x, 12/17; 2x, 12/31; 2x, 1/7; 2x, 1/14; 2x, 1/21; 2x, 1/28; 2x, 2/11; 2x, 2/18
CNN	
News, Crossfire, Larry King Live, etc.	7x, 1/7; 7x, 1/14; 7x, 1/21; 7x, 1/28; 7x, 2/11; 7x, 2/18
CNN Headline News	6x, 1/7; 6x, 1/14; 6x, 1/21; 6x, 1/28; 6x, 2/11; 6x, 2/18

Promotional Items Now Can Be Purchased on Credit Cards; Reprints and Posters of Ads Available

Big Game Outfitters, the company from which members may order various promotional items with the AICPA's new "CPA" logo and tagline, now accepts purchases on credit cards. To place an order on a credit card, members simply need to provide their credit card name (VISA or MasterCard only), account number and expiration date. This information may be written on the order form, which was provided as an insert in the Aug./Sept. issue of *The CPA Letter* and was featured in the Oct. *Journal of Accountancy* (page 112). The form also can be obtained by dialing 201/938–3787 from a fax machine, following the voice cues and selecting document no. 107. (Telephone orders paid by credit card are accepted as well). All merchandise available, from pens and coffee mugs to sweatshirts and mouse pads, is listed on the order form.

In response to member requests for reprints of the five color ads, as well as poster-sized versions, the AICPA is now offering both. Members may purchase 16" x 20" full-color posters of the five magazine ads from the national advertising campaign, and may choose among any of the ads, each displaying a different graphic and theme (all ads were depicted in the Oct. *Journal of Accountancy*). Also available are 8" x 10½" color reprints of all five ads packaged as a set.

To order the posters (see following listing of descriptions), or the set of ad reprints (No. 890831CL12), contact the AICPA Order Department (see page 12). **POSTERS:** Graphic—**Palm Tree,** headline—"Some Small Companies Try To Design A Retirement Plan Without A CPA. Some Small Companies Have Been Out In The Sun Too Long." (No. 890826CL12); Graphic—**Rocket,** headline—"Assume The Rocket Is A Company And Someone Incorrectly Calibrated The Guidance System. What Was That You Said About Not Needing A CPA?" (No. 890827CL12); Graphic—**Thumbs Up,** headline—"Sure, You've Got Lots Of Managers Giving You Advice. But How Many Have As Big A Hand As A CPA In Shaping Your Company's Financial Future?" (No. 890828CL12); Graphic—**Eye,** headline—"A CPA Can See More In Numbers Than Just Numbers. (Apparently, The Eye Is The Window To More Than Just The Soul.)" (No. 890829CL12); Graphic—**Crab,** headline—"After Reviewing Your Retirement Plans, Your CPA Strongly Recommends Mutual Funds, Short-Term Treasuries And The Stone Crabs At Emilio's in Palm Beach." (No. 890830CL12).

Prices of reprints (a set of all five ads): $2 for one set, $1.90 per set for orders of two to five sets, $1.75 per set for six or more sets. Prices of posters (sold individually): $2 for one poster, $1.90 each for orders of two to five posters, $1.75 each for six or more posters. **All prices include shipping and handling.**

Ad Campaign Draws News Coverage from National Media

A news release sent to the national business media prior to the launch of the AICPA's advertising campaign garnered much positive press attention. Articles so far have appeared in *The Wall Street Journal, USA Today, Worth* magazine and the *Philadelphia Inquirer,* and virtually all of the accounting trades. In addition, Associated Press and Reuters wire service stories on the campaign were picked up by major dailies around the country. Bloomberg Business News also carried the story, and CNN and Fox TV network have covered the ad campaign as well. Stay tuned.

AICPA's Television Commercial Is Among Nation's Best, Says *Ad Week*

The AICPA's new 30-second television commercial "Pins" has been selected as one of the best new commercials in the nation by *Ad Week*, one of the leading magazines in the country dedicated to covering the advertising and marketing industry. The spot, which is part of the Institute's new ad campaign targeted at decision makers and top management of companies of all sizes, was created for the Institute by Hill, Holliday Advertising (see previous page for a schedule of when and where the ad will be running). The editors of *Ad Week* review more than 100 new commercials each month and select the most innovative and creative for the "Best of" distinction. Other advertisers whose commercials were selected for the month of Oct. include Apple Macintosh, BMW, Budweiser, Mercedes-Benz, Nike and Volvo.

Ad Week has a national circulation of 50,000 in the advertising and marketing industry.

How Members Can Use the New "CPA" Logo on Their Stationery, Other Items

Members are encouraged to incorporate into their business stationery and promotional material the new "CPA" logo and tagline—"The CPA. Never Underestimate The Value."—developed as part of the AICPA's national image-enhancement campaign. The artwork for the logo and tagline was provided as an insert in the Oct. issue of *The CPA Letter* (it also is available on the Accountants Forum in the library section "general info & ethics").

In response to calls from members about how to place the logo and tagline on business cards, letterhead, etc., presented below are examples that firms or organizations should follow. While using the logo and tagline together sends the most powerful message, the logo (or tagline) may be applied alone if space is restricted.

CPA℠
The CPA. Never Underestimate The Value.℠

Dana Rochelle, CPA
Principal

ROCHELLE & MEYERS
CERTIFIED PUBLIC ACCOUNTANTS

366 Mac Arthur Drive, Saddlebrook, New Jersey 07661 • 201 794-0558

HOLLANDER
CERTIFIED PUBLIC ACCOUNTANTS

Stephen Hollander, CPA
Principal

CPA℠

201 W 77 Street, New York, NY 10023 • 212/580/2738

123
DIGITS
Certified Public Accountants

CPA℠ The CPA. Never Underestimate The Value.℠

Mark B. Certin, CPA
Sylvia Aspen-Jones, CPA
Ashlee Gear, CPA
Joshua Hill, CPA
Zachary Gunderman, CPA

*The names and companies mentioned in these samples are fictitious. Any actual names are purely coincidental.

Some members may wish to use the logo and/or tagline on brochures, client newsletters or other "promotional" material. In such situations, place the logo and/or tagline wherever there is ample white space, somewhere near the firm's or organization's logo.

Member to Member... Chair's Corner

By Ron Cohen, CPA
Chair, AICPA Board of Directors

There are three topics about which I want to comment this month. First is the subject of the current regulatory environment and structure of our profession. The Special Committee on Regulation and Structure has been struggling with this issue since its first meeting last July. At our recent Council meeting, breakout sessions were held to gain more input into the committee's deliberations.

The United States is unique in the world: We have 54 separate jurisdictions (not just one, as in most countries) that set rules with regard to licensing requirements for education, experience, examination, continuing professional education, use of the "CPA" title, "holding out" and the definition of public accounting. These 54 sets of rules are often conflicting. In addition, they ignore changing competitive and economic conditions, including the need for consistency in granting reciprocity between states and to foreign chartered accountants. The system is confusing to the public and creates unnecessary problems for our members who are increasingly mobile in where they live and where they work.

