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American Institute of Certified Public Accountants

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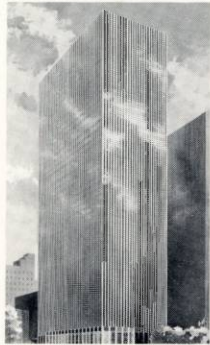
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AICPA ANNUAL REPORT 1975-76

American Institute of Certified Public Accountants

**“...our profession
is caught up in
attitudes that prevail
within the federal
government, and we must
be prepared to deal
with them in a rational,
responsible manner.”**

—Joint Statement, 1976

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A JOINT STATEMENT



Ivan Bull
Chairman of the Board

Wallace E. Olson
President

At a time when our profession has become more vigilant, more independent, and more responsive to its responsibilities than ever before, it is ironic that we are beset by events largely beyond our control. Most of these events arise in Washington and reflect a tendency to seek solutions to the nation's problems through federal government programs. Like it or not, our profession is caught up in attitudes that prevail within the federal government, and we must be prepared to deal with them in a rational, responsible manner.

Among the emerging events likely to have a profound effect on our profession are—

- Revelations about improper corporate payments
- Unprecedented rates of inflation
- Accounting implications of the energy crisis
- A growing concern about excessive corporate power
- A continuing search by the SEC for fairer financial reporting through an ever-expanding volume of disclosures

- Restructuring of the capital markets
- Financial crises being encountered by state and local governments

All of the foregoing involve either legislative or regulatory agency proposals which include a potential for increasing responsibilities of auditors accompanied by close governmental scrutiny of the profession's performance.

Much of the past year has been devoted to monitoring and commenting on the various initiatives within the federal government having a significant bearing on the work of auditors. In late 1975 and early 1976, the auditing standards division spent a great deal of time responding to SEC proposals regarding auditors' involvement in interim financial reports of publicly held companies. Although standards for limited reviews and the association of auditors with interim financial statements were adopted, this new responsibility continues to present problems.

Other SEC actions with far-reaching implications for the profession which require continuing attention by the Institute are the appointment of an advisory committee to study corporate disclosures, the requirement that an auditor express an opinion about preferability among accounting alternatives when a client changes from one to another, and the requirement for footnote disclosure of the replacement costs of inventories and productive capacity of major companies. Special Institute committees have been formed to deal with these issues.

Regarding the SEC's proposed legislation for dealing with improper corporate payments, extensive revisions have been recommended to minimize its negative impact on the performance of audits. This matter will be pursued as the legislation comes before both houses of Congress.

Alternative recommendations were also made to the Internal Revenue Service regarding its use of a questionnaire to investigate illegal corporate payments. Our suggestions were designed to avoid placing auditors in an adversary position with respect to their clients, thereby making the performance of audits more difficult.

Both the Institute and the largest CPA firms have responded to searching questions posed by the Senate Committee on Government Operations' subcommittee on reports, accounting and management, which is probing the structure and operations

of the profession. It is expected that this investigation will culminate in the coming months in a subcommittee report on its findings and public hearings.

The Institute, responding in opposition to a proposal for periodic rotation of auditors, testified before the Senate Commerce Committee regarding the independence of auditors. Committee hearings will be continued in 1977 to consider the question of whether large corporations should be federally chartered or subjected to other governmental control.

Included on the list of government actions requiring our attention are—

- Pending legislation to regulate the sale of municipal securities
- A study of invasions of privacy
- Hearings by a House Subcommittee which, among other things, explored questions about the profession's performance
- Continuing implementation problems under ERISA
- Growing demands for access to auditors' working papers
- A study of the paperwork burden

Special AICPA committees were appointed to develop recommendations on these vital issues.

Clearly, federal government activity affecting us has accelerated. This fact together with the likelihood that such activity will continue to increase in the years ahead represents the most important development of the past year.

In addition to reacting to proposals of others, the Institute took positive action with the appointment of a special committee to study public service activities appropriate for the profession. One such activity was the assembling of CPA advisers to help major political parties comply with the federal election laws in their 1976 campaigns. A briefing seminar was held in Washington to prepare CPAs for this assignment. The Institute also published a comprehensive study of election law requirements.

There were a number of other major developments. A compromise was reached with the legal profession on the responses of lawyers to auditors'

inquiries concerning contingent legal liabilities. An intensive study of the application to smaller companies of generally accepted accounting principles was completed and a report issued recommending that certain types of disclosures be excluded from GAAP. A subcommittee of the auditing standards division was appointed to reexamine all aspects of accounting and review services, especially the association of CPAs with unaudited financial statements.

A special accounting standards task force was appointed to respond to the FASB's discussion memorandum on a conceptual framework for accounting. Emphasis will be given to developing and experimenting with alternative accounting models incorporating various combinations of valuation concepts.

An issue originally identified by the accounting standards division as an emerging problem and that has evoked widespread controversy, particularly among bankers and bank regulatory authorities, has been how to account for restructured debt and securities of certain financially distressed state and local governments. The issue will be dealt with by the FASB late this year and no doubt will be one of the more explosive subjects in the coming months.

Another matter of overriding importance to the profession was the litigation instigated by Arthur Andersen & Co. to overturn the SEC's Accounting Series Releases 150 and 177. Because the future of accounting standard setting was at stake, the Institute filed an amicus curiae brief supporting the SEC's policy of looking to the FASB for setting accounting standards. However, the Institute reiterated its previously expressed view that the SEC's requirement for auditors to express preferability between equally acceptable accounting principle alternatives should be revoked.

The Institute also filed an amicus curiae brief in *Ernst & Ernst vs. Hochfelder*. The resulting opinion of the U.S. Supreme Court was a major step toward narrowing the circumstances in which auditors can be held liable under the Securities acts.

A study of the body of knowledge underlying management advisory services was completed and the conclusion reached that a sufficiently well-defined body of knowledge exists to permit examinations to accredit competence in this area of service. A special committee began an intensive study of the

need for formal accreditation and recognition of specialization within the profession.

A discussion draft on proposed standards for programs and schools of professional accounting was completed and issued for comments by interested parties. Also preliminary discussions on the establishment of an accrediting body were initiated.

One of the most ambitious initiatives of the profession has been the adoption of a quality control review program for CPA firms. A program for firms having or wanting to prepare for an SEC practice was adopted by Council in May 1976 with a proviso that it be revised and made applicable to all firms and that it incorporate the previous program for local firms. The proposed program, as revised, is expected to be adopted by Council in October 1976 and to be instituted in 1977.

Another ambitious project has been the study of the responsibilities of auditors by the Commission chaired by Manuel Cohen. The Commission has been making steady progress even though its task has proven to be more extensive than anticipated. The current expectation is for a report to be published late in 1977.

The merits of suggestions for restructuring the profession to deal more effectively with changing circumstances have been the subject of study by a special committee. Its recommendations to the Board of Directors urge the creation of a structure providing for membership of CPA firms. In the coming months, this proposal will be explored more fully to determine its feasibility.

Several new techniques were introduced to expedite collective action on behalf of the profession on the many issues mentioned above. Regional meetings of Council members were initiated. Advisory committees representing various segments of the membership met to develop recommendations to Institute committees and to the Board of Directors. Discussion forums were organized through state societies to give more members the opportunity to express opinions on proposed programs of the profession.

Despite the profession's deepening involvement in an expanding array of issues and the impact on activities mounted in response to them, revenues exceeded expenses for the year by \$1,621,331. Increased revenues were largely due to a raise in

membership dues and an unprecedented volume of publication and advertising sales.

Total expenses were \$1,832,589 more than the prior year's of which \$1,526,963 was attributable to revenue-producing activities and \$305,626 to all other projects and activities of the Institute.

All signs point to the fact that the profession is in a critical period in its history with respect to its role, structure, and regulation and the manner of establishing standards to which the profession must adhere. The continuing unstinting devotion of time by our members and the maintenance of a highly skilled staff will be crucial to our success in meeting these challenges. We are confident that through these collective efforts our profession will emerge from the present period stronger than ever and with an enhanced ability to fulfill our role of service to the public.

