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Study of MAS practice and knowledge; Management advisory services special report

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A Management
Advisory Services
Special Report

A Study of MAS Practice and Knowledge

A special report presenting the findings of a study about
MAS practice and the backgrounds of CPAs who practice MAS.

AICPA American Institute of Certified Public Accountants

NOTICE TO READERS

This report is published by the Management Advisory Services Division for the information of AICPA members. The division commissioned professors Lynn J. McKell, Ph.D., CDP, and Kevin D. Stocks, Ph.D., CPA, of Brigham Young University to develop a current MAS bibliography and to survey CPA firms and AICPA members about MAS practice and knowledge. The study was a follow-up to the 1976 study, *Management Advisory Services by CPAs*.

This report presents the authors' findings and conclusions based on the completed surveys. It does not represent an official position of the AICPA's Management Advisory Services Division.

**A Management
Advisory Services
Special Report**

A Study of MAS Practice and Knowledge

Lynn J. McKell, Ph.D., CDP

and

Kevin D. Stocks, Ph.D., CPA

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Preface

In 1976, the AICPA published the monograph *Management Advisory Services by CPAs*, commonly called the MASBOKE study. MASBOKE addressed the characteristics of the body of knowledge used by management advisory services (MAS) practitioners in CPA firms and problems that might be encountered in testing for such knowledge. In the ensuing years tremendous growth in MAS practice has occurred. Additionally, the scope of practice and the role of MAS practitioners with CPA firms have changed substantially. In response to these changes, the MAS Education and Professional Development Subcommittee of the AICPA in 1984 initiated a study to reevaluate the status of MAS practice within CPA firms. This MAS Special Report presents an overview of MAS and a summary of the study's findings. The complete results of the study will be published separately.

This current study, *Management Advisory Services Practice and Knowledge (MASPAK)*, does not simply replicate the previous MASBOKE study. MASPAK focuses on the characteristics of MAS practice, the characteristics of MAS practitioners, and the types and sources of general knowledge necessary for MAS practice. An updated version of the knowledge concept references found in MASBOKE will be presented as a bibliography on a floppy disk. At the time the MASPAK study was commissioned, there was no impetus to review the examination concepts presented in MASBOKE; therefore, that was not included in the MASPAK study.

Data Collection Process

The data in the study was gathered in the spring and summer of 1985 through questionnaires directed to MAS practitioners and to chief MAS partners of CPA firms. MAS practitioners were selected from an AICPA directory of CPAs indicating an interest in MAS practice. From this list, 714 usable responses were received. Responses from MAS practitioners are grouped by firm classification into individual, local, regional, national, and multinational firm practitioners.

Firm questionnaires were sent to randomly selected firms from a list of firms at the AICPA office. A total of 86 usable firm responses were collected. Re-

sponses from firm representatives are grouped into local, regional, national, and multinational firm classifications.

Questionnaires sent to the practitioners and firm representatives were not identical. Practitioners were asked for personal demographic data, career path information, and educational degrees obtained. Firm representatives were asked for firm demographic data, expected firm direction and growth, and firm employment expectations. Although the questionnaires were not identical, several questions were very similar. Both practitioners and firm representatives were asked about the significance of various training programs and various knowledge and practice areas, and for feedback on important business skills and personality traits for MAS practitioners. Where meaningful, comparisons have been made between the practitioner and firm representative responses.

Report Format

The complete report is organized into ten chapters. Chapter 1 provides an overview of MAS practice. It defines MAS practice, examines the justification for CPA involvement in MAS activities, and reviews the general process of MAS practices. Chapter 2 provides a condensed summary of the findings of the study. Chapters 1 and 2 may be considered an executive summary of the project and are the two chapters that constitute this document.

Chapters 3 through 10, which are not included in this document, provide additional data and insights into the material found in chapters 1 and 2. Chapter 3 examines the survey's demographic data, the response rate to the questionnaires, and data on the individuals responding. Chapter 4 provides questionnaire data on general MAS practice characteristics. Chapter 5 examines the skills and knowledge areas deemed necessary for MAS practice. Chapter 6 discusses the personality traits considered important for MAS practitioners. Chapter 7 examines the relative significance of various MAS practice areas. Chapter 8 reviews the training and education of MAS practitioners. Chapter 9 examines the career paths of the responding MAS practitioners. Chapter 10 discusses the future of and entry into MAS practice.

Value and Limitations of the Report

Two factors need to be kept in mind when studying the report:

1. All respondents are CPAs. This is not a limitation with regard to the AICPA, as all MAS practitioners who are members of the AICPA were potential subjects for inclusion in the data collection process. But it may be a limitation in that all MAS practitioners in CPA firms are not CPAs.

2. Data was gathered from only a sample of the total population of MAS practitioners because surveying the entire population of MAS practitioners is not feasible. The sample set was selected in a random manner with a sufficient number of responses to provide useful data.