We need greater uniformity of regulation. The special committee is reexamining the current regulatory system to determine "what" and "who" should be regulated, how the system can be improved for our members and how to better meet the needs of the public. We anxiously await the outcome of the committee's work during the next year.

The second topic deals with a new project recently undertaken by the Special Task Force on Standards Overload, established by the Private Companies Practice Section. Accounting standards overload long has been a major concern for all our members, particularly those who serve private companies and those who practice in smaller firms.

This issue has been addressed many times and by many groups in the past. There is no easy solution to the problem, but the special task force has made preliminary recommendations to the PCP Executive Committee for its approval, prior to discussing them with the FASB and making a presentation to the AICPA Board of Directors.

Recognizing that users of financial statements differ in their needs for information (as recognized in the report of the AICPA Special Committee on Financial Reporting), one issue that the task force is addressing is the need for differential disclosure or recognition (not differential measurement) in setting standards for private companies. It has made other recommendations as well to forge a path toward the solution of this very difficult problem.

Third, we should all be proud of the effort of the AICPA Tax Division in preparing a comprehensive study and analysis of alternative tax systems. This study adds an objective, non-partisan view to the current discussions under way in Congress regarding potential changes to our country's tax system. It's an outstanding example of how our profession can and must speak out on important issues of the day, particularly when our unique experience and expertise can add significant value to the public debate.

All three of these issues have very controversial elements. All of them will have an impact on our lives—both professional and personal. But in our rapidly changing environment, these are the types of issues that need serious consideration, analysis and action by our profession. We would all agree that dealing with change is not easy. But as we contemplate the CPA profession of the 21st century, one thing is very clear: Like practically everything else in our lives, our profession will be different.

Elections and Actions at Fall Council, Annual Members' Meeting

The AICPA's governing Council met on Oct. 23 in Palm Springs, Calif. At the meeting, Council elected Ronald S. Cohen of Indiana as chair of the AICPA Board of Directors for 1995–96, and Robert Mednick of Illinois as vice chair.

In addition, Council elected the following individuals to three-year terms as directors: Harvey L. Coustan of Illinois; Lawrence D. Handler of Connecticut; Robert R. Harris of Florida; Judith O'Dell of Pennsylvania; Marilyn A. Pendergast of New York; Gary John Previts of Ohio; and Dennis E. Eckart of Washington, D.C., as a public member of the board.

In other actions, Council:

- Discussed in breakout-group format the regulation of the profession, specifically whether there are problems inherent in the state-based system of regulation, the current challenges to that system and possible ways to improve or reform the system.
- Voted to ballot the membership on bylaw changes relating to election of the AICPA President, composition of the Joint Trial Board, length of time petitions to amend the bylaws may remain outstanding, and changes in the status of the AICPA Secretary.
- Presented the Outstanding Accounting Educator Award to Dr. A. Tom Nelson of the University of Utah.
- Presented the AICPA Gold Medal for Distinguished Service to Philip B. Chenok, who served as AICPA President for 15 years before leaving the post June 30.

AICPA...Where to Turn

All address and job change information should be mailed or faxed to Membership Records in N.J. (the changes will be made automatically for all publications included in your membership).

AICPA Staff Contact: ______________________
Phone Number: ______________________
Office Location: NY NJ DC
(circle one)

AICPA, New York	212/596–6200
Fax number	212/596–6213
AICPA, New Jersey	201/938–3000
Fax number	201/938–3329
AICPA, Washington	202/737–6600
Fax number	202/638–4512
AICPA CPE Course Information	800/TO–AICPA
AICPA Fax Hotline (dial from fax machine)	201/938–3787
AICPA Political Action Committee	202/434–9205
Academic and Career Development	212/596–6222
Recruiting for the Profession	212/596–6220
Advertising (*Journal of Accountancy, The Tax Adviser*)	
Classified ads	201/938–3293
Display ads	201/938–3295
Accounting and Review Services	201/938–3058
Accounting Research Association	201/938–3280
Accounting Standards	212/596–6166 or 6167
Audit & Accounting Guides	201/938–3339
Auditing Standards	212/596–6036
Benevolent Fund	201/938–3253
Committee Appointments	212/596–6096
CPA Client Bulletin, CPA Client Tax Letter CPA HealthCare Client Letter	
— Subscriptions (Order Department)	800/TO–AICPA
— Editorial	201/938–3301
The CPA Letter (editorial)	212/596–6112
Division for CPA Firms (public file information)	800/272–3476
Private Companies Practice Section	201/938–3034
SEC Practice Section	201/938–3025
Examinations (Uniform CPA Exam)	201/938–3429
Federal Government (regulatory matters)	202/434–9253
Federal Legislation (congressional matters)	202/434–9205
General Counsel	212/596–6245
Industry Member Programs, Management Accounting	212/596–6157
Info. Tech. member section (not for software)	212/596–6010
Joint Trial Board (disciplinary actions)	212/596–6098
Journal of Accountancy (editorial)	201/938–3292
Library Services	800/TO–AICPA
Fax number	201/938–3955
Management of an Accounting Practice	201/938–3583
MCS member section	212/596–6065
Meetings and Travel	201/938–3232
Member Programs and Benefits	201/938–3793
Membership Records (until 7:30 p.m., EST)	201/938–3100
Fax number	201/938–3108
Minority Initiatives	212/596–6227
National Automated Accounting and Retrieval Services (NAARS)	201/938–3248
Order Department (until 7:30 p.m., EST)	800/TO–AICPA
Fax number	800/362–5066
Peer Review	201/938–3030
PFP member section/PFS designation	800/TO–AICPA
The Practicing CPA (editorial)	201/938–3796
Professional Ethics	800/TO–AICPA
Public Relations and Communications	212/596–6106
Software (AICPA products)	800/226–5800
State Legislation	202/434–9222
State Society Relations	202/434–9257
Subscriptions and Publications	
Customer Service (until 7:30 p.m., EST)	201/938–3333
Fax number	201/938–3344
Taxation (not for technical inquiries)	202/434–9226
The Tax Adviser (editorial)	201/938–3444
Technical Information Hotline (auditing and accounting practice inquiries)	800/TO–AICPA
Women and Family Issues	212/596–6226