Ivan Bull Wallace E. Olson

THE YEAR IN REVIEW

Accounting Standards (Technical)

The Accounting Standards Executive Committee identified ten emerging practice problems this year for consideration by the FASB. Most of these were placed on the FASB's agenda for study, and two have already been acted upon by the Board. Meanwhile, AcSEC is working on a Statement of Position on employee stock ownership plans, an emerging problem the Board decided not to act upon.

The report of the Committee on GAAP for Smaller and/or Closely Held Businesses was approved for distribution to practice units within the Institute in September. Extensive discussions are planned with the FASB and the SEC to facilitate consideration and implementation of the report's recommendations by those bodies.

At year's end, the following major projects were in process by AcSEC committees and task forces:

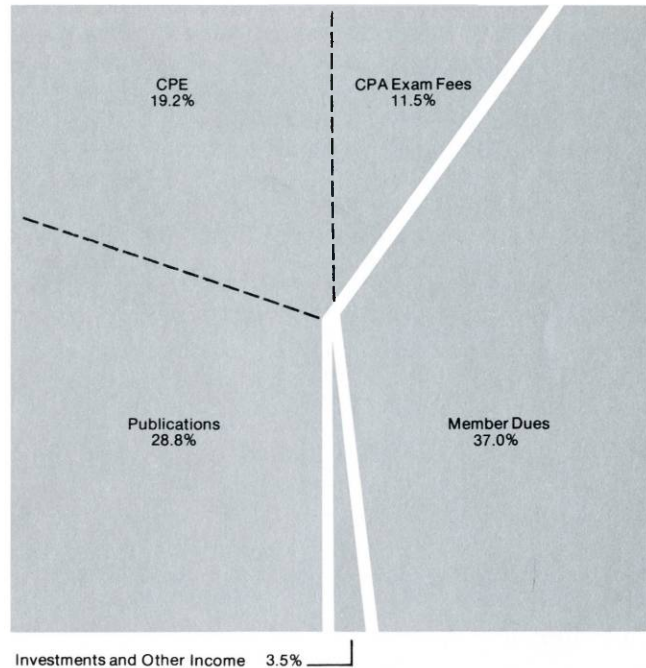
- Selecting two or three current value accounting models for testing with the test results to be turned over to FASB for use in its conceptual framework study
- Providing input to the SEC Advisory Committee on Corporate Disclosure
- Identifying accounting and reporting problems of non-profit organizations not covered by present technical guides
- Revising the technical guide on Construction Contractors
- Providing guidance on valuation of real estate, and loans and receivables collateralized by real estate

Statements of Position issued by AcSEC this year as interim guides for AICPA members, pending FASB action, were as follows:

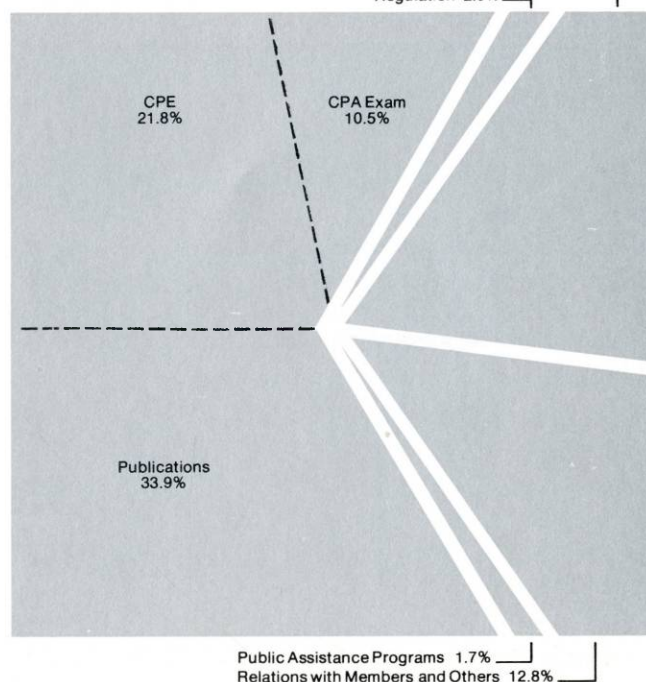
- Accrual of Revenues and Expenditures by State and Local Governmental Units
- Presentation and Disclosure of Financial Forecasts
- Accounting Practices in the Broadcasting Industry
- Questions Concerning Profit Recognition of Sales of Real Estate

Finances at a Glance

Revenue by Source



Expense by Activity



Additionally, the division submitted a total of ten comment letters to the FASB and eight to the Cost Accounting Standards Board concerning various matters under their consideration.

A major achievement was the completion, for fall distribution, of the social measurement committee's pioneering research study, *The Measurement of Corporate Social Performance (Determining the Impact of Business Actions on Areas of Social Concern)*. This study is the culmination of several years of work by Chairman Arthur B. Toan, Jr., and his committee, seeking to assess the promise and problems of social measurement and the role of the CPA in that process.

Auditing Standards (Technical)

AudSEC issued six Statements on Auditing Standards before the year's end. They were the following:

- Other Information in Documents Containing Audited Financial Statements
- The Effect of an Internal Audit Function on the Scope of the Independent Auditor's Examination
- Limited Review of Interim Financial Information
- Using the Work of a Specialist
- Inquiry of a Client's Lawyer Concerning Litigation, Claims, and Assessments
- Reports on a Limited Review of Interim Financial Information

Exposure drafts of Proposed Statements on Auditing Standards issued were Special Reports, The Independent Auditor's Responsibility for the Detection of Errors or Irregularities, Illegal Acts by Clients, and Reports on Comparative Financial Statements.

Auditing interpretations issued during the period in amplification of SASs were as follows:

- Reporting on Comparative Financial Statements of Non-Profit Organizations
- Reporting on Loss Contingencies
- Applicability of Guidance on Reporting When Not Independent
- Evaluating the Adequacy of Disclosure of Related Party Transactions
- Disclosure of Commonly Controlled Parties
- Immediate Family
- Auditor's Identification With Condensed Financial Data

In its relations with outside agencies and organizations, AudSEC and its subcommittees and task forces performed a number of collaborative or cooperative services setting forth the accounting profession's point of view. Among them were the following:

- The development of a Uniform Single Audit Program for Mortgage Bankers with the Mortgage Bankers Association.
- Exposure of a discussion paper on Accounting for Property and Liability Insurance Companies preparatory to developing a statement of position.
- A statement to the Securities and Exchange Commission on suspension of the new 10 Q provision requiring CPAs to express an opinion on the preferability of an accounting principle change made by a client. The request was declined by the SEC.
- A memorandum to the SEC suggesting changes in their proposed amendment of Section 13 of the SEC Act of 1934 which seeks to prevent illegal corporate payments by requiring their disclosure in the books and records of issuers registered with the Commission.
- A proposed auditor's report for corroborating a client's response to the IRS questionnaire on corporate "slush" funds was sent to Commissioner Alexander. It suggested the elimination of the IRS proposal that the auditor complete a questionnaire concerning his client in favor of a review of the taxpayer's response by the auditor and corroboration of its contents based on his personal recollection. Subsequently, the IRS issued a supplement which included some of AudSEC's suggestions.

AudSEC is also at work on a number of auditing issues, including financial forecasts, operational and management auditing, pension funds, and required reporting on internal control. In addition, the division's subcommittee on Accounting and Review Services is deeply involved in its study of AICPA pronouncements concerning unaudited financial statements and is developing recommendations for guidance.

Computer Services (Technical)

Significant results in computer services during the year include—

- Release of the first publication in the series of

Computer Services Guidelines, entitled *Guidelines for General System Specifications for a Computer System*, soon to be followed by guidelines for computer tax preparation and the assessment of computerized general ledger and financial reporting systems. Three more guideline topics are in the draft stage.

The guideline series tells the practitioner when to use EDP, how to get started, and how to avoid a number of pitfalls that are often encountered.

- Release for public exposure of *The Auditor's Study and Evaluation of Internal Control in EDP Systems*, which provides members with "how to" information for implementing the standards established by SAS No. 3.