The major value of the report is the collection of data from a broad range of respondents on the status of MAS practice by CPAs in CPA firms. The data presented in this report will have a number of valuable uses:

- The AICPA and state committees can use the data in developing training, promotional, and recruitment materials in the MAS practice area.
- Individuals in business will find this report useful in identifying the diversity of MAS services available from the CPA profession.
- CPA firms will find this report useful in examining their own MAS practice organization and administration.
- Educators will find the report useful in developing or revising curricula to better serve the needs of this area of the profession.

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Acknowledgments

As researchers, we are indebted to a number of individuals for their information, guidance, and constructive criticism. Without their assistance, this study simply would not have been possible.

We express appreciation to the hundreds of MAS professionals who took time to provide the data for this study. These practitioners represent all levels of responsibility in firms of all sizes throughout the United States.

We are deeply indebted to the AICPA for its support and to the MAS Education and Information Subcommittee members for their constructive input into the development and execution of this study. Special appreciation is expressed to subcommittee members Murray A. Klein, Jacqueline L. Babicky, Richard S. Savich, and Gregson Parker for their vital assistance.

We are fortunate to have excellent staff support from the School of Management at Brigham Young University, especially that provided by Nina Whitehead, whose patience and attention to detail in the drafting process were invaluable. Janine De Luca and Cheryl DeGraff assisted her.

Finally, we acknowledge the support and assistance of Monroe S. Kuttner and Monte N. Kaplan of the AICPA's MAS Division.

As is the case with almost all research, the knowledge and attributes of MAS practice identified in this study will be altered as time passes. Although we assume responsibility for the accuracy of the data presented and the validity of the inferences made at this time, the reader must assume responsibility for changes made as time passes.

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Chapter 1

Management Advisory Services— An Overview

What Is MAS Practice?

The practice of management advisory services (MAS) is a dynamic and growing part of many public accounting practices. However, substantial questions remain about what MAS is. James Redfield defined MAS practice in 1961 as follows:

Management advisory services by certified public accountants may be defined as those services which are designed primarily to furnish advice or assistance to management through a professional relationship with respect to planning, organizing, or controlling any phase of business activity.¹

The AICPA uses a more extensive definition of MAS:

Management advisory services (MAS). The management consulting function of providing advice and technical assistance where the primary purpose is to help the client improve the use of its capabilities and resources to achieve its objectives. For the purpose of illustration, “helping the client improve the use of its capabilities and resources” may involve activities such as—

- a. Counseling management in its analysis, planning, organizing, operating, and controlling functions.
- b. Conducting special studies, preparing recommendations, proposing plans and programs, and providing advice and technical assistance in their implementation.

¹ James E. Redfield, *A Study of Management Services by CPAs* (Austin, Tex.: Bureau of Business Research, University of Texas at Austin, 1961), 24.

- c. Reviewing and suggesting improvement of policies, procedures, systems, methods, and organization relationships.
- d. Introducing new ideas, concepts, and methods to management.²

An earlier AICPA publication contained the following description of the MAS process:

In providing this advisory service, the independent accounting firm applies an analytical approach and process which typically involves—

- Ascertaining the pertinent facts and circumstances,
- Seeking and identifying objectives,
- Defining the problem or opportunity for improvement,
- Evaluating and determining possible solutions, and
- Presenting findings and recommendations,

and following the client's decision to proceed, the independent accounting firm may also be involved in—

- Planning and scheduling actions to achieve the desired results, and
- Advising and providing technical assistance in implementing.³

Why CPA Firms Offer MAS Services

In general, a CPA firm offers MAS services for two reasons. First, a CPA firm develops MAS capabilities to be a full-service firm that can fulfill clients' needs. The services available in a CPA firm include tax, auditing, preparation of financial statements, and management advice, which have varying degrees of structure, specialization, and specificity. Almost all CPA firms offer management advisory services when approached by a client or other entity with a specific problem.

Second, a CPA firm offers MAS services as part of the firm's strategic growth plans for practice development. Significant competition exists among CPA firms for audit and tax services. Many firms view MAS as the segment of practice offering the most opportunity for growth and expansion, both in terms of firm size and profitability. As a response to this perceived opportunity, most of the

² American Institute of Certified Public Accountants, Statement on Standards for Management Advisory Services (SSMAS) No. 1, *Definitions and Standards for MAS Practice* (New York: AICPA, 1981), 2.

³ American Institute of Certified Public Accountants, *Statements on Management Advisory Services* (New York: AICPA, 1974), 10–11.

larger and many of the smaller CPA firms have developed full-time staffs that provide a wide range of specialized services to clients, government agencies, and others.

There are also other benefits for a CPA firm that offers MAS services. If performed well, MAS projects with current audit or tax clients enhance confidence and trust in the firm. This, in turn, improves the CPA's ability to retain and work with the clients.