Affinity Programs

Insurance Programs	
Aon Insurance Services	
Life	800/223–7473
Disability	800/221–4722
Group	800/221–3019
Long-Term Care	800/453–0567
Personal Liability Umbrella	800/221–3021
Professional Liability	800/221–3023
National General Insurance Co	
Automobile	800/847–2886
Home	800/847–7233
Auto Leasing (AT&T Capital Corp.)	800/405–9672
Car Rental (Hertz)	800/654–2200
Car Rental (National)	800/227–7368
Computers (Dell Corporation)	800/568–8313
Credit Card (Marine Midland Bank)	800/850–3144
Employment Referral Service (CPA JOB BANK)	800/939–1040
Forms/Supplies (Wallace, contract CA252)	800/782–4892
Home Mortgages and Equity Loans (Prudential)	800/272–1210
Long Distance Telephone (Sprint)	800/473–0898
Mailroom equipment (Pitney-Bowes)	800/MR-BOWES
Overnight Delivery (Airborne Express)	800/MEMBERS
Retirement Programs (T. Rowe Price)	800/38–AICPA
Tax research material (RIA)	800/431–9025, ext. 3
Xerox Corporation	800/832–6979, ext. CPA

New York
1211 Avenue of the Americas
New York, NY 10036–8775

New Jersey
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311–3881

Washington, D.C.
1455 Pennsylvania Avenue, NW
Washington, DC 20004–1081

(Clip for reference)

Listing of Staff Contact/Member Assignments

Below is a listing of AICPA staff contact/member assignments (*The CPA Letter,* June 1995). Members should use their last names to locate their staff liaisons. Upon finding their staff liaisons, members are encouraged to write that person's name, telephone number and office location where indicated on the directory of AICPA services featured on page 7 (clip and save the directory for future reference). **Items appearing in boldface indicate changes since the previously published listing.**

Members with Last Name...	AICPA Contact		
A—Adams, B.	Peter Kieran	201/938-3758	NJ
Adams, C.—Ahlgrem	Walling Almonte	201/938-3262	NJ
Ahlgren—Alexaniam	Joan Elizabeth Anderson	201/938-3323	NJ
Alexanian—Alpineq	Susan Anderson	201/938-3352	NJ
Alpiner—Anderson, B.	Claudia Ascione	201/938-3075	NJ
Anderson, C.—Andrewr	Dale R. Atherton	201/938-3253	NJ
Andrews—Archeq	**Mary Moore**	**201/938-3438**	**NJ**
Archer—Arvom	Sheri B. Bango	202/434-9201	DC
Arvon—Austri	Marie T. Bareille	201/938-3299	NJ
Austria—Baggin	Maria Beck	202/434-9204	DC
Baggio—Bakkn	Joseph Bentz Jr.	201/938-3584	NJ
Bakko—Baranskh	**Phyllis Bernstein**	**212/596-6058**	**NY**
Baranski—Barnex	Carol Bertolotti	201/938-3570	NJ
Barney—Bartom	Bruce Howard Biskin	201/938-3421	NJ
Barton—Baumblats	James Dean Blum	201/938-3419	NJ
Baumblatt—Becj	**Susan Lynn Bolmer**	**201/938-3910**	**NJ**
Beck—Belaiq	**Jacqueline Pastore**	**201/938-3044**	**NJ**
Belair—Benity	**Celeste Booth**	**201/938-3132**	**NJ**
Benitz—Bergerom	Donna Borowicz	201/938-3210	NJ
Bergeron—Bersr	Elaine Lehnert	212/596-6160	NY
Berss—Biggh	**R. Bruce Brasell**	**201/938-3017**	**NJ**
Biggi—Black, G.	Edith Breitner	201/938-3176	NJ
Black, H.—Bletg	Richard Bruder	201/938-3482	NJ
Bleth—Bodni	Jeanmarie Brusati	201/938-3405	NJ
Bodnia—Bonfif	Luis E. Cabrera	201/938-3059	NJ
Bonfig—Bostateq	**Barbara Ann Capek**	**201/938-3317**	**NJ**
Bostater—Boyanoskh	Emanuela LiMandri	212/596-6247	NY
Boyanoski—Brail	Emma Jeanette Carlson	201/938-3517	NJ
Braim—Brehk	**Matthew C. Carr**	**212/596-6059**	**NY**
Brehl—Brimlex	Michael Frederick Chen	201/938-3213	NJ
Brimley—Brooksheaq	Carmela Chinnici	212/596-6114	NY
Brookshear—Brown, L.	Gennaro Cicalese	201/938-3171	NJ
Brown, M.—Brunnes	Lisa Snyder	201/938-3779	NJ
Brunnet—Bueckeq	Joseph M. Ciccone	212/596-6229	NY
Buecker—Burgin	Gene Cioffi	201/938-3449	NJ
Burgio—Burtcg	**Anthony Crudo**	**201/938-3274**	**NJ**
Burtch—Byingtom	Hal Clark	201/938-3248	NJ
Byington—Callahal	James Salisbury Clark	202/434-9229	DC
Callaham—Canahah	Sarah Cobb	201/938-3290	NJ
Canahai—Cargilk	Susan S. Coffey	201/938-3177	NJ
Cargill—Carrabind	Arlene Cohen	201/938-3534	NJ
Carrabine—Casell	Nancy Cohen	212/596-6010	NY
Casella—Cavedn	Sheila D. Colclasure	202/434-9263	DC
Cavedo—Chancx	Mary Conte	201/938-3109	NJ
Chancy—Chen, L.	Brian Cooney	202/434-9218	DC
Chen, M.—Chmielory	Jeryl A. Costello	201/938-3450	NJ
Chmielorz—Ciaravinn	**Satoko Alpert**	**201/938-3536**	**NJ**
Ciaravino—Clark, S.	Katharine W. Coveleski	201/938-3391	NJ