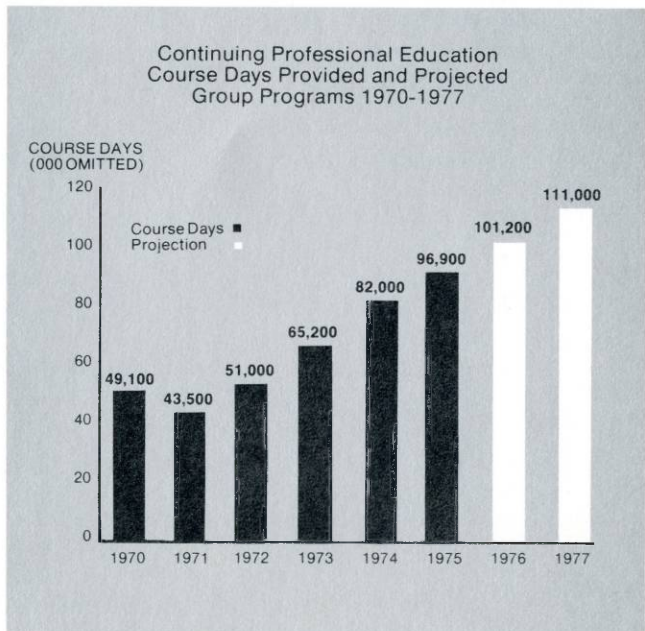
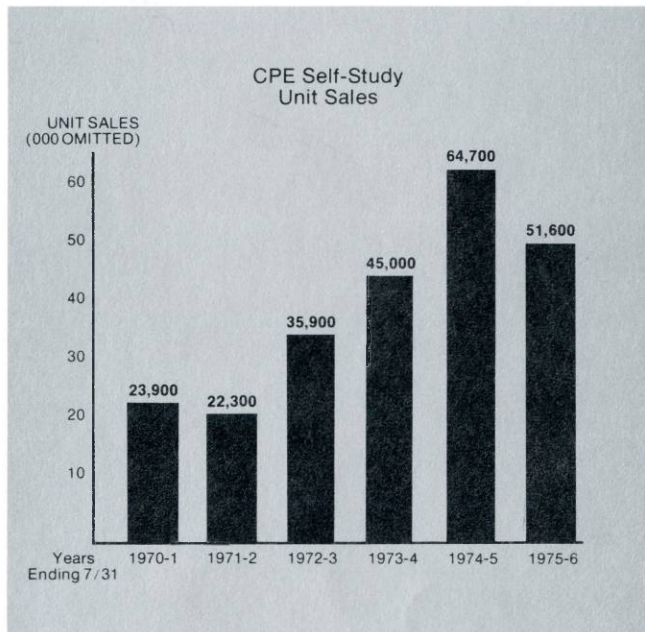
Stimulation of interest and participation in the AICPA Time Sharing Library which now contains over seventy-five programs and has more than 200 firms subscribing to it. Subscribers avoid costly duplication of software and the charges each user would have to pay for storing programs on the system.

- Distribution of 2,000 copies of the Auditability Information Catalog, which was developed jointly by the division and IBM. This catalog is the first to be compiled by a hardware vendor listing software products of particular interest to auditors.
- Arranging for Institute members to subscribe to Datapro, Auerbach, and FAIM computer technical publications at greatly reduced cost.
- Developing the specifications for a common audit software system which could save firms millions of dollars annually by relieving them of the need to maintain individual systems. It could easily be adapted for CPE courses which could give a common source for training auditors.
- Held the twelfth annual conference on computers and information systems which drew a record attendance. For the first time, the program combined formal training courses with traditional conference sessions.

Continuing Professional Education (Revenue-Producing)

The need for a set of nationwide standards for formal CPE group and self-study programs has become clearly evident. A total of twenty-two states (five more than last year) required CPE credits for licensing or registration. The division's standards subcommittee, with the approval of the AICPA

Board of Directors, released its statement on standards for CPE program development, presentation, measurement and reporting, and strongly urged the adoption of these standards by state societies and state boards of accountancy.



Spurred by the increasing demand for new courses, the division introduced seven new group-study courses during the year and made available six new self-study programs.

New course development is being greatly accelerated with the assistance of firms who contribute to the EDMAX library, a number of state societies, and others. Several dozen new courses are now in process.

Guidance for new courses and curriculum changes is being supplied by task forces of the division's curriculum subcommittee. Curricula for taxation, management advisory services, and industry have been updated. Work continues on revision of accounting and auditing curricula.

The division's program coordination subcommittee developed a system to involve state societies in proposals or problems which affect them. Closer coordination and cooperation is expected as a result. Last year state societies sponsored, or cosponsored, 2,150 course presentations involving the distribution of nearly sixty-five thousand course manuals.

A proposal of the division's long range planning task force—to enrich accounting academic preparation by use of practice-oriented material drawn from CPE courses—will be implemented by the Institute. Care will be taken to avoid interference with regularly scheduled CPE programs.

Examinations (Revenue-Producing)

Evidence of the continuing interest in professional accounting as a career for young men and women can be seen in the accompanying chart. Each succeeding May and November examination sets a new record in numbers of candidates and in papers submitted over its earlier counterpart.

A significant action was taken this year to insure the integrity of the examination process. A review team of the National Association of State Boards of Accountancy was engaged to study all stages of the process—development, security, and grading. Its first report is due in the spring of 1977 and the review will be repeated annually by NASBA thereafter.

CPA Examination Candidates and Papers Completed 1973-76

| | | Candidates | Papers Completed |
|----------|------|------------|------------------|
| May | 1974 | 33,231 | 121,660 |
| | 1975 | 38,309 | 140,966 |
| | 1976 | 41,457 | 151,981 |
| November | 1973 | 33,497 | 125,198 |
| | 1974 | 38,831 | 144,671 |
| | 1975 | 42,124 | 156,096 |

Compare the figures above with those of ten years ago:

| | | | |
|----------|------|--------|--------|
| May | 1966 | 15,227 | 51,591 |
| November | 1965 | 17,194 | 60,982 |

Incidental Statistics

The special services department of the Institute, which has many duties in support of the Institute's staff and membership, processed the following items during the year:

| | |
|----------------------------|----------|
| ▪ Incoming Telephone Calls | 80,863 |
| ▪ Number of Visitors | 40,902 |
| ▪ Pieces of Mail Received | 738,417 |
| ▪ Pieces of Mail Sent | 508,019 |
| ▪ Direct Publication Sales | \$87,019 |

The Year in Review continues on page 17.

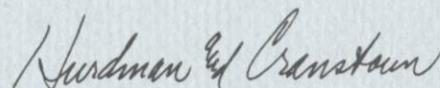
Report of Independent Certified Public Accountants

To the Members of the American Institute of Certified Public Accountants

We have examined the statement of assets, liabilities and fund balances of the American Institute of Certified Public Accountants as of July 31, 1976 and 1975 and the related statements of revenues and expenses, changes in fund balances, and changes in financial position for the years then ended. We have also examined the statements of assets, liabilities and fund balances of the American Institute of Certified Public Accountants Foundation, the American Institute Benevolent Fund, Inc. and the Accounting Research Association, Inc. as of July 31, 1976 and 1975 and the related statements of changes in fund balances for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records

and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements identified above present fairly the financial position of each of the aforementioned organizations at July 31, 1976 and 1975, and the results of their operations and the changes in their fund balances and, for the American Institute of Certified Public Accountants, the changes in its financial position for the years then ended, all in conformity with generally accepted accounting principles applied on a consistent basis.