Another benefit is acquiring new clients. Often a company that is not interested in tax or audit services is interested in obtaining help with some specialized problem. From the relationship developed working on the specialized problem, other MAS, audit, or tax opportunities with the business often become available to the CPA firm.

Management advisory services frequently involve the application of new techniques and disciplines. Broadening the scope of expertise in MAS areas favorably affects other practice areas of the accounting profession and enhances the profession as a whole. For example, EDP know-how developed on an MAS project can be used to improve or enhance the individual's or firm's auditing process. Knowledge of computer software and hardware gained through MAS projects can be readily applied to other activities in the firm. Application of knowledge and skills gained on MAS projects to other areas of the firm's practice is an important benefit of offering MAS services.

Why MAS Services Are Obtained From CPA Firms

Management advisory services furnished by the CPA provide many advantages to the client. They include the following:

1. *Specialized competence.* The firm has specialized competence in many areas of management practice that the client's organization does not have. This is especially true of the small or medium-sized client that cannot afford to maintain specialists on its regular staff.
2. *Objectivity.* The CPA approaches the MAS project with the same objectivity used in an audit. Assumptions and conclusions are based upon well-documented and relevant data. The client's personnel could not be expected to provide this degree of objectivity.
3. *Previous experience.* The CPA has been exposed to a variety of business problems similar to those experienced by clients, as well as the methods used to solve many of these problems. The CPA can draw upon this experience to assist clients in solving problems.
4. *Familiarity with the client.* The CPA providing MAS services for a current audit or tax client can draw upon knowledge of the company and its activities gained from previous work with the company. This knowledge can be a substantial benefit in addressing new areas of concern.

Classification of MAS Projects

MAS projects vary in complexity and formality. A project might be a one-issue question answered over lunch, or it might be an investigation of many issues over a period of years, which is addressed in a formally presented written report.

The AICPA has attempted to group MAS projects into two general categories as follows:

MAS consultation. That form of MAS based mostly, if not entirely, on existing personal knowledge about the client, the circumstances, the technical matters involved, and the mutual intent of the parties. It generally involves advice or information given by a practitioner in a short time frame. Usually, information is received through discussions with the client and, by mutual agreement, is accepted by the practitioner as presented. The nature of an MAS consultation and the basis for the practitioner's response are generally communicated to the client orally. The practitioner's response may be definitive when existing personal knowledge is deemed adequate; otherwise, it may be qualified, in which case limitations are stated. A qualified response often reflects cost, time, scope, or other limitations imposed by the client's specific circumstances.

MAS engagement. That form of MAS in which an analytical approach and process is applied in a study or project. It typically involves more than an incidental effort devoted to some combination of activities relating to determination of client objectives, fact-finding, opportunity or problem definition, evaluation of alternatives, formulation of proposed action, communication of results, implementation, and follow-up.⁴

In general, a consultation is of limited scope and rather informal. An engagement is of more extended scope and conducted in a formal manner. With either type of project, the MAS practitioner exercises care in providing the client with documentation of the results, as appropriate.

⁴ American Institute of Certified Public Accountants, SSMAS No. 1, *Definitions and Standards for MAS Practice* (New York: AICPA, 1981), 2 and 3.

Sources of MAS Projects

One source of MAS projects is current audit, tax, or MAS clients. As a normal part of working with the client, CPAs can identify opportunities to improve the client's management, technology, and profitability. Often, clients themselves will identify problems and ask for the CPA firm's assistance.

A second source of MAS projects is nonclient firms. It is not unusual for a prospective client to approach a CPA firm with which it has no audit relationship and ask the firm to perform certain work. Often, organizations request proposals from several CPA firms. The motivation for seeking MAS services from a CPA firm appears to be the reputation, prestige, and credibility of the CPA profession developed over the years.

In the public sector, there are many consulting opportunities that do not arise from a preexisting audit relationship. While a CPA firm may be approached and asked to perform services, it must often develop or discover these opportunities for itself. To create these opportunities, CPAs can do the following:

- *Maintain close contact with key officials in areas in which desirable engagements are most likely to occur.* Contact can be maintained through structured social associations (for example, country clubs) or through business support organizations (for example, chambers of commerce and Rotary groups). Maintaining contact can provide early information about consulting opportunities for which the CPA firm may wish to make a proposal.
- *Develop a strong reputation for general competence and reliability.* A widely recognized reputation virtually assures that the CPA firm will from time to time be asked to make a proposal on a particular assignment.
- *Monitor formal sources of information about consulting opportunities and submit proposals, as appropriate.* Monitoring is especially applicable when dealing with government organizations.
- *Develop a specialty in and a relationship with specific industries or business applications.* A reputation as the leader or expert in an area will create many project opportunities.