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Clark, T.—Clufe	Shirley Crawford	201/938-3233	NJ
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Collins, K.—Connerr	**Nadine A. Cunningham**	**201/938-3795**	**NJ**
Conners—Cooncd	Julia Esposito	201/938-3505	NJ
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Corr—Cowam	Irene Dajka	201/938-3203	NJ
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Crawford, L.—Crottr	Arline Dederick	201/938-3572	NJ
Crotts—Cunningham, J.	Richard Koreto	201/938-3412	NJ
Cunningham, K.—Dagf	Yolanda deJesus	201/938-3422	NJ
Dagg—Daniels, D.	Linda Delahanty	201/938-3416	NJ
Daniels, E.—Davinh	Josephine DeLosReyes	212/596-6216	NY
Davini—Dawsom	Anita Dennis	201/938-3285	NJ
Dawson—Deel	Nina Suzanne Diamond	201/938-3201	NJ
Deem—Deltorn	**Rufina Kaminski**	**201/938-3369**	**NJ**
Deltoro—Derb	Rachel Dichter	201/938-3567	NJ
Derba—Deyn	Robert F. DiCorcia	201/938-3392	NJ
Deyo—Dillarr	**George N. Dietz**	**201/938-3339**	**NJ**
Dillars—Dobid	Julie Dilley	201/938-3051	NJ
Dobie—Donnelly, G.	Lisa Dinackus	202/434-9276	DC
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Dovers—Droppld	Sheila Dolan-Manner	201/938-3453	NJ
Dropple—Dunbaq	Patricia Donius	201/938-3353	NJ
Dunbar—Duy	Lynn Drake	202/434-9214	DC
Duz—Eckers	Barbara Considine	201/938-3208	NJ
Eckert—Ehrif	George Durk	201/938-3174	NJ
Ehrig—Elliott, P.	Stuart Eisenberg	201/938-3481	NJ
Elliott, R.—Engelteq	**Christopher Wright**	**201/938-3511**	**NJ**
Engelter—Eskh	Carol Ann J. Fagan	201/938-3401	NJ
Eski—Ewelk	Kimberly Falco	201/938-3442	NJ
Ewell—Faric	Madelaine Feldman	201/938-3293	NJ
Farid—Feenex	Carol Ferguson	202/434-9243	DC
Feeney—Fernander	Helen Figueroa	201/938-3676	NJ
Fernandes—Finazzn	Herbert Finkston	201/938-3175	NJ
Finazzo—Fisher, K.	Nick Fiore	201/938-3444	NJ
Fisher, L.—Fleming, K.	Gretchen Fischbach	201/938-3180	NJ
Fleming, L.—Fom	Peter Fleming	201/938-3286	NJ
Fon—Foster, F.	Joanne Mary Flood	201/938-3561	NJ
Foster, G.—Frangipand	**Richard Flynn**	**201/938-3767**	**NJ**
Frangipane—Freeman, P.	Mary Foelster	202/434-9259	DC
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Furbert—Gallarc	Gary Freundlich	201/938-3021	NJ
Gallard—Gardx	**Anita Meola**	**201/938-3583**	**NJ**
Gardy—Gaugham	Selma Friedman	201/938-3291	NJ
Gaughan—Georgd	**Rick Gesulado**	**201/938-3328**	**NJ**
George—Gibbom	**Susan Frohlich**	**212/596-6176**	**NY**

(Staff Contacts—continued)

Members with Last Name...	AICPA Contact		
Gibbon—Gillilanc	**Gregory Furke**	**201/938-3025**	**NJ**
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Glazier—Gold	Anthony Gambino	201/938-3250	NJ
Golda—Gonsoulim	Mark C. Lee	201/938-3295	NJ
Gonsoulin—Gormam	Edward Gehl	201/938-3423	NJ
Gorman—Graham, M.	Paul Geoghan	212/596-6099	NY
Graham, N.—Greem	Howard S. Gerner	201/938-3480	NJ
Green—Gregorin	Melanie Donenfeld	201/938-3181	NJ
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Guardabascio—Gutiahq	**Graham George Goddard**	**201/938-3796**	**NJ**
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Hamstead—Hanssem	James Green	202/434-9269	DC
Hanssen—Harpeq	Leonard Green	201/938-3705	NJ
Harper—Harss	Steven Greene	212/596-6109	NY
Harst—Hatcheq	**Bob Durak**	**201/938-3065**	**NJ**
Hatcher—Hayforc	Daniel Miller Guy	212/596-6214	NY
Hayford—Hegstrol	Alisande Hall	201/938-3101	NJ
Hegstrom—Henderson, H.	Thomas John Haller	201/938-3321	NJ
Henderson, I.—Herinj	**David Handrich**	**201/938-3034**	**NJ**
Herink—Heutmakeq	**Hedy Crowley**	**201/938-3403**	**NJ**
Heutmaker—Hill, H.	Leonard Hecht	201/938-3184	NJ
Hill, I.—Hirschh	Melanie Heim	201/938-3509	NJ
Hirschi—Hoffman, E.	**Michele Herbert**	**201/938-3050**	**NJ**
Hoffman, F.—Hollex	Israel J. Herskowitz	201/938-3185	NJ
Holley—Hoodx	Susan Williams Hicks	202/434-9206	DC
Hoody—Horwity	J. Thomas Higginbotham	202/434-9205	DC
Horwitz—Howsom	Kim Pettineo	201/938-3510	NJ
Howson—Hughes, C.	**Cynthia Ann Hiris**	**201/938-3915**	**NJ**
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Huntington—Iannott	Anita Horn	202/434-9231	DC
Iannotta—Isgrif	**John F. Hudson**	**201/938-3535**	**NJ**
Isgrig—Jacobsom	John Hunnicutt	202/434-9203	DC
Jacobson—Jarej	Linda J. Huntley	201/938-3061	NJ
Jarek—Jerarc	**Laura E. Inge**	**201/938-3798**	**NJ**
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Johnson, G.—Johnson, S.	Gregory Johnson	212/596-6227	NY
Johnson, T.—Jones, J.	Karen H. Jones	201/938-3031	NJ
Jones, K.—Juchniewicg	Douglas Kadow	201/938-3320	NJ
Juchniewich—Kalteq	**Edith Yaffe**	**201/938-3173**	**NJ**
Kalter—Karlim	Allan Kaplan	201/938-3483	NJ
Karlin—Kavanewskx	**Monte Kaplan**	**212/596-6061**	**NY**
Kavanewsky—Kelleheq	Arthur Robert Kappel	201/938-3063	NJ
Kelleher—Kempe	Edward Stuart Karl	202/434-9228	DC
Kempf—Kerstinf	Irene Kassimis	201/938-3888	NJ
Kersting—Kil	Brian Katz	201/938-3243	NJ
Kim—Kipo	Colleen Katz	201/938-3456	NJ
Kipp—Klein, H.	**Jeffrey Talante**	**201/938-3239**	**NJ**
Klein, I.—Knieseq	Janet Kelly	201/938-3563	NJ
Knieser—Kog	Dolores Kivetz	201/938-3526	NJ
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Kumar—Lacj	Stacy Kosmides	201/938-3566	NJ
Lack—Lammerr	Charlotte Kruman	201/938-3078	NJ
Lammers—Langmacj	Linda Ann Lach	201/938-3571	NJ
Langmack—Lassaq	Lesli Laffie	201/938-3445	NJ
Lassar—Lawr	Grant G. Weisbrot	201/938-3775	NJ
Laws—Lee, B.	Edward Michael Lanigan	201/938-3294	NJ
Lee, C.—Leh	Eva D. Lem	201/938-3237	NJ
Lei—Leriar	Thomas Lemmon	212/596-6122	NY
Lerias—Levx	**Julia Perez**	**201/938-3216**	**NJ**
Levy—Liebbd	Donna Letters	201/938-3882	NJ
Liebbe—Linkr	**Joseph DeRupo**	**212/596-6120**	**NY**
Links—Lloverar	**Jeanette Zembower**	**201/938-3860**	**NJ**
Lloveras—Long, J.	John Lewison	201/938-3348	NJ
Long, K.—Lovelesr	**Joanne Lindstrom**	**201/938-3806**	**NJ**
Loveless—Lugrind	Raymond Lipay	201/938-3035	NJ
Lugrine—Lynch, R.	**Marc Simon**	**201/938-3818**	**NJ**
Lynch, S.—Macmeanr	Domenic Lofaso	201/938-3451	NJ
Macmeans—Maiersom	**Kevin Loo**	**201/938-3052**	**NJ**
Maierson—Mandav	Leonard Lorensen	201/938-3249	NJ
Mandava—Marciann	Amparo Loza	201/938-3242	NJ
Marciano—Marrisom	Janet Luallen	201/938-3037	NJ
Marrison—Martin, R.	Marie MacBryde	201/938-3297	NJ
Martin, S.—Mastandunn	Ian Allister MacKay	202/434-9253	DC
Mastanduno—Maugeq	Erin P. Mackler	201/938-3586	NJ
Mauger—McAfoor	Leonard Mark Mai	201/938-3214	NJ
McAfoos—McClanatham	Janice Maiman	212/596-6095	NY
McClanathan—McDadd	Albon Platt Man	201/938-3564	NJ
McDade—McGeadx	Jane Mancino	212/596-6029	NY
McGeady—McKann	Cecelia Manley	212/596-6226	NY
McKanna—McMahom	William Mara	201/938-3577	NJ
McMahon—McVox	**Catherine Mathews**	**201/938-3018**	**NJ**
McVoy—Melh	John McCauley	201/938-3460	NJ
Meli—Merscg	Linda McKenna	202/434-9261	DC
Mersch—Michaelr	Alan Sileo	201/938-3215	NJ
Michaels—Miller, B.	Vincent M. Melita Jr.	201/938-3039	NJ
Miller, C.—Miller, R.	Susan L. Menelaides	201/938-3058	NJ
Miller, S.—Minturm	**Patricia Meyer**	**201/938-3917**	**NJ**
Minturn—Modeckh	Johnnie Middleton	201/938-3468	NJ
Modecki—Montgomerx	Marie Dorothy Mikolajczyk	201/938-3580	NJ
Montgomery—Moosbruggeq	Richard Miller	212/596-6245	NY
Moosbrugger—Morris, C.	Elaine Milone	201/938-3218	NJ
Morris, D.—Mosr	Anna Moa	201/938-3485	NJ
Moss—Mullam	Michael Molaro	212/596-6125	NY
Mullan—Murphy, P.	**Gae Barbano**	**212/596-6179**	**NY**
Murphy, Q.—Myrolc	**Tracy Monaghan**	**201/938-3057**	**NJ**
Myrold—Navek	Nilda I. Montalvo	201/938-3332	NJ
Navel—Nelson, Q.	Mary Mooney	201/938-3411	NJ
Nelson, R.—Newmyeq	**Haddassah Baum**	**212/596-6019**	**NY**
Newmyer—Niewohneq	Lianne Morales	201/938-3772	NJ
Niewohner—Norric	Lauren M. Moran	201/938-3080	NJ