Certified Public Accountants

New York, New York
September 9, 1976

Financial Statements

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Statement of Assets, Liabilities and Fund Balances

| | July 31, | |
|---|---------------------|---------------------|
| | 1976 | 1975 |
| Assets | | |
| Cash | \$ 552,926 | \$ 577,458 |
| Marketable securities (quoted market: 1976, \$7,374,200; 1975, \$5,049,500) | 7,297,440 | 5,036,272 |
| Accounts receivable (less allowance for doubtful accounts, \$10,000) | 1,715,036 | 1,767,745 |
| Inventories (Note 1) | 2,072,148 | 1,659,305 |
| Deferred authorship costs and prepaid expenses | 1,164,775 | 552,132 |
| Furniture, equipment and leasehold improvements (Note 2) | 1,744,012 | 1,797,024 |
| | <u>14,546,337</u> | <u>11,389,936</u> |
| Endowment and other restricted funds: | | |
| Cash | | 551 |
| Marketable securities (quoted market: 1976, \$623,900; 1975, \$603,100) | 573,679 | 575,736 |
| | <u>\$15,120,016</u> | <u>\$11,966,223</u> |
| Liabilities and Fund Balances | | |
| Liabilities and deferred revenues: | | |
| Accounts payable and other liabilities | \$ 2,114,746 | \$ 1,223,524 |
| Accrued taxes (Note 3) | 477,260 | 437,519 |
| Advance dues | 5,614,721 | 5,439,723 |
| Unearned publication subscriptions and advertising | 1,871,899 | 1,442,790 |
| | <u>10,078,626</u> | <u>8,543,556</u> |
| Commitments and contingent liabilities (Notes 4 and 5) | | |
| Fund balances: | | |
| General Fund (Note 8): | | |
| Appropriated for contingencies | | 2,000,000 |
| Unappropriated | 4,467,711 | 846,380 |
| Total General Fund | <u>4,467,711</u> | <u>2,846,380</u> |
| Endowment and other restricted funds | 573,679 | 576,287 |
| | <u>5,041,390</u> | <u>3,422,667</u> |
| | <u>\$15,120,016</u> | <u>\$11,966,223</u> |

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

**AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS**

**Statement of
Revenues and Expenses**

| | Year Ended July 31, | |
|---|---------------------|-----------------------|
| | 1976 | 1975 |
| Revenues: | | |
| Membership dues | \$ 8,008,343 | \$ 5,594,749 |
| CPA examination fees | 2,497,518 | 1,891,270 |
| Publications | 6,227,665 | 4,925,861 |
| Continuing professional education | 4,166,953 | 4,022,743 |
| Government grant for aid to minority business | 133,551 | 160,958 |
| Information retrieval program | 227,447 | 230,748 |
| Investment and sundry income | 390,913 | 398,794 |
| Loss on sale of securities | (11,763) | (85,070) |
| | <u>21,640,627</u> | <u>17,140,053</u> |
| Expenses (see also summary of expenses by activity): | | |
| Salaries and fees | 7,640,581 | 6,839,113 |
| Personnel costs | 1,221,546 | 1,093,429 |
| Occupancy | 2,513,069 | 1,913,150 |
| Printing and paper | 4,393,281 | 3,991,609 |
| General | 4,226,819 | 4,309,406 |
| Federal income taxes | 24,000 | 40,000 |
| | <u>20,019,296</u> | <u>18,186,707</u> |
| Excess (deficiency) of revenues over expenses | <u>\$ 1,621,331</u> | <u>(\$ 1,046,654)</u> |
| Summary of expenses by activity: | | |
| CPA examinations | \$ 2,110,891 | \$ 1,892,919 |
| Publications: | | |
| Cost of sales | 5,523,481 | 4,563,212 |
| Distributed to members and others | 1,265,964 | 1,052,888 |
| Continuing professional education | 4,360,507 | 4,011,484 |
| Technical: | | |
| Accounting standards | 267,907 | 214,578 |
| Auditing standards | 540,359 | 743,143 |
| Federal taxation | 302,758 | 187,570 |
| Management advisory services | 248,828 | 307,486 |
| Computer services | 262,081 | 291,537 |
| International practice | 193,326 | 216,600 |
| Research | 65,408 | 106,774 |
| Technical information and review | 543,513 | 503,313 |
| Information retrieval | 257,835 | 276,453 |
| Financial Accounting Foundation contribution | 224,988 | 207,726 |
| Commission on auditors' responsibilities | 372,692 | 144,307 |
| Regulation: | | |
| Ethics and trial board | 468,400 | 381,686 |
| State legislation | 124,979 | 189,843 |
| Relations: | | |
| Members | 1,071,029 | 993,587 |
| Other groups: | | |
| Public relations | 385,936 | 380,997 |
| State societies | 270,588 | 294,229 |
| Universities | 239,734 | 264,158 |
| Federal government | 604,857 | 589,310 |
| Public assistance programs: | | |
| Government funded aid to minority business | 209,844 | 208,431 |
| Administration of minority student programs | 103,391 | 164,476 |
| | <u>\$20,019,296</u> | <u>\$18,186,707</u> |

Note: With the exception of the Financial Accounting Foundation contribution, each of the above amounts includes a pro rata allocation of administrative expenses, which aggregated \$2,028,499 and \$1,700,170 for 1976 and 1975, respectively.

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

**AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS**

**Statement of
Changes in Fund Balances**

| | Year Ended July 31, | |
|---|---------------------|--------------------|
| | 1976 | 1975 |
| General Fund: | | |
| Fund balance, beginning of year | \$2,846,380 | \$3,893,034 |
| Excess (deficiency) of revenues over expenses | 1,621,331 | (1,046,654) |
| Fund balance, end of year | 4,467,711 | 2,846,380 |
| Endowment and other restricted funds: | | |
| Fund balances, beginning of year | 576,287 | 601,922 |
| Excess of revenues over expenses | 93 | 428 |
| Loss on sale of securities | (2,701) | (26,063) |
| Fund balances, end of year | (2,608) | (25,635) |
| Fund balances, end of year | 573,679 | 576,287 |
| | <u>\$5,041,390</u> | <u>\$3,422,667</u> |

**AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS**

**Statement of
Changes in Financial Position**

| | Year Ended July 31, | |
|---|---------------------|--------------------|
| | 1976 | 1975 |
| Cash and marketable securities, beginning of year | \$5,613,730 | \$3,601,577 |
| Sources of funds: | | |
| From operations: | | |
| Excess (deficiency) of revenues over expenses | 1,621,331 | (1,046,654) |
| Add back expenses not requiring outlay of funds— depreciation and amortization | 661,891 | 470,940 |
| | 2,283,222 | (575,714) |
| Increase (decrease) in liabilities and deferred revenues: | | |
| Accounts payable and other liabilities | 891,222 | (275,267) |
| Accrued taxes | 39,741 | 88,702 |
| Advance dues | 174,998 | 4,539,583 |
| Unearned publication subscriptions and advertising | 429,109 | 100,376 |
| | 3,818,292 | 3,877,680 |
| Uses of funds: | | |
| Additions to deferred authorship costs and prepaid expenses | 1,056,128 | 286,700 |
| Additions to furniture, equipment and leasehold improvements | 165,394 | 1,302,561 |
| Increase (decrease) in other assets: | | |
| Receivables | (52,709) | (133,454) |
| Inventories | 412,843 | 409,720 |
| | 1,581,656 | 1,865,527 |
| Increase (decrease) in funds: | | |
| Cash | (24,532) | 163,173 |
| Marketable securities | 2,261,168 | 1,848,980 |
| | 2,236,636 | 2,012,153 |
| Cash and marketable securities, end of year | <u>\$7,850,366</u> | <u>\$5,613,730</u> |