Audit Considerations and MAS Practice

CPA firms offer a unique service in performing financial audits, which require professional independence. In conducting an MAS project for a current audit client or for a business that may become an audit client, CPAs exercise care so that their professional independence is not jeopardized.

General Areas of Knowledge Required for MAS Practice

Four basic areas of knowledge are required for MAS practice. These areas are summarized as follows:

1. Knowledge of how the CPA profession operates and how MAS practice fits within a CPA firm
2. Knowledge of clients' activities, including both for-profit and not-for-profit organizations
3. Knowledge of proper forms of oral and written communication
4. Knowledge of the consulting process and the typical characteristics of MAS projects

All MAS practitioners in a CPA firm need to understand the major characteristics of the accounting profession, including traditional services, ethical standards, and legal responsibilities. Knowledge of the accounting profession's policy-making processes, including the roles of state CPA societies and regulatory agencies, is also helpful for the MAS practitioner.

An MAS practitioner also needs to understand the role of MAS in relation to the other services provided by the firm (such as audit, tax, and accounting services). Understanding the practice orientation and direction of the firm as a whole is necessary to orient MAS activities for the benefit of the firm.

Many assignments MAS professionals undertake are for business organizations. Understanding how businesses operate and are managed is an essential part of the MAS professional's total knowledge. This general knowledge of business operations, management, and functions corresponds to that knowledge included in the core courses in most accredited college and university business schools. The major functional divisions of a business organization, such as accounting, finance, marketing, human resources, and operations, are covered and may be represented as well in certain supportive subjects, such as business law, behavioral science, systems theory, quantitative analysis, computer science, economics, and management.

Programs, agencies, and institutions outside the private sector (in government and not-for-profit activities) share many similarities with private-sector organizations. The differences, however, are critical to understand public-sector MAS work. The economic environment, planning, budgeting, control processes, sources of revenue, and other aspects are found and described differently in the public sector than in the private sector. The differences merit separate consideration.

Communication proficiency, both written and oral, is universally stressed as important to the MAS practitioner. CPA firms, staff training programs, and policy manuals, as well as managers themselves, emphasize the ability to write effective reports, proposals, and letters; take notes and prepare work papers; communicate orally with clients, supervisors, associates, and subordinates; and

master the essential skills of fact-finding through document search, interviews, and survey instruments. Most MAS professionals believe they would be unable to provide management advisory services, regardless of their technical proficiency, if they could not receive and clearly communicate facts, make inquiries, and state conclusions.

Knowledge of the CPA profession and business enables the MAS practitioner to be effective in a professional and working environment. Beyond this, concepts used to identify, analyze, and contribute to the solution of problems in organizations constitute essential knowledge of engagement conduct and MAS practice.

The MAS Consulting Process

In general, almost all MAS projects can be subdivided into the following five major phases and their related tasks.

1. Acquisition and General Planning

- Establish initial contact with the client.
- Conduct a preliminary survey of issues.
- Prepare and present an oral or written project proposal.
- Prepare and present an engagement letter clearly specifying the terms of the project: scope, general methodology, direct responsibilities, reporting benchmarks, and remuneration.

2. Detailed Planning

- Outline phases, tasks, and steps for conducting the project.
- Identify and arrange for personnel (CPA and client).
- Prepare detailed time budgets.
- Budget expected costs.
- Establish quality control checkpoints.
- Schedule periodic program reports and conferences with the client.

3. Execution

- Conduct the actual fieldwork according to plan.
- Monitor quality control measures.
- Maintain communication with the client.

4. Drafting and Reporting

- Analyze and synthesize the project's findings.
- Develop preliminary solutions and review them with the client.
- Select one solution and draft a final report.
- Present the final report (oral and written) to the client.

5. *Follow-Up*

- Provide assistance and guidance to the client as report findings are implemented.
- Maintain communication to enhance the client's satisfaction.

The steps of an MAS engagement are shown in diagram form in the exhibit on page 9.

Types of MAS Projects

Following are several examples of MAS projects performed by CPAs. These are classified according to the major functions of business management. They are simply samples of the innumerable projects available to the CPAs. Virtually any problem that an individual involved in business or a not-for-profit organization must address can be the subject of an MAS project.

General Management

- Business evaluation for mergers
- Profit improvement programs
- Cost reduction programs
- Merger and acquisition programs
- Diversification studies
- Financing methods
- New business start-up assistance
- General advice and consultation