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Members with Last Name...	AICPA Contact		
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Odonahue—Oliveq	**Andrew Mrakovcic**	**201/938-3338**	**NJ**
Oliver—Opligeq	Daniel Mucisko	212/596-6110	NY
Opliger—Ostrx	Patricia Jean Mulligan	201/938-3484	NJ
Ostry—Padom	Karen Mullin	201/938-3399	NJ
Padon—Panx	**Mark F. Murray**	**201/938-3799**	**NJ**
Pany—Parmam	**Boris Musich**	**201/938-3918**	**NJ**
Parman—Patterson, K.	Annette Nairne	201/938-3102	NJ
Patterson, L.—Pearson, M.	Cecil Nazareth	201/938-3043	NJ
Pearson, N.—Pepd	**Karen L. Neloms**	**201/938-3908**	**NJ**
Pepe—Peskinc	Dowlan Nelson	201/938-3560	NJ
Peskind—Pettkd	Glen Nelson	201/938-3565	NJ
Pettke—Pickarc	Edward W. Niemiec	201/938-3590	NJ
Pickard—Piroskn	Richard G. Niles	201/938-3578	NJ
Pirosko—Poinsets	Antonio Nunez	201/938-3337	NJ
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Powlas—Primaver	Barbara Pages	201/938-3582	NJ
Primavera—Purdul	**Kathleen Phillips**	**201/938-3866**	**NJ**
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Racker—Ramstac	Jeffrey Pieper	201/938-3260	NJ
Ramstad—Rax	**Linda Carole Pierce**	**201/938-3919**	**NJ**
Ray—Reed, R.	Ahava Zipporah Goldman	201/938-3424	NJ
Reed, S.—Reinhery	Arthur Podorefsky	201/938-3576	NJ
Reinherz—Reynolds, J.	Robert Rainier	201/938-3283	NJ
Reynolds, K.—Richardson, H.	**Rosalynd M. Rambert**	**201/938-3707**	**NJ**
Richardson, I—Rilex	Kathy Rangoon	201/938-3452	NJ
Riley—Roba	David Ray	201/938-3379	NJ
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Roohan—Rosenthak	Charles Rhuda Jr.	201/938-3420	NJ
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Rouse—Rudov	Cecilia Robin	201/938-3296	NJ
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Schelstraete—Schmidt, J.	Alicia Ross	201/938-3569	NJ
Schmidt, K.—Schoolex	Eileen Rubright	201/938-3382	NJ
Schooley—Schumacheq	Michele Ruggiero	201/938-3240	NJ
Schumacher—Scots	Elizabeth M. Ryan	201/938-3362	NJ
Scott—Segak	Jodi Ryan	212/596-6105	NY
Segal—Servier	Jessica Sacco	202/434-9255	DC
Servies—Shaplanc	**Steven Sacks**	**212/596-6069**	**NY**
Shapland—Sheltom	Linda M. Safian	201/938-3330	NJ
Shelton—Shirex	Sheryl T. Weiner	201/938-3751	NJ
Shirey—Sidloskh	Ann Elizabeth Sammon	201/938-3587	NJ
Sidloski—Simmondr	Beatrice Sanders	212/596-6218	NY
Simmonds—Sinkhorm	Barbara Sands	212/596-6107	NY