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

| | |
|--|---|
| AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS FOUNDATION | Statement of Assets, Liabilities and Fund Balances |
|--|---|

| | July 31, | |
|---|-----------|-----------|
| | 1976 | 1975 |
| Assets | | |
| Cash | \$ 9,388 | \$ 27,087 |
| Marketable securities (quoted market: 1976, \$537,988; 1975, \$443,800) | 533,026 | 459,862 |
| Pledges receivable (less allowance for uncollectible pledges: 1976, \$1,095; 1975, \$11,615) | 17,610 | 146,080 |
| Other receivables | 14,882 | 19,632 |
| | \$574,906 | \$652,661 |
| Liabilities and Fund Balances | | |
| Liabilities and deferred credits: | | |
| Accounts payable | \$ 10,941 | \$ 5,127 |
| Contributions designated for future periods | 17,610 | 146,080 |
| | 28,551 | 151,207 |
| Fund balances: | | |
| General | 10,537 | 10,286 |
| Library | 106,522 | 107,480 |
| John L. Carey Scholarship Fund | 94,812 | 96,132 |
| Accounting Education Fund for Disadvantaged Students | 334,484 | 287,556 |
| | 546,355 | 501,454 |
| | \$574,906 | \$652,661 |

| | |
|--|--|
| AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS FOUNDATION | Statement of Changes in Fund Balances |
|--|--|

| | Year Ended July 31, | |
|---|---------------------|-----------|
| | 1976 | 1975 |
| Additions: | | |
| Investment income | \$ 26,355 | \$ 23,227 |
| Contributions: | | |
| Accounting Education Fund for Disadvantaged Students | 349,006 | 198,423 |
| General | | 1,594 |
| | 375,361 | 223,244 |
| Deductions: | | |
| Contributions to American Institute of Certified Public Accountants for library expenses | 4,882 | 5,028 |
| Expenditures: | | |
| John L. Carey Scholarship Fund (scholarships) | 4,733 | 11,000 |
| General | 125 | |
| Accounting Education Fund for Disadvantaged Students (grants and scholarships) | 317,576 | 151,585 |
| | 327,316 | 167,613 |
| Increase in funds before loss on sale of securities | 48,045 | 55,631 |
| Loss on sale of securities | (3,144) | (4,686) |
| Net increase in funds | 44,901 | 50,945 |
| Fund balances, beginning of year | 501,454 | 450,509 |
| Fund balances, end of year | \$546,355 | \$501,454 |

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

**AMERICAN INSTITUTE
BENEVOLENT FUND, INC.**

**Statement of
Assets, Liabilities and Fund Balance**

| | July 31, | |
|---|------------------|------------------|
| | 1976 | 1975 |
| Assets | | |
| Cash | \$ 20,265 | \$ 19,480 |
| Marketable securities (quoted market: 1976, \$548,413; 1975, \$479,700) | 518,512 | 475,897 |
| Notes and mortgages receivable (less allowance for doubtful amounts: 1976, \$24,825; 1975, \$24,000) | 66,935 | 84,060 |
| Other receivables | 5,171 | 5,994 |
| | <u>\$610,883</u> | <u>\$585,431</u> |
| Liabilities and Fund Balance | | |
| Accounts payable | \$ 650 | \$ 885 |
| Fund balance | 610,233 | 584,546 |
| | <u>\$610,883</u> | <u>\$585,431</u> |

**AMERICAN INSTITUTE
BENEVOLENT FUND, INC.**

**Statement of
Changes in Fund Balance**

| | Year Ended July 31, | |
|--|---------------------|------------------|
| | 1976 | 1975 |
| Additions: | | |
| Contributions | \$ 75,909 | \$ 71,220 |
| Investment income | 23,136 | 16,323 |
| Notes and mortgages received in consideration of benefits paid | 8,610 | 18,485 |
| Other | | 400 |
| | <u>107,655</u> | <u>106,428</u> |
| Deductions: | | |
| Assistance to members and families | 74,315 | 68,621 |
| Stationery, printing, and other expenses | 9,402 | 5,504 |
| | <u>83,717</u> | <u>74,125</u> |
| Increase in fund before gain on sale of securities | 23,938 | 32,303 |
| Gain on sale of securities | 1,749 | 35,704 |
| Net increase in fund | 25,687 | 68,007 |
| Fund balance, beginning of year | 584,546 | 516,539 |
| Fund balance, end of year | <u>\$610,233</u> | <u>\$584,546</u> |

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

**ACCOUNTING RESEARCH
ASSOCIATION, INC.**

**Statement of
Assets, Liabilities and Fund Balance**

| | July 31, | |
|--|--------------------|--------------------|
| | 1976 | 1975 |
| Assets | | |
| Cash | \$ 57,941 | \$ 14,996 |
| Marketable securities (quoted market: 1976, \$1,313,000; 1975, \$702,000) | 1,313,000 | 702,000 |
| Dues receivable | 406,523 | 471,562 |
| Other receivables | 13,185 | 4,463 |
| | <u>\$1,790,649</u> | <u>\$1,193,021</u> |
| Liabilities and Fund Balance | | |
| Liabilities and deferred credits: | | |
| Accounts payable | \$ 5,235 | \$ 1,416 |
| Due to American Institute of Certified Public Accountants | | 9,190 |
| Unearned advance dues | 900,253 | 907,869 |
| | <u>905,488</u> | <u>918,475</u> |
| Fund balance | 885,161 | 274,546 |
| | <u>\$1,790,649</u> | <u>\$1,193,021</u> |

**ACCOUNTING RESEARCH
ASSOCIATION, INC.**

**Statement of
Changes in Fund Balance**

| | Year Ended July 31, | |
|--|---------------------|-------------------|
| | 1976 | 1975 |
| Additions: | | |
| Dues | \$2,165,568 | \$2,178,884 |
| Investment income | 72,661 | 50,592 |
| | <u>2,238,229</u> | <u>2,229,476</u> |
| Deductions: | | |
| Payments to Financial Accounting Foundation (Note 7) | 1,611,050 | 1,935,701 |
| Membership promotion | 9,374 | 6,566 |
| Reports to members | 1,757 | 11,154 |
| Stationery, supplies, and other expenses | 5,433 | 5,582 |
| | <u>1,627,614</u> | <u>1,959,003</u> |
| Net increase in fund | 610,615 | 270,473 |
| Fund balance, beginning of year | 274,546 | 4,073 |
| Fund balance, end of year | <u>\$ 885,161</u> | <u>\$ 274,546</u> |

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND RELATED ORGANIZATION FUNDS

Summary of Significant Accounting Policies

Following is a summary of the significant accounting policies of the American Institute of Certified Public Accountants (Institute) and, where applicable, the American Institute of Certified Public Accountants Foundation (Foundation), American Institute Benevolent Fund, Inc. (Benevolent Fund) and the Accounting Research Association, Inc. (ARA):

- Assets and liabilities, and revenues and expenses, are recognized on the accrual basis of accounting.

- Marketable securities are stated at the lower of aggregate cost or market. If there is a decline in market value below cost, the resultant valuation reserve is shown as a reduction of the fund balance. Realized gains and losses are charged to operations.

- Inventories are stated at the lower of cost (primarily first-in, first-out) or market.

- Authorship costs applicable to continuing professional education courses and publications, which the Institute expects will be sold in the future, are amortized over a three-year period.

- Furniture, equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization computed on the straight-line method. Furniture and equipment are depreciated over their estimated useful lives of from five to ten years and leasehold improvements are amortized over the shorter of the useful lives of the improvements or the lease period.

- Dues are recorded by the Institute as revenues in the applicable membership period. ARA dues, which are assessed to members on a calendar year basis, are recorded as additions to fund balance proratably over each calendar year; however, payments are made to the Financial Accounting Foundation and charged to fund balance generally as dues are collected.

- Subscription and advertising revenues are reflected as revenues when publications are issued.

- Contributions to specific funds are reflected as additions to fund balances in the applicable support period; pledges received by the Foundation in support of future periods are recorded, and allowances for estimated uncollectible pledges are provided.

- Notes and mortgages received by the Benevolent Fund in consideration for assistance payments to members and their families are recorded as additions to fund balance in the period received, net of amounts deemed uncollectible.

- The Institute has a retirement plan covering all eligible employees. Pension expense is accrued in accordance with an actuarial cost method and, although the plan may be terminated by the Institute at any time, it is the Institute's policy to fund pension cost accrued. Prior service costs under the plan are being funded over a 30-year period.

Notes to Financial Statements July 31, 1976 and 1975

1. Inventories

Inventories of the Institute at July 31, 1976 and 1975 consisted of:

| | 1976 | 1975 |
|--|--------------------|--------------------|
| Paper and material stock | \$ 267,880 | \$ 304,590 |
| Publications in process .. | 591,249 | 245,694 |
| Printed publications and continuing professional education course material | 1,213,019 | 1,109,021 |
| | <u>\$2,072,148</u> | <u>\$1,659,305</u> |

2. Furniture, equipment and leasehold improvements

The following presents the amounts of furniture, equipment and leasehold improvements of the Institute at July 31, 1976 and 1975:

| | 1976 | 1975 |
|--|--------------------|--------------------|
| Furniture and equipment | \$1,432,449 | \$1,338,720 |
| Leasehold improvements | 977,072 | 905,408 |
| | 2,409,521 | 2,244,128 |
| Less accumulated depreciation and amortization | 665,509 | 447,104 |
| | <u>\$1,744,012</u> | <u>\$1,797,024</u> |

Depreciation and amortization charged to operations for the years ended July 31, 1976 and 1975 amounted to \$218,405 and \$185,116, respectively.