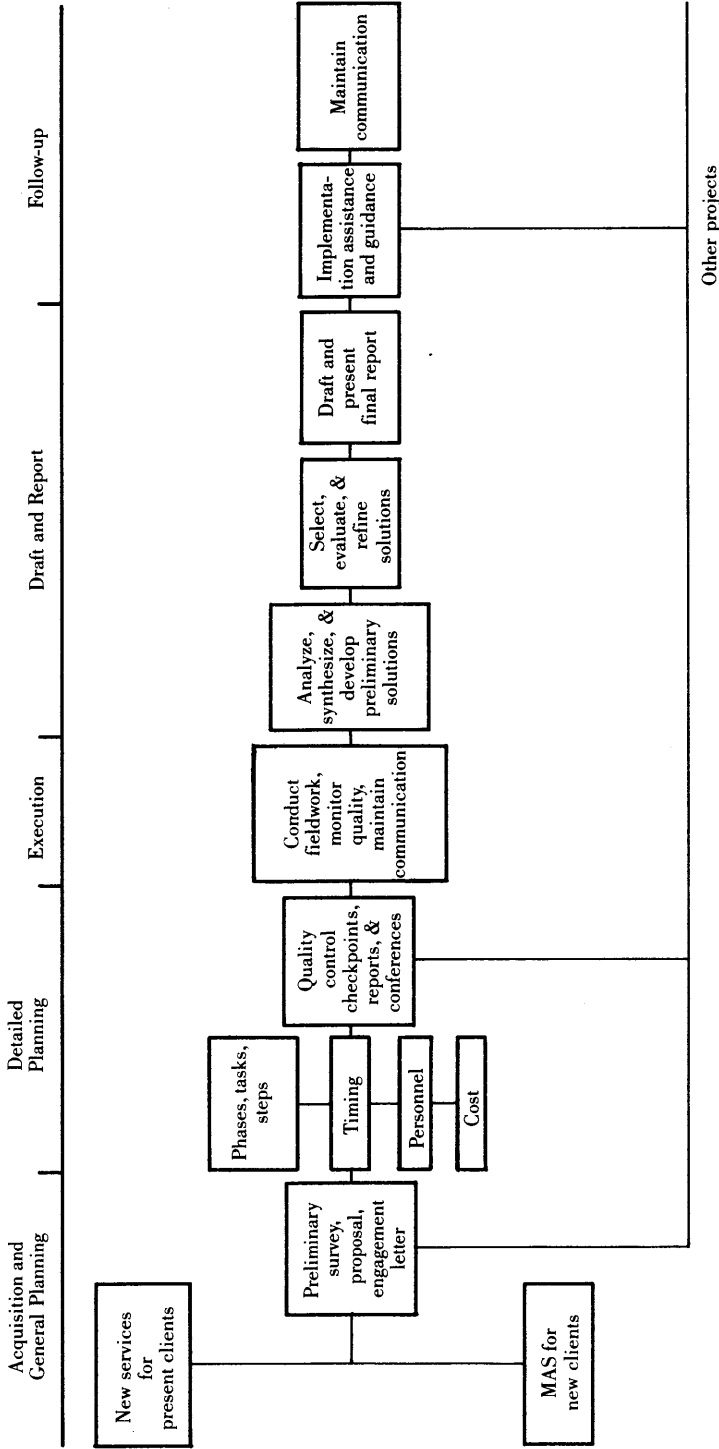
Long-Range Planning

- Economic feasibility studies
- Development of long-range plans
- Evaluation of long-range plans
- Establishment of a planning function

Organization and Personnel

- Organization planning studies
- Personnel evaluation and appraisal
- Wage and salary administration
- Executive compensation
- Executive recruitment

Exhibit
The MAS Consulting Process



Manpower Utilization

- Work measurement—production
- Work measurement—clerical
- Wage incentive plans

Financial Management

- Financial and profit planning
- Responsibility accounting systems
- Industry cost programs
- Overhead expenditure budgeting systems
- Capital expenditure budgeting systems
- Cost determination
- Working capital budgeting
- Return-on-investment analyses

Marketing Management

- Market research
- Marketing controls and procedures
- Product profitability analysis
- Distribution profitability analysis
- Product-line planning

Production and Operations Management

- Production scheduling and control
- Inventory analysis and control
- Transportation and distribution methods
- Warehousing methods and controls
- Work simplification

Management Sciences

- Sampling applications
- CPM/PERT applications
- Forecasting methods
- Optimum location studies
- Computer simulation

Computer Systems

- Systems planning
- Systems development

- Equipment evaluation and selection
- Programming
- EDP operations and controls
- EDP operational problem solving
- Advanced systems development

General Systems (Non-EDP)

- Management reporting
- Bookkeeping machine systems
- Manual systems and procedures
- Records retention and management

Specialized Areas of MAS Knowledge or Practice

Many CPA firms specialize in selected areas of MAS knowledge or practice. Specialization is characterized by discipline (topical area) or by industry (profit line). Following is a brief list of typical discipline areas and industries in which MAS services are offered.