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Smith, D.—Smith, L.	Annette Schumacher	202/434-9212	DC
Smith, M.—Smoradn	Murray Schwartzberg	201/938-3194	NJ
Smorado—Sommeq	Neil Selden	201/938-3069	NJ
Sommer—Spauldinf	Laurie Seltzer	201/938-3217	NJ
Spaulding—Sprankld	Andy Seto	201/938-3235	NJ
Sprankle—Stankn	Carol Keller Shaffer	202/434-9268	DC
Stanko—Steffen	John M. Sharbaugh	202/434-9257	DC
Steffena—Stepib	J. Louis Matherne	212/596-6027	NY
Stepic—Stierheil	Judith M. Sherinsky	212/596-6031	NY
Stierheim—Storevij	Barbara Shildneck	201/938-3284	NJ
Storevik—Stronf	**Jennie Hazan**	**201/938-3909**	**NJ**
Strong—Sullivan, G.	Maggie Simmons	202/434-9221	DC
Sullivan, H.—Svetij	**Lillian Theodoropoulos**	**201/938-3759**	**NJ**
Svetik—Sylverr	**Rhonda Sugarman**	**201/938-3887**	**NJ**
Sylvers—Tankeq	**Christine Egert**	**212/596-6016**	**NY**
Tanker—Taylor, M.	**Simmona Denise Steele**	**201/938-3922**	**NJ**
Taylor, N.—Teskd	William R. Stromsem	202/434-9227	DC
Teske—Thomas, P.	Richard Stuart	212/596-6163	NY
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Thornell—Tituskim	Kevin Sweeney	201/938-3431	NJ
Tituskin—Torrer	**Loretta Baer**	**212/596-6197**	**NY**
Torres—Trethewax	Mary Anne Tait	201/938-3513	NJ
Tretheway—Tucker, G.	Daniel Noll	212/596-6168	NY
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Tylec—Vaak	Joel M. Tanenbaum	212/596-6164	NY
Vaal—Vanhoosem	**Arleen Thomas**	**201/938-3969**	**NJ**
Vanhoosen—Velchecj	Desmond Thompson	201/938-3234	NJ
Velcheck—Vinch	Tammy Tien	201/938-3189	NJ
Vinci—Vosr	Peter Tuohy	201/938-3448	NJ
Voss—Walcheq	**James Catone**	**201/938-3081**	**NJ**
Walcher—Wallerx	Shirley Twillman	202/434-9220	DC
Wallery—Ward, K.	Carrie Vaccaro	201/938-3410	NJ
Ward, L.—Water	Alberta DeVore	201/938-3076	NJ
Wates—Webeq	**Jeannette E. Vera**	**201/938-3867**	**NJ**
Weber—Weinstocj	Linda Volkert	201/938-3072	NJ
Weinstock—Welscg	John von Brachel	201/938-3287	NJ
Welsch—Westpfahk	Anne Wagenbrenner	201/938-3301	NJ
Westpfahl—White, O.	**Richard Walker**	**201/938-3794**	**NJ**
White, P.—Wieganc	Karyn Waller	201/938-3060	NJ
Wiegand—Willadsem	**Catherine Wasilko**	**201/938-3022**	**NJ**
Willadsen—Williams, S.	Virgil W. Webb III	202/434-9222	DC
Williams, T.—Wilson, L.	Debra Lynn Weingarten	201/938-3446	NJ
Wilson, M.—Wintersteem	Patrick Westover	201/938-3527	NJ
Wintersteen—Wolfd	**Anita Lyons**	**201/938-3062**	**NJ**
Wolfe—Wood, R.	Patricia L. Williams	201/938-3559	NJ
Wood, S.—Wright, I.	A. Louise Williamson	212/596-6034	NY
Wright, J.—Yanf	Lisa Anne Winton	202/434-9234	DC
Yang—Youek	**Lois Wolfteich**	**201/938-3259**	**NJ**
Youel—Zajicej	**Gerard Yarnall**	**201/938-3545**	**NJ**
Zajicek—Ziffeq	Catherine Rose Zaita	201/938-3186	NJ
Ziffer—Zygmunt	Stanley Zarowin	201/938-3289	NJ

Disciplinary Actions

As a result of decisions by hearing panels of the Joint Trial Board, the following members have:

—Had their memberships *terminated:*

■ Bruce N. Knutson of Black River Falls, Wisc., effective Aug. 27, 1995, for failure to cooperate in a disciplinary investigation by the Professional Ethics Committee of the Minnesota Society of CPAs.

■ Richard D. O'Connor of Cameron, Mo., effective Aug. 27, 1995, for failure to comply with directives issued in a letter of required corrective action from the Governmental Technical Standards Subcommittee of the Professional Ethics Division of the AICPA.

—Been *admonished* by a hearing panel of the Joint Trial Board:

■ Jerome Hirschhorn of Livingston, N.J., effective Oct. 19, 1995, for violating Rules 201(A)—Professional Competence and 202–Compliance with Standards of the Codes of Professional Conduct of the AICPA and the New Jersey Society of CPAs in connection with the performance of professional services in the audit of a client's benefit plan.

■ Jack Topal of New York City, effective Oct. 19, 1995, for violating the Code of Professional Conduct of the AICPA and the New York State Society of CPA, Rules 201(A)–Professional Competence, 201(B)–Due Professional Care and 202–Compliance with Standards in connection with his examination of a client's profit sharing plan for the reporting period ended June 30, 1989. Mr. Topal is also required to take specified CPE courses within a two-year period.

■ Gregory G. Maxcy of Pittsburgh, effective Sept. 29, 1995, for violating Rule 501 of the AICPA and Pennsylvania Institute of CPAs pre-1988 Code of Professional Conduct by negligently permitting the controller and president of a client to make false and misleading entries in the client's financial statements and records.

As a result of investigations of alleged violations of the Code of Professional Conduct of the AICPA and/or state CPA societies, the following ethics cases have been resolved by settlement agreements under the Joint Ethics Enforcement Program:

■ Martin L. Goldstein of Chestnut Ridge, N.Y., settled charges on Sept. 12, 1995, of violating Rules 202–Auditing Standards and 203–Accounting Principles of the pre-Jan. 12, 1988 Codes of Professional Conduct of the AICPA and the New York State Society of CPAs (NYSSCPA) in the performance of an audit of the financial statements of a client. Without admitting or denying the charges, Mr. Goldstein agreed to two-year suspensions of his membership in the AICPA and the NYSSCPA, to complete 80 hours of specified CPE courses during the suspension period and to submit one work product to the Professional Ethics Division for review.

■ Vernon E. Heck of Crystal City, Mo., settled charges on Sept. 14, 1995, of violating Rules 201(B)–Due Professional Care, 202–Compliance with Standards and 203–Accounting Principles of the Codes of Professional Conduct of the AICPA and the Missouri Society of CPAs (MSCPA) in connection with his audit of the financial statements of a governmental entity. Without admitting or denying the charges, Mr. Heck agreed to be expelled from membership in the AICPA and the MSCPA.

Under the automatic disciplinary provisions of the Institute's bylaws, the following members have had their memberships:

—*Terminated* because of final judgments of conviction for crimes punishable by imprisonment for more than one year:

■ Robert P. Dubin of Palm Springs, Calif., on Aug. 30, 1995, after having been found guilty of conspiracy, false statements and concealed assets in bankruptcy, aiding and abetting and causing an act to be done and false statements on tax returns.

■ James F. Baker of Englewood, Ohio, on Aug. 30, 1995, after having been found guilty of aggravated theft.