3. Taxes

The Internal Revenue Service is in the process of completing its examination of the Institute's Federal payroll tax returns covering the calendar years 1969 through 1973. It questions the Institute's position that graders of CPA examinations are independent contractors. If graders are determined to be employees, fees paid to them will be subject to Federal, state and local employment taxes. Provision has

been made in the financial statements for payroll taxes that may be assessed.

The Service is presently examining the Institute's unrelated business income tax returns for the years ended July 31, 1974 and 1973.

4. Lease commitments

Rental commitments under noncancelable leases in effect as of July 31, 1976 aggregated approximately \$30,183,000 including \$258,000 for computer equipment and rent escalations at rates charged through July 31, 1976. This amount is exclusive of any future escalation charges for real estate taxes and building operating expenses. The principal lease, which commenced in 1974, can be terminated at the end of fifteen years if certain penalties are paid. The minimum rental commitments are summarized below:

| | |
|----------------------|--------------|
| Years Ended July 31, | |
| 1977 | \$ 1,895,000 |
| 1978 | 1,873,000 |
| 1979 | 1,699,000 |
| 1980 | 1,657,000 |
| 1981 | 1,657,000 |
| 1982-1986 | 8,085,000 |
| 1987-1991 | 8,054,000 |
| 1992-1994 | 5,263,000 |
| | \$30,183,000 |

Rental expense for the year ended July 31, 1976 was approximately \$2,207,000 (including \$127,000 in escalation attributable to the prior year) and \$1,542,000 for 1975.

5. Retirement plan

Pension expense relating to the Institute's retirement plan amounted to approximately \$398,000 and \$390,000 for the years ended July 31, 1976 and 1975, respectively. Changes were made in 1976 to bring the plan into compliance with the provisions of the Employee Retirement Income Security Act of 1974. The currently estimated amount required to complete the funding of prior service costs (over a period of 30 years) under the plan is \$836,000 as recalculated at May 1, 1976.

6. Commitment of Foundation funds

The American Institute of Certified Public Accountants Foundation plans to distribute, over the next three years, a total of approximately \$290,000 among universities to support scholarship grants to minority students and doctoral fellowships for educators who participate in this program.

7. Commitment to Financial Accounting Foundation (FAF)

In October 1972, the Accounting Research Association, Inc. (described in Note 9) stated its intent to

use its best efforts to raise sufficient funds from sources within the accounting profession to ensure that the FAF receives in each of the five years commencing January 1, 1973 at least \$2,000,000 from these sources. Including contributions from all sources within the accounting profession, this commitment was met for calendar years 1973 through 1975, and substantially all of the 1976 commitment has been met as of July 31, 1976.

8. Contingency fund

During the year ended July 31, 1976, the Board of Directors and Council approved a restatement of the General Fund to restore to the unappropriated General Fund the amount appropriated for contingencies in prior years.

9. Special purpose and related organization funds

The purposes of the special and related organization funds are as follows:

Endowment Fund

To maintain a reference library and reading rooms for members of the Institute. Investment income from marketable securities held by the Endowment Fund is included as revenues in the General Fund in accordance with provisions of the endowment.

Foundation

To advance the profession of accountancy, and to develop and improve accountancy education.

Benevolent Fund

To solicit, collect and otherwise raise money in order to provide financial assistance to needy members of the Institute and their families.

Accounting Research Association, Inc.

To encourage research in accounting, auditing and related areas of CPA practice through a best efforts commitment to provide financing for the Financial Accounting Foundation.

The Year in Review (continued)

Sources and Occupations of AICPA Membership

| | 1970 | 1972 | 1974 | 1976 |
|---|-------------|-------------|-------------|-------------|
| Total AICPA Membership | 75,381 | 87,652 | 103,863 | 121,947 |
| Public Accounting | 61.6% | 60.5% | 60.0% | 58.5% |
| Business, Industry, Miscellaneous | 31.3% | 32.9% | 33.6% | 35.2% |
| Education | 3.3% | 3.1% | 3.0% | 2.9% |
| Government | 3.8% | 3.5% | 3.4% | 3.4% |
| | 1970 | 1972 | 1974 | 1976 |
| Membership in Public Practice | 46,435 | 53,029 | 62,430 | 71,314 |
| Firms with one member | 20.3% | 20.5% | 21.5% | 22.3% |
| Firms with 2-9 members | 33.6% | 31.7% | 30.5% | 30.0% |
| Firms with 10 or more members, except the . . . | 7.5% | 8.4% | 9.3% | 11.1% |
| 25 largest firms | 38.6% | 39.4% | 38.7% | 36.6% |

Federal Government (Relations—Other Groups)

The development of the "presidential campaign advisors program" capped a year of expanded activities on the Washington scene. The advisors program was organized by the Institute at the request of the Democratic and Republican National Committees to assist presidential candidates to comply with the new federal election requirements. Approximately one hundred and seventy-five Institute members form a national network of CPA advisors who will respond on a voluntary basis to questions concerning compliance with election requirements which arise during the campaigns. To coordinate the program nationally, a two-day conference was held in Washington on August 30-31, 1976, and the position of national technical coordinator has been established in the Washington office. The national technical coordinator will counsel the CPA advisors on compliance questions and will maintain close contact with the Federal Election Commission, which is responsible for administering the federal election laws.

Efforts to provide assistance to political candidates, generally, were enhanced by the issuance of the Institute's publication, *Compliance With Federal Election Campaign Requirements—A Guide For Candidates*, which has been widely acclaimed by candidates and political advisors.

In the legislative area, comments on accounting and auditing provisions of numerous proposals have been submitted to Congress. In addition, efforts have been made to improve communications with members of Congress and staff. This has resulted in requests for assistance in the drafting of a number of legislative proposals which affect the profession. Some of the more significant legislative matters with which the Institute has been involved are as follows:

- Improper Corporate Payments
- Corporate Chartering
- National Health Insurance
- Municipal Securities Disclosures
- Financial Institution Reform
- Energy Conservation
- Renegotiation
- Anti-trust Reform
- Procurement of Professional Services
- Revenue Sharing
- Revision of the Investment Advisors Act

Communication with federal organizations, particularly the Securities and Exchange Commission, concerning issues which impact the profession, continues to be one of the major functions of the Institute's Washington operations. During the year, our communications covered a wide spectrum of

accounting and auditing issues ranging from those impacting multinational corporations to small business concerns and required discussion with more than thirty federal agencies and departments.

The first of the federal government division's technical studies, entitled *Federal Financial Management: Accounting and Auditing Practices*, was issued during the year, and a second study, entitled *Federal Grant-in-Aid Programs: Accounting and Auditing*, is scheduled for publication in early 1977. In addition, the annual conference on current SEC regulations which is sponsored by the division has been so well received that the fourth annual conference will be held in January 1977.

The potential impact on the profession of future legislative and regulatory proposals promises to be more significant than the profession has ever experienced. The need for the profession to clearly express its views on such proposals is of paramount importance.

Federal Taxation (Technical)

This year the introduction of major legislation concerning both income and estate and gift tax reforms required extensive oral testimony and comment letters to the congressional committees responsible. The division also commented on legislative measures dealing with tax relief for small business and the privacy of tax return information, while maintaining its normal relations with both the Treasury Department and the IRS on a host of technical and administrative regulatory proposals.

Another development that occupied the time of the division was the April adoption by IRS of extensive audit procedures relating to corporate illegal payments. This required close coordination between the tax and auditing standards divisions and other Institute leaders who interceded with top IRS officials to minimize the extent to which CPAs should be involved in client reports of such payments.

Authoritative tax publications issued during the period were these:

- *Statements on Tax Policy*
 - Value-Added Tax
 - Elimination of the Double Tax on Dividends
 - Estate and Gift Tax Reform
- *Statements on Responsibilities in Tax Practice* (a codification)
- Tax Study No. 5, *Tax Research Techniques*

- *Working With the Revenue Code—1976*
- *The Tax Adviser*, a monthly magazine

Other publications now in process should, together with the above, continue to maintain the profession's respected position in the tax field.