Selected Areas of Specialization by Discipline

1. Management planning, implementation, and control
2. Systems concept, design, and installation
3. Finance and accounting
4. Electronic data processing
5. Operations
6. Human resources
7. Marketing
8. Management science
9. Economics
10. Business law
11. Office automation
12. Personal financial planning
13. Instruction and training
14. Investment

Selected Areas of Specialization by Industry

1. Construction
2. Education
3. Finance
4. Insurance
5. Real estate
6. State and local government
7. Federal government
8. Health care
9. Not-for-profit organizations, including churches and foundations
10. High technology
11. Heavy manufacturing
12. Light manufacturing
13. Retail trade
14. Wholesale trade
15. Service firms

Chapter 2

Summary of Findings

MAS practice within the public accounting profession is growing rapidly in terms of both hours and revenue. It is becoming increasingly important for all CPA practitioners to understand the role, process, and characteristics of MAS activities.

CPAs in MAS practice act as objective consultants in assisting clients with issues or problems. CPAs are frequently called on to provide MAS services because of their established relationship with a client, specialized competence, professional objectivity, and previous experience.

CPAs offer management advisory services in order to present their firms as full-service organizations. Growth and development in the MAS area is part of the strategic plan for many firms. MAS practice also serves to attract new clients for other practice areas as well as to strengthen the relationship with existing clients.

MAS activities are separated into consultations and engagements. Consultations consist of relatively short MAS projects performed informally. Engagements are more complicated, longer projects performed formally.

Sources of MAS work are current audit and tax clients and nonclients. Because of the importance of independence and objectivity in the audit functions, MAS activities with current audit clients should be reviewed carefully to ensure that the professional independence needed for the audit work is not jeopardized.

This study in its entirety presents a great deal of data on various aspects of MAS practice with a CPA firm. The data was gathered from MAS practitioners and firm representatives through two questionnaires, firm and practitioner. Analyzing this data yields a number of conclusions and inferences about MAS activities. These conclusions and inferences are summarized below, grouped under major topical headings. Additional detail and data are presented in the rest of the study.

Firm Questionnaire Demographic Data

a. Usable responses

Local	41
Regional	30
National	5
Multinational	<u>10</u>
Total	86

<i>b. Positions of firm respondents (percent)</i>	
Managing partners	33
Partners	26
Director, MAS	17
Other	24
<i>c. Average firm size in number of offices</i>	
Local	1.8
Regional	5.2
National	38.0
Multinational	83.2
<i>d. Average firm size in total number of professionals</i>	
Local	28
Regional	89
National	1,229
Multinational	7,804

Practitioner Questionnaire Demographic Data

<i>a. Usable responses</i>	
Individual	100
Local	441
Regional	91
National	21
Multinational	<u>61</u>
Total	714
<i>b. Respondents' sex</i>	
Male	684
Female	30
<i>c. Respondents' average age</i>	
Individual	41.2
Local	39.1
Regional	39.9
National	39.6
Multinational	38.0

- Among all respondents, 83.2 percent were between 34 and 43 years of age.
- Only 3 percent of the respondents were younger than 34 years of age.

d. All respondents are CPAs.

General Overview of MAS Practice

a. Percent of total offices with resident MAS practitioners

Local	62.5
Regional	38.1
National	59.0
Multinational	46.5

- Approximately 59 percent of all firm offices have a resident MAS practitioner.

b. Percent of MAS professionals to total CPA professionals

Full-time

Local	7.6
Regional	7.7
National	12.9
Multinational	14.0

Part-time

Local	6.0
Regional	3.4
National	2.6
Multinational	0.1

- MAS professionals comprise 10 to 15 percent of professionals within CPA firms.
- Only 33 percent of the local firms employ full-time MAS practitioners, but 93 percent of the regional firms and 100 percent of the national and multinational firms employ full-time MAS practitioners.
- Seventy percent of the local and regional firms employ part-time MAS professionals, while 40 percent of the national and 20 percent of the multinational firms employ part-time MAS professionals.

c. Firm recognition of MAS

- Among regional, national, and multinational firms, 80 to 100 percent recognize MAS as a separate function. While 71 percent of the local firms integrate MAS into their overall firm service, only 29 percent recognize MAS as a separate function.
- Representation at the executive level varies widely, with no apparent relationship to firm size.

d. Non-CPA MAS practitioners can be admitted to the level of partner in 100 percent of the national and multinational firms, in 61 percent of the regional firms, but in only 28 percent of the local firms.

e. Source of firm revenue is shifting away from audit and toward MAS practice.