■ Joseph P. Babinsky of San Antonio on Aug. 30, 1995, after pleading guilty to making a false statement in connection with an FDIC transaction.

■ Dale H. Wierenga of Schoolcraft, Mich., on Aug. 30, 1995, after having been found guilty of uttering and publishing a false statement.

—*Terminated* effective Sept. 19 following the denial by an ad hoc committee of the Joint Trial Board that the automatic disciplinary provisions not apply to his circumstances:

■ Charles E. Schweitzer of Alpharetta, Ga., after pleading guilty to conspiracy to commit income tax fraud.

—*Suspended* following suspension of their licenses by their state boards of accountancy:

■ Ben Alas Jr. of Glendale, Calif., from Jan. 7, 1995, to July 7, 1995, for preparing fraudulent tax returns for a client to assist in the client's efforts to qualify for a bank loan, for practicing public accountancy with an expired license and for gross negligence in the performance of an audit engagement for the year ended Dec. 31, 1990.

■ Jerome R. Marshik of Pierz, Minn., following suspension of his license by the Minnesota Board of Accountancy, from Jan. 25, 1995, coincident with the duration of the suspension period by the board, for failure to keep current in child support and spousal maintenance payments.

—*Suspended* pending the outcome of his appeal:

■ Perry G. Blocker of Crystal Springs, Miss., on July 31, 1995, after having been found guilty of mail fraud and false representations on loan applications.

New Products & Publications

With its 1995 edition, ***Accounting Trends & Techniques*** (No. 009887CL12) once again proves itself as the authority to turn to for the most up-to-date trends in financial reporting. Every year, the manual showcases the valuable financial reporting techniques of 600 industrial and merchandising corporations. It contains significant accounting presentations, discussions and trends—many of them illustrated with excerpts and tables. In addition to learning current terminology and explanatory language commonly used in auditors' reports, members will be able to see how their accounting and reporting techniques compare with those used in recently published annual reports. Price: $72.50 member, $79.75 non-member.

AICPA **Depreciation** (No. 016410CL12) software offers a way to calculate values for all acceptable methods and conventions of depreciation, including book, federal, state, AMT, ACE and any "other" category. Based on the information provided, AICPA Depreciation knows what types of depreciation forms are appropriate. It automatically applies relevant totals directly to tax forms that users can preview and print. The comprehensive printouts show changes in various property accounts and related journal entries.

Depreciation's new features include Report Writer, Forms Editor, and an improved Help menu. Report Writer lets CPAs customize the asset listing members print and preview on screen so that they can suit a client's specific needs. Forms Editor lets users preview, edit and print depreciation tax forms directly from this program. The Help menu offers IRS instructions for all Depreciation forms. Other new options include selecting the number of future years to project depreciation, and opening closed years for any assets selected. Price: $495 member, $550 non-member; Network version, unlimited users (No. 016413CL12) $695 members, $770 non-members; Upgrade from single user to network version (No. 016412CL12) $200 member; $225 non-member.

With the 1995 ***Tax Practice Guides and Checklists*** (No. 059509CL12), CPAs' specific needs during the busy tax season are anticipated, and prepared for in advance. Developed by the Tax Practice Guides Committee of the AICPA Tax Division, these guides and checklists will be helpful to every tax practitioner. The 1995 edition contains well over 300 pages, providing users with invaluable material for preparation and review of all principal tax forms, letters of transmittal to clients, model engagement letters, and other helpful guides. Return preparation and review checklists for all of the principal tax forms are included. The guides are also available in a software version–**and available at no charge for those who purchase any APG for Windows product (see below) before Feb. 15, 1996.** Price: Text—$78 member, $85.50 non-member; software version (No. 016838CL12) $46.50 member, $51 non-member.

New **APG 2.0 for Windows** (No. 016302CL12) and **APG PLUS for Windows** (No. 016304CL12) modernize the way audits are planned. The programs lets auditors free up valuable billing time while offering high-quality audits. APG 2.0 for Windows is a complete software package that guides members through the audit planning process, quickly and easily. It brings AICPA checklists to the computer, automating an engagement—and there is no need to photocopy, redo or cut and paste ever again.

APG 2.0 for Windows offers program features designed by accountants for accountants, complete professional reports, and tutorial videos that guide members through the program, step-by-step. Highlighted features include an easy-to-use Program Editor, the option to import existing checklists from a favorite word processor, AICPA library of checklists from the authoritative source—*The Audit and Accounting Standards Manual* and the *Financial Statement Preparation Manual,* the ability to automatically renumber audit steps, Spellchecker, and full Windows functionality. Price: $295 member, $324.50 non-member. Upgrade from APG 2.0 for DOS to APG 2.0 for Windows (No. 016301CL12) $145 member, $159.50 non-member.

New APG PLUS for Windows takes the auditing process one step further—it eliminates the paper chase, automating the entire engagement. While APG 2.0 for Windows is the answer for setting-up audit programs, APG PLUS is the solution for conducting the audit—from generation of checklists to sign-off—all on screen. A detailed, final report is the end result, and the only paper involved. Price: $595 member, $654.50 non-member. Upgrade APG PLUS for Windows (No. 016303CL12) $295 member, $324.50 non-member.

Special Offer! Order by Feb. 15, 1996, and receive the Comprehensive Engagement Checklist from the Integrated Practice System's Engagement Manual and the 1995 *Tax Practice Guides and Checklists,* developed by the AICPA's Taxation Division–a $95 value–free. System requirements: 3½" diskette drive, PC compatible computer, 80386 processor or higher, 2 Mb RAM minimum (4Mb recommended), Microsoft Windows version 3.1, and VGA monitor.

For more information on APG 2.0 for Windows, dial 201/938–3787 from a fax machine, follow the voice cues and request document no. 372; for a fact sheet on APG PLUS, request document no. 371.

A network version of this software is available. Call 212/596–6260 for network license pricing and information.

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To order, write: AICPA Order Department, CL1295, P.O. Box 2209, Jersey City, NJ 07303–2209; order via fax, 800/362–5066; or call 800/862–4272 (dept. #1). Ask for Operator CL1295. The best times to call are 8:30 to 11:30 a.m. and 2:00 to 7:30 p.m., EST. Orders for exposure drafts must be written or faxed. **Prices do not include shipping and handling. Have membership number ready.**

Auto Dealership Engagement Manual is the only practice aid of its kind on the market. You'll learn about the latest industry trends, the operating characteristics of a dealership's four departments, the unique accounting and income tax issues particular to this important industry, and providing consulting services to your clients.
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For more information on APG Software and Practice Aids, call the AICPA's 24-hour fax hotline at 201/938–3787 from a fax machine, follow the voice cues and select document no. 354.