Meanwhile, the development of closer ties with the Tax Section of the ABA and the Tax Executives Institute resulted in mutual cooperation in studying a number of areas of tax practice which we believe was beneficial to all.

The division is now preparing for greater tax activity in the year ahead when it is expected that the enactment of tax reform legislation will generate the need for professional guidance to the Treasury and the IRS in developing regulations for and interpretations of the new law.

International Practice (Technical)

The Accountants International Study Group, composed of representatives of Canada, the United Kingdom and the United States, published a comparison study of accounting thought and practice in each country on Going Concern Problems. This brings to a total of fifteen the studies produced by this group since it was formed in 1967.

The International Accounting Standards Committee approved three standards for publication:

- Consolidated Financial Statements
- Depreciation Accounting
- Information to Be Disclosed in Financial Statements

It also released exposure drafts on the following standards: Accounting Treatment of Changing Prices; Statement of Source and Application of Funds; and Treatment in the Income Statement of Unusual Items, Changes in Accounting Estimates, and Changes in Accounting Policy.

Each of the accounting bodies involved in development of these standards has agreed to use its best efforts to gain acceptance for them in its country. There are now forty-seven accounting bodies from thirty-five countries represented on this committee. A representative of the AICPA recently became chairman of IASC replacing a United Kingdom representative.

The International Coordination Committee for the Accounting Profession (ICCAP) has taken steps to unify the profession worldwide by developing a constitution for a proposed International Federation of Accountants. It will be submitted to the delegates at the Munich International Congress in 1977 for approval.

The division has also continued to submit commentaries to a number of countries on their proposed accounting and auditing pronouncements on request.

Management Advisory Services (Technical)

The two year study of the MAS body of knowledge and examination, undertaken by a research team of the University of Texas (Austin), was completed. Under its formal title, *Management Advisory Services by CPAs: A Study of Required Knowledge*, it was approved by the Board of Directors of the AICPA for publication, which is expected this fall. It is believed that this work will have an important influence on undergraduate and post-graduate curricula for MAS-bound students.

The MAS executive committee and division also—

- Published *Guidelines for the Development and Implementation of Computer-Based Application Systems*.
- Published *Guidelines for Cooperative MAS Engagements*.
- Exposed drafts on *Interpretations of MAS Practice Standards* and *Guidelines for Participation in Government Audit Engagements to Evaluate Economy, Efficiency and Program Results*.
- Cooperated with the professional ethics division in developing proposed ethics rulings applicable to MAS practice.
- Initiated a program under which a group of CPA firms have agreed to finance and produce specialized MAS training materials in cooperation with the Institute's CPE division. Currently, a number of firms are sponsoring the development of a course on MAS consulting skills.
- Presented the third annual MAS conference in October.

Professional Ethics and State Legislation (Regulation)

Thirty-six jurisdictions have adopted bylaws or signed agreements to participate in the joint ethics enforcement program, and an exchange of cases between the AICPA and state society ethics committees is already under way.

Ten MAS-related ethics rulings are currently out for exposure and two are in the process of development.

Interpretation 101-5, Meaning of the Term, "Normal Lending Procedures, Terms and Requirements," was issued and eleven new ethics rulings were adopted, following exposure to state societies.

The state legislation goals of the profession saw further gains during 1975-76 as a result of the active involvement of the state legislation committee's area subcommittees. These on-the-scene area groups were able to respond to local challenges more quickly, to define local legislative objectives more clearly, and to neutralize the continuing attacks on statutory uniformity more thoroughly.

Idaho became the 32nd jurisdiction to adopt single continuing class regulatory legislation. Similar measures were drafted and actively pursued in four other jurisdictions.

The Legislative Reference Service, the profession's national legislative information arm, issued five important documents to state societies: an updated Campaign Treasurer's Handbook, a Key Man Program, a Political Action Committee Handbook, a Manual for State Legislative Programs and an index on Reciprocity and Temporary Practice Requirements for CPAs.

Publications (Revenue-Producing)

To enable the *Journal of Accountancy* to be more flexible and have broader appeal to readers, six departments were phased out with the July 1976 issue. This will permit the inclusion of more major articles per issue and the expansion of the News Report, the Practitioners Forum and the Current Reading department. Also, some design changes have been introduced to help improve readability.

Journal advertising billings reached a record high of \$660,000 this year—an increase of \$130,000 over last year's record.

Circulation for the *Journal* passed the 200,000 mark in July 1976, up from 190,000 last year.

The Tax Adviser added several new features this year: "Viewpoint," written by highranking IRS officials; a monthly "Spotlight" column, summarizing recent developments in tax legislation, rulings and hearings; and a bi-monthly estate planning column, authored by experts in the field.

Paralleling the shift in the *Journal's* emphasis, *The CPA Letter* increased its coverage of Institute news and other items of professional interest.

A pilot issue of the *CPA Client Bulletin* was developed to be made available on a subscription basis to firms represented in the Institute. As a result of the enthusiastic response, it was approved as a regular monthly publication commencing in the fall of 1976.

Subscribers may distribute the bulletin, as published, to their clients, or may use it in conjunction with their own client newsletters.

Through its "Update" mailings and other promotional devices, the promotion department kept members informed of new publications, conferences, and CPE self-study materials and courses, while continuing its usual circulation-building efforts for Institute periodicals. Revenue from sales of non-periodical publications passed the \$4,000,000 mark—a record.

During the year, the production department, in addition to its work on periodicals, processed forty-six nonperiodical publications.

More Conferences Improve Communication

In 1971 the number of division conferences held each year by the Institute were three—Tax, State Society Planning and Computer Users. By 1976 the number of conferences has grown to fourteen because of the pressures placed on the Institute to communicate better with the various segments of its membership. They are listed below:

| | |
|----------------------|------------------------|
| SEC | State Society Planning |
| Ethics | MAS |
| State Legislation | Computer |
| Auditing and | Time Sharing |
| Accounting | MAP Conferences (4) |
| Members in Industry | MAP State Society |
| and Government | Committee Chairmen |
| Federal Taxation (2) | Practice Review State |
| CPE Planning | Committee Chairmen |

Public Relations (Relations – Other Groups)

In public relations, particular attention was given to developing the Institute's access to radio and television outlets. Together with its more conventional recorded radio and TV spot announcements and interviews arranged for practitioners to discuss accounting matters, the division produced a series of tax advisories which were aired three times daily over seventy-one NBC stations.

Dealing with auditing and accounting issues on a day to day basis resulted in an escalation of news releases.

Of the 206 releases issued to a carefully developed list of 550 editors and appropriate news service outlets, 26 dealt with Institute meetings, appointments or awards; 22 covered technical pronouncements; 19 reported and analyzed developments in the profession, important speeches or articles in AICPA publications; 125 contained announcements about new officers, members of Council or participants in AICPA functions.

To supplement news about the profession, a number of interviews were arranged between the profession's leaders and prominent financial writers. These were carried by nationwide news services and afforded the profession an excellent opportunity to tell the mass audience about the auditor's expanding responsibility, wider disclosure of financial information, and international accounting developments in an interesting and authoritative way.

Additional projects included news features for release by state societies on cost-cutting techniques for the family budget, and how accounting systems might improve the financial standing of municipal governments; a five-part tax information series; and the weekly "Money Management" column, which appeared in over 200 newspapers. At year's end, material was being prepared for 700 radio stations subscribing to a nationwide wire service on the subject of family finances.

Relations with Educators (Relations – Other Groups)

A major achievement of the year was the issuance for discussion of proposed standards for identifying accounting programs and schools capable of preparing students for careers in professional ac-

counting. Comments on these proposals have been requested from the profession, the academic community, and others prior to issuance of a final set of standards. Meanwhile, discussions are in progress with interested organizations concerning the establishment of an accreditation system that would also give guidance for programs or schools which seek to attain the level indicated by the proposed standards.