- MAS revenues as a percent of total revenues

	<u>1978</u>	<u>1988</u>	<u>Increase/(Decrease)</u>
Local	7.2	18.1	10.9
Regional	5.0	17.8	12.8
National	10.2	19.0	8.8
Multinational	10.3	19.5	9.2

- Audit revenues as a percent of total revenues

	<u>1978</u>	<u>1988</u>	<u>Increase/(Decrease)</u>
Local	36.3	32.3	(4.0)
Regional	50.4	38.7	(11.7)
National	59.8	48.0	(11.8)
Multinational	68.7	52.9	(15.8)

- Tax revenues as a percent of total revenues

	<u>1978</u>	<u>1988</u>	<u>Increase/(Decrease)</u>
Local	31.9	30.7	(1.2)
Regional	22.2	24.9	2.7
National	26.2	29.4	3.2
Multinational	18.4	25.0	6.6

f. Of the total respondents, 82.6 percent reported non-MAS experience in CPA firms for an average of 8.5 years. In addition, 5.4 percent reported MAS experience outside of CPA firms for an average of 6.5 years.

g. Out-of-town travel (percent)

Individual	11.1
Local	8.4
Regional	17.8
National	24.1
Multinational	28.5

Skills and Knowledge for MAS Practitioners

a. Most frequently mentioned general business skill

- Firm representatives - Communication
(All firm classifications)

● Practitioners

- | | |
|---------------|--------------------|
| Individual | - Communication |
| Local | - General taxation |
| Regional | - Human resources |
| National | - Planning |
| Multinational | - Salesmanship |

b. Most significant general knowledge areas (in order of importance per firm representatives)

- Professional qualities
- Written communication
- Oral communication

Personality Traits for MAS Practitioners

a. Most frequently identified personality trait for MAS practitioners per firm representatives

- | | |
|---------------|---------------------|
| Local | - Communicativeness |
| Regional | - Communicativeness |
| National | - Analytical bent |
| Multinational | - Communicativeness |

- Other important characteristics - Technical bent
- Organizational bent

b. Most frequently identified personality trait for MAS practitioners per practitioners

- | | |
|---------------|-------------------------|
| Individual | - Communicativeness |
| Local | - Integrity |
| Regional | - Knowledge |
| National | - Patience |
| Multinational | - Computer ⁵ |

- Other important characteristics - Interpersonal skills
- Aggressiveness
- Positive attitude
- Diagnostic ability
- Decisiveness

⁵ Assumed to mean the personality oriented toward working in a computer environment

MAS Practice Areas

- a. The larger the firm, the higher the proportion of MAS projects considered formal engagements. Multinational firms considered 73.3 percent of their MAS activities as engagements. Local firms considered 86.3 percent of their MAS activities as consultations.
- b. Discipline areas—levels of significance and proficiency
 - Most significant per firm representatives
 - Finance and accounting
 - Information services
 - Electronic data processing
 - Most proficient per practitioners
 - Finance and accounting
 - Management planning, implementation, and control
 - Information services
- c. Industry areas—levels of significance and proficiency
 - Most significant per firm representatives
 - Service firms
 - Real estate
 - Manufacturing (light)
 - Most proficient per practitioners
 - Service firms
- d. There is a wide range in the levels of significance indicated by firm representatives for both discipline and industry areas.

The levels of proficiency indicated by practitioners for both discipline and industry areas are not as diverse as the levels of significance identified by the firm representatives.

Training and Education

- a. Direct entry into MAS practice without audit experience is common in all national and multinational firms, in 57 percent of the regional firms, but in only 23 percent of the local firms.
- b. Smaller firms use a higher percentage of individuals trained primarily in accounting than do larger firms. The larger firms use MAS people trained in both accounting and other disciplines.
- c. Of the 714 practitioner respondents, 7 percent hold non-CPA certifications in addition to the CPA designation. Certified data processor, certified in-

formation systems auditor, and certified management accountant were the most prevalent additional certifications.

d. Level of significance of general knowledge source

- Per firm representatives

Most significant

- Formal college education
- On-the-job training in MAS practice

Least significant

- Continuing education programs by AICPA or state CPA societies

- Per practitioners

Most significant

- On-the-job training in MAS practice

Least significant

- Structured training by your CPA firm
- Continuing education programs by other professional organizations

e. Almost all MAS respondents hold at least a bachelor's degree.

- Master's degrees become more prevalent as firm size increases. Among practitioners in multinational firms, 42 percent hold at least one master's degree.
- Of the bachelor's degrees held by respondents, 72.3 percent are in accounting. No other educational area at the bachelor's level includes more than 5 percent of the respondents.
- Of the master's degrees held, 35.7 percent are in accounting, 28 percent are in business management, 11.4 percent are in business finance, and 6.5 percent are in other business areas.

f. Communication and interpersonal skills were identified as the areas in which educational programs needed more attention. No educational area was identified as needing less attention.

Entry Into MAS Practice

a. Growth in MAS practice revenues during the period from 1979 to 1983 ranged from 64 percent for local firms to 187 percent for regional firms.

b. Average growth in MAS practice revenues expected during the period from 1984 to 1989 ranges from 48 percent for national firms to 206 percent for regional firms.

c. Average number of new MAS hirees per firm expected during the period 1984–1989.