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CPE News

Self-Study Course to Be Available on the Revenue Reconciliation Act of 1995

Order by Feb. 16 and save 25%

This year's tax legislation may well include capital gains tax cuts for individuals and corporations, vastly liberalized IRAs with tax-free payouts not just on retirement but also for first-time home purchases and college expenses, IRA-type medical savings accounts with deductible contributions, relief for two-income married couples, new tax breaks (and some crackdowns) for retirement plans, and an overdue hike in the estate/gift tax credit—especially helpful to small business owners and farmers.

The new self-study course on the **Revenue Reconciliation Act of 1995** will be available within 15 days of enactment. Author: Editorial Resource Group. Recommended CPE credit: 8 hours. Format: 2 audiocassettes/workbook (No. 751915CLV), $89 (special early reservation price for orders placed before Feb. 16). The course also includes the Research Institute of America's paperback, *RIA New Law Key Provisions Plus Code*—a $30 value.

To be available from the AICPA Order Department (see page 12) as well as from state CPA societies.

Conferences

Professionalism in Tax Valuations, Jan. 8, Washington, D.C., recommended CPE credit: 8 hours. **Personal Financial Planning Technical Conference,** Jan. 8–10, New Orleans, recommended CPE credit: 21 hours. **Conference on Current SEC Developments,** Jan. 9–10, Washington, D.C., recommended CPE credit: 17 hours. For more information, call AICPA Meetings & Travel Services at 201/938–3232.

Technology-Based CPE Now Available

From cyberspace to CD-ROM, the AICPA is moving aggressively to take advantage of the benefits of advanced technology with a wave of new CPE products. Members can participate in interactive satellite programming, learn how to "surf the 'Net" and take advantage of the AICPA Accountants Forum, and sample a new series of entertaining and informative self-study courses on CD-ROM.

AICPA/State Societies in Satellite Network Venture. The CPE Division, 21 state CPA societies and Westcott Communications of Dallas are jointly cooperating to broadcast a series of live CPE Interactive Distance Training programs through the Accounting Television Satellite Network to over 60 locations nationwide. CPAs can attend monthly programs featuring top-ranked national speakers presenting popular topics of 6 to 8 hours in length. One-touch keypads allow interactive contact between participants and instructors. For information, contact the state societies.

CPAs' Guide to Navigating Online is a new mentored self-study course that demonstrates the basics CPAs need to access online resources, such as the Internet, the AICPA's Accountants Forum on CompuServe, and various bulletin boards of special interest to the profession. It features keystroke-by-keystroke instructions along with free software and enough free online time to complete the course and do some "surfing." Recommended CPE credit: 16 hours. Format: Text and online contacts (No. 739055CLV), $195. A seminar version of this course will be available next spring. See the 1996–97 AICPA Seminar Catalog (available May 1996) for dates and locations.

Recently the AICPA introduced a new line of **CD-ROM self-study courses** offering interactive learning through a combination of audio, text and graphics. The new courses are *Estate Planning–Practical Applications, Financial Planning–a GAAP Refresher* and *Investment Essentials.* While supplies last, a demo sampler of these three courses is available on CD-ROM. To obtain one, call the AICPA Order Department (see page 12) and request No. 738000CLV.

AICPA Unveils a CD-ROM on Diverse Career Opportunities for CPAs

The AICPA has introduced a CD-ROM on the diverse career opportunities available to CPAs. Called "Room Zoom: The CPA SourceDisc," the CD-ROM also gives students a detailed overview of the education requirements for becoming a CPA.

It is believed that this is the first time such technology has been applied specifically to recruit students into a profession. By presenting the information in an interactive format, students will be encouraged to explore the CD-ROM, which incorporates advanced graphics, text, stereo sound, video and still photography.

"Room Zoom" also features a directory of schools that offer accounting programs; information on the Uniform CPA Examination; a list of scholarships and internships; tips on interviewing and résumé writing; profiles on the AICPA, state CPA societies and other accounting organizations; statistics on hiring trends and long-term job opportunities for CPAs; and video clips of successful CPAs describing their jobs in public practice, industry, government, non-profit and education, and discussing key human resource issues, such as minority opportunities and balancing work and a personal life.

The CD-ROM will be distributed free of charge to accounting department heads, business school deans, career advisers and others by the AICPA and state CPA societies. The Institute also is working with a major accounting textbook publisher to distribute "Room Zoom" directly to students.

Members may order the CD-ROM (No. 872514CL12) from the AICPA Order Department (see page 12). Price: $5 (educators and students receive 30% off, and discounts apply for multiple copies).

Washington At A Glance

Freddie Mac Changes Reporting Requirements

The Federal Home Loan Mortgage Corporation recently issued a bulletin changing its reporting requirements for institutions that sell or service mortgage loans under Freddie Mac programs. In *Single-Family Seller/Servicer Guide* Bulletin 95-9, Freddie Mac announced that seller/servicers (including seller/servicers that are subsidiaries) need only submit audited financial statements and a separate auditor's report prepared in accordance with Interpretation 1 of SAS No. 60, *Communication of Internal Control Structure Related Matters Noted in an Audit,* titled "Reporting on the Existence of Material Weaknesses" (AICPA, *Professional Standards,* vol. 1, AU sec. 9325). Freddie Mac will no longer require the net worth schedule or the compliance attestation report described in its 1993 *Compliance Reporting Guide* (*The CPA Letter,* Nov. 1994 and Jun. 1993).

The bulletin allows seller/servicers that are subsidiaries to submit audited financial statements prepared at either the subsidiary level or the parent level with a consolidating worksheet. The bulletin exempts from its requirements those federally insured financial institutions that are not required by their regulators to prepare audited financial statements.

For a copy of Bulletin 95-9, call 800-FREDDIE. To obtain a copy of a letter describing the changes, dial 201/938-3787 from a fax machine, follow the voice cues and select document no. 414.

IRS Provides "Nanny Tax" Payment and Reporting Requirements for Trustees, Executors

In response to member inquiries, the AICPA asked the IRS for more information about how executors and trustees will report and pay employment taxes for domestic employees under the new "nanny tax" rules. The new Schedule G of Form 1041 will have a line to use for domestic employment tax payments made by trustees and executors, according to the IRS. However, Form 1040 Schedule H (which shows the calculation of employment taxes) must also be attached to Form 1041 Schedule G. The IRS said this will allow executors and trustees to pay the domestic employment tax with Form 1041 for the next few years since such estimated tax payments are not required to be paid until 1998.

IRS Postpones TCMP Audits Indefinitely

The IRS has postponed indefinitely its plans to conduct intensive taxpayer audits under the taxpayer compliance measurement program. In Sept. the IRS announced that the start date for the audits was being delayed 60 days, until Dec. 1 (*The CPA Letter,* Oct.). The IRS, which attributed this indefinite postponement to congressional budget cuts, now is looking at alternative methods to gather the information that would have been gleaned from TCMP audits.

The CPA Letter
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