Other projects completed during the year were these:

- The 1976 survey of the Supply of Accounting Graduates and the Demand for Public Accounting Recruits.
- New recruiting materials for colleges and high schools emphasizing the quality of students needed for the profession.
- A revision of the Level II Achievement Test which is expected to have the effect of upgrading the quality of employable graduates.
- A national conference of state society education committee chairmen to encourage coordination of national and local policies or educational activities.

Research (Technical)

In support of other divisions and committees, the research division—

- Provided staff and research support for the Commission on Auditors' Responsibilities in developing the statement of issues and drafting segments of the Commission's forthcoming discussion document.
- Published Auditing Research Monograph No. 2, *Behavior of Major Statistical Estimators in Sampling Accounting Populations—An Empirical Study*, by Neter and Loebbecke, and cleared Accounting Research Monograph No. 2, *Market Value Methods for Intercorporate Investments in Stock*, by Storey and Moonitz, for expected publication in the fall of 1976.
- In conjunction with Information Retrieval, prepared and published five financial report surveys. This brings the number of surveys in this popular series to ten. More than 85 thousand copies of the surveys have been sold.
- Prepared and published the 1975 edition of *Accounting Trends & Techniques*.

- Expanded and updated the Institute's looseleaf services—*AICPA Professional Standards* and *Technical Practice Aids*.

- Through the Technical Information Service, provided more than 450 written and over 5,000 oral responses to inquiries.

State Society Relations (Relations—Other Groups)

The following results were achieved by the state society relations committee and staff:

- Formed a subcommittee on public relations coordination on advice of a task force which had studied the public relations activities of the AICPA and the state societies.
- Made an evaluation of the various types of meetings conducted by the Institute and the state societies and initiated a new study on the desirability of uniform regional groupings of the societies.
- Conducted a study of the Institute's committee appointment process as it relates to state societies.
- Presented the 10th Annual State Society Planning Conference, attended by 90 registrants from 50 jurisdictions.
- Completed and distributed the *Coordination Handbook for State Societies*, which lists all AICPA activities coordinated with state societies and the respective responsibilities of each.
- Organized forty member forums to obtain feedback on professional issues and continued the second series of three local practitioners meetings for the same purpose.
- Arranged for state society sponsorship of nine financial management seminars for arts organizations.
- Assisted the public relations division in distributing its TV and radio spot announcements and tax articles to state societies.
- Arranged field trips by staff in seven states and assisted in topic or speaker selections for fifty-five state society and chapter meetings.

The Small Business Development Program

- Received an extension of the OMBE contract through August at which time the Institute took over its financial support.

- Continued to support the chair of Indian Business Development at Navajo Community College.
- Published the Spanish translation of the *Businessman's Information Guide* and an Instructor's Manual.
- Updated the Small Business Development Guide for State Societies.
- Received an award of excellence for its program from the U.S. Department of Commerce.

Miscellaneous Services

A number of activities and services conducted by several staff divisions are included in this section.

Insurance and Retirement Programs

LIFE INSURANCE PLANS

More than \$3 billion of life insurance was in force under the two Institute life insurance plans on March 31, which ends the fiscal year for the AICPA Insurance Trust.

Up to \$100,000 of life insurance is available to qualified individual CPAs under the CPA Plan and up to \$60,000 of coverage can be secured by proprietors, partners and employees under the Group Insurance Plan for firms. Eligible members can be insured under both plans simultaneously and refunds have been made to eligible subscribers each year since 1948.

LIABILITY INSURANCE

The AICPA professional liability insurance program offers coverage for claims arising from alleged negligence in the practice of public accounting, including committee work performed for, or on behalf of the Institute or state societies. This self-rated program is administered by a committee which has established a premium rate structure designed for as much stability as circumstances will permit. The program which has been operating since 1974 has approximately 5,000 participating firms.

MEMBERS RETIREMENT PLAN

The plan was established in 1963 to provide eligible firms with a way to furnish retirement income benefits to proprietors, partners and employees. By December 31, 1975 more than \$25 million had accumulated for retirement purposes, with more than \$5 million in contributions received in 1975 alone.

Information about the life and liability programs may be obtained from RBH/Reid & Carr, Inc., 605 Third Avenue, New York, N.Y. 10016. Retirement plan information is available from RBH Equities, Inc., at the same location.

Industry and Government

The First National Conference for CPAs in Industry and Government, sponsored by the AICPA advisory committee on industry and government, was held on September 23 in Chicago.

Management of an Accounting Practice

A supplement to the *MAP Handbook* containing over 300 pages of new material was published during the year. The new material covers Professional Corporations, Coping With Disaster, Sample Partnership Agreements and the Administrative Review Questionnaire which was developed as an adjunct to the local firm quality review program.

Practice Review

A conference was held for state society practice review committee chairmen to provide them with the techniques required for processing reports submitted to their committees.

Local Firm Quality Review

Local firm quality reviews were scheduled for forty firms, with thirty-five being processed. Three administrative practice reviews were conducted with twenty more being processed.

Minority Recruitment and Equal Opportunity

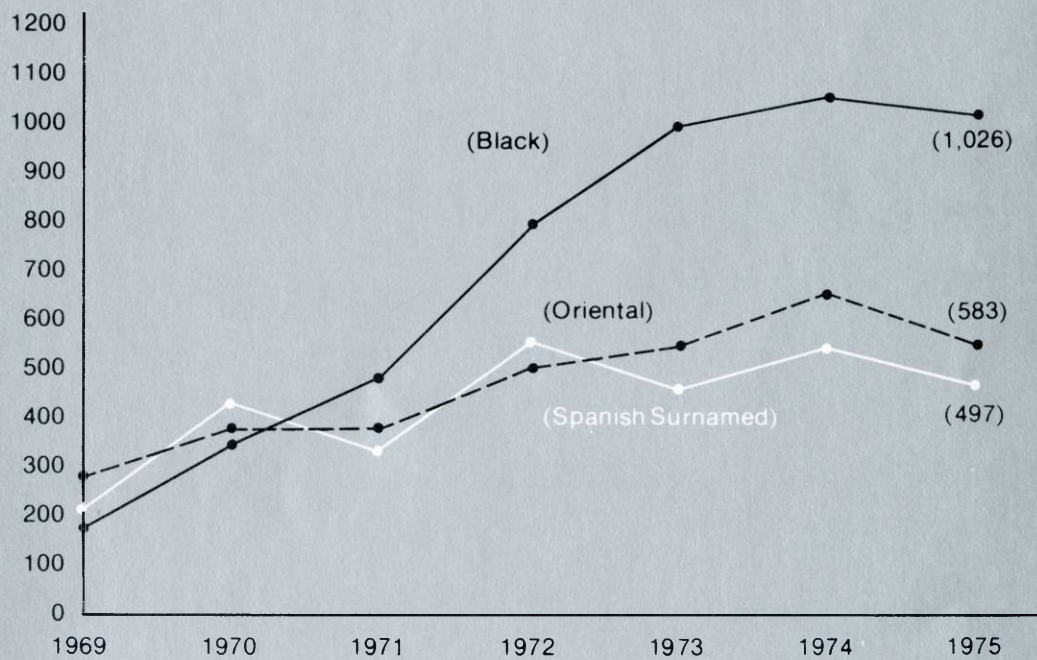
The chart opposite shows that progress is being made in the profession's efforts to recruit minorities to its ranks.

Only a part of the growth indicated can be attributed to the Institute's effort because external pressures for affirmative action have also had a pronounced effect.

The AICPA program, through its Accounting Education Fund for Disadvantaged Students, assists promising minority accounting students with scholarship aid. More than two hundred students were awarded scholarships up to \$1,000 in 1975-76.

AICPA also sponsors a program jointly with the American Accounting Association to improve the standards of accounting teaching at minority schools through a Doctoral Fellow-Visiting Scholar program. This effort, supported by an annual grant from the U.S. Department of Health, Education and Welfare, enables minority accounting faculty to pursue doctorates in accounting and provides temporary teaching replacements for them while they are absent from their schools.

**Employment of Minority Professionals by Major Firms
1969-1975**



These data were gathered from a survey sent to 46 accounting firms from which 37 responses were received. It does not include temporary employees who joined firms as interns.

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