Local	4
Regional	12
National	124
Multinational	1,636

d. Fifty-six percent of the local firms and 41 percent of the regional firms hire new MAS practitioners at only the advanced level. Thirty-one percent of the local and 10 percent of the regional firms hire new MAS practitioners at only the entry level. The remaining local and regional firms, as well as all of the national and multinational firms, hire new MAS professionals at both entry and advanced levels.

e. Even though the majority of new MAS hirees have held other positions, 31.1 percent to 44 percent are hired directly from college.

f. Of those new hirees directly from college, local and regional firms employ a majority of new employees with a bachelor's degree. National and multinational firms employ a majority of individuals with master's degrees.

g. As firm size increases, the number of new MAS employees from industry increases—7.6 percent at the local level and 41.2 percent at the multinational level.

h. As firm size increases, the number of new MAS employees from other positions within the firm (audit and tax staff) decreases—46 percent at the local level and 6.5 percent at the multinational level.

Practitioner Career Paths

a. There are four basic career paths followed by MAS practitioners:

1. Firm advancement
2. CPA industry advancement
3. Interrupted advancement
4. Non-CPA entrance

b. On the average, advancement to the partner level is quicker for those staying within CPA firms than for those holding non-CPA positions.

c. The type of non-CPA firm experience reported is extremely diverse. No common trend appears, regardless of firm size.

Practitioner Comments About MAS

In addition to responding to the questions asked in the questionnaires, many of the practitioners provided comments on MAS practice. A selection of these comments follows.

MAS can be as short and simple as helping a client with a single item of accountability, or as complex as touring the country from a depression to a boom. The larger the project, the greater the need for innovative approaches.

The need for MAS services will probably exceed the need for services such as auditing and accounting. With the personal computer, accounting is being shifted to in-house. Auditing, if not required, is too costly to have done annually. Concern about taxes, retirement, etc., will increase the need for MAS.

Very rewarding—much more challenging than accounting or auditing.

This is not accounting. There are no clear-cut rules. Don't go into service without a creative and open mind.

Anyone who wants to have an MAS practice needs the following:

1. Huge amounts of continuing education
2. Experience
3. Willingness to read everything and work

Requires broad perspective.

In the small firm, MAS is not usually separated from tax and auditing practice and may actually be indistinguishable from tax and accounting services being provided.

Sure wish colleges would teach engagement control, consulting art, client relations, and more about management control systems.

MAS is a learning-by-doing discipline—Must be pragmatic—Adoption of new ideas across line—You get better as you get older.

One highly technical area that covers all industries is that of data communication and telecommunication. There is a wealth of work in these areas and very few people actually qualified to do the job.

Ability to be objective and be critical, yet do not destroy the morale or confidence of others.

1. We should always understand the client needs objective and clear-cut answers. We should forget our egos and get down to basics and talk the client's language.
2. Fees: Do not price yourself out of a job.

MAS is the growth area within CPA firms. More support should be given by the AICPA to MAS.

More than any other area of service in an accounting practice, MAS requires experience—books and courses alone won't qualify a person.

The training and experience obtained by eighteen years' experience in industry plus continued reading of business periodicals is what I feel helps me.

The important thing in my mind is to be able to understand the client's business and be willing to challenge management's ideas. Be creative and look for new ways to solve problems and issues.

The key to being a successful MAS practitioner is that you must understand business and you must understand people (i.e., have strong interpersonal skills). There are very few successful MAS practitioners because they simply don't understand how a business should be run (organizationally, financially, marketing-wise, promotionally, efficiently, etc.) and they cannot communicate effectively.

It can only be done by experienced people. No degree could give one proficiency. Years "in the field" are needed.

For most engagements, a combination of good business skills, common sense, experience, and the ability to communicate are the most important factors for client satisfaction.

Remember that God gave you two ears and one mouth, so you should listen twice as much as you talk. Define and identify the problems correctly, and the solutions become simple and obvious.

Having been in private industry for two years with a small company (\$10 million in sales), I feel that CPA-firm MAS and most management consultation is far too theoretical and not very useful. Attention to "nuts and bolts" problems is far more helpful in smaller practices and businesses than esoteric discussions and thick presentations.

You can put an MAS person in tax or audit, but not vice versa. Our MAS person is to accounting as a TV newscaster is to television

programming or reporting. The MAS person has to make it happen, cannot be an introvert, and must take rejection well. He/she also must be willing to put his/her neck on the line and thrive in a pressure-filled environment. You can make an auditor, but an MAS person has to be born with a lot of the basics.

Most accountants don't have what it takes to be top-notch advisors. Experience in running a business will help to make a person a good advisor. To me, MAS is to show clients how to maximize profit.

Too many accountants, facing audit and tax-profit problems, think MAS is the way to go. Unless you are ready to get your hands dirty, be "browbeaten" by the client, have your birthright questioned, etc., stay away. The day of the formal studies is still there for the big firms, but for locals, you have to be able to make decisions and butt heads to win. Former auditors and tax people lack the basic personality to be any good in MAS.



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