

University of Mississippi

eGrove

AICPA Annual Reports

American Institute of Certified Public Accountants (AICPA) Historical Collection

1977

AICPA annual report 1976-77

American Institute of Certified Public Accountants

Follow this and additional works at: https://egrove.olemiss.edu/aicpa_arprts



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

American Institute of Certified Public Accountants, "AICPA annual report 1976-77" (1977). *AICPA Annual Reports*. 3.

https://egrove.olemiss.edu/aicpa_arprts/3

This Book is brought to you for free and open access by the American Institute of Certified Public Accountants (AICPA) Historical Collection at eGrove. It has been accepted for inclusion in AICPA Annual Reports by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

American Institute of Certified Public Accountants Annual Report 1976-77

AICPA



The AICPA logo is embossed in a light, metallic color on the textured brown cover. The letters are in a stylized, serif font, with the 'A' and 'I' being particularly prominent.

The choices we make,
what we do or don't do
in the coming weeks and months,
will have a significant and
lasting effect on our destiny.

Joint Statement, 1977

The cover photo shows the AICPA's Board of Directors
in session in July 1977
at the Institute's headquarters in New York.

Table of Contents

A Joint Statement

2

The Year in Review

5

Report of Independent Certified Public Accountants

9

Financial Statements

9

The Year in Review (continued)

17

A Joint Statement

A year-end message typically is a medium for reporting on the past and reflecting on the future. But, on this occasion, we find ourselves in the midst of such a swift stream of events that it is more appropriate to concentrate attention on the present and on the immediate future.

Clearly we are at a major fork in our profession's road to the future. The choices we make, what we do or don't do in the coming weeks and months, will have a significant and lasting effect on our destiny. It is vital therefore that the profession address the issues without delay, weigh the alternatives as carefully as it can, and act. In this process we look for and urge the maximum possible involvement, cooperation, and support of our membership.

Before commenting on our proposed course of action, we might first touch briefly on the principal events that have brought the profession to this time of decision. These include—

- A report entitled "Federal Regulation and Regulatory Reform," dated October 1976, by the Subcommittee on Oversight and Investigations of the House Committee on Interstate and Foreign



Wallace E. Olson, President, and Michael N. Chetkovich, Chairman of the Board

Commerce, chaired by John E. Moss, which included a number of criticisms of the profession and recommendations for substantial changes.

- A study, dated December 1976 and titled "The Accounting Establishment," prepared by the staff of the Subcommittee on Reports, Accounting and Management of the Senate Committee on Governmental Affairs, chaired by Lee Metcalf. Publication of the staff study

was followed by public hearings on its conclusions and recommendations.

- A *Report of Tentative Conclusions*, dated April 1977, issued by the Commission on Auditors' Responsibilities containing an extensive list of recommendations for changes in the profession.
- Proposals by Congressman Moss and a large CPA firm that legislation aimed at establishing a formal system of federal regulation of the profession be considered under the aegis of the SEC.
- A promise by the SEC to prod the profession to effect changes and to report to Congress on the profession's progress toward this goal by July 1, 1978.
- A heightened concern on the part of practitioners

principally serving small businesses that, in the establishment of accounting and auditing standards, too little attention is given to the cost-benefits and relevance of such standards to their clients.

- Challenges by the Department of Justice and the Federal Trade Commission of the legality of traditional behavioral restrictions in professional codes of ethics and a U.S. Supreme Court ruling under the first amendment to the Constitution in favor of permitting advertising by the legal profession.
- Continuing efforts by Congress and the SEC to find ways of improving corporate governance and accountability as a result of evolving disclosures about improper corporate payments and activities.

The questions raised by these events strike at the heart of many of the long-held positions of the profession, as well as its structure. The broad issues that must be addressed are essentially these:

- Can the profession establish a more effective system of self-regulation, particularly of firms, that would make legislation providing for greater federal involvement unnecessary?
- What can and should be done to enhance both the appearance and the substance of independence of public auditors?
- What changes in structure should be considered to assure that members of the profession and the public affected by the profession's actions will have a better opportunity to participate in and be aware of the manner in which decisions are made and the considerations on which they are based?
- Should greater recognition be given to the differences between publicly traded companies and privately owned businesses, especially in the area of accounting standards?
- Should the profession acquiesce to the charges (which are increasingly supported by court decisions) that ethical rules banning advertising and solicitation by professionals are illegal, or should it endeavor to hold to its standards on the basis that its role of expressing opinions on financial statements makes its legal position different from that of other professions?

The Institute's officers, committees, and governing bodies have been deeply involved in addressing these issues and in formulating a responsible and constructive program of effective response to the challenges facing the profession. Under study at the

date of this report are a number of significant changes that will be presented to Council for consideration at its September meeting. Those that gain approval will be implemented over the coming months.

Among the more important proposals are these:

- The establishment within the Institute of a division of SEC practice firms, to provide a means for self-regulation of such firms and assure the maintenance of a high quality of performance. Key features being contemplated include mandatory peer reviews, sanctions of firms, mandatory rotation of audit engagement partners, public reporting of certain firm information, and monitoring of all division activities by a public oversight board.
- The establishment within the Institute of a division of private companies practice firms to provide a means of giving greater recognition to the different needs of smaller businesses in standards-setting and to give local and regional firms a vehicle for more effective expression of their views within the profession.
- Opening to the public all or some portions of meetings of senior committees and the Council.
- Adding three public representatives to our Board of Directors.
- Requiring publication of the names of all members found guilty in a Trial Board proceeding and periodically publishing statistics on pending disciplinary matters.
- Studying the structure and procedures of the Auditing Standards Executive Committee to determine what changes, if any, should be made to enable it to deal most promptly and effectively with emerging practice needs.
- Establishing a new senior committee to set standards for accounting and review service engagements in which CPAs are associated with unaudited financial statements not related to year-end audits.
- Adopting a rule of conduct prohibiting members from recruiting directors for audit clients or initiating placement of firm personnel in such positions.
- Modifying the present rules of conduct prohibiting advertising and solicitation, repealing rules barring incompatible occupations and initiating employment of employees of other CPA firms.
- Establishing a new committee to study, on a continuing basis, significant frauds and audit failures and publishing analyses for the guidance of practitioners.

- Encouraging the establishment of independent audit committees by all appropriate means.
- Considering means by which the profession can encourage audit clients to enact and enforce policy statements on standards of conduct and to maintain effective systems of internal control; developing techniques for reviewing and reporting on such matters.
- Modifying the current standard auditors' report to make it a more effective means of communication with users.

In addition to the foregoing initiatives currently under way, progress was made during the past year on a number of important fronts. Included among these were a study of the need for recognition of specialization; a search for criteria for differentiating the financial disclosure requirements applicable to small, privately owned enterprises versus larger, publicly traded concerns; establishment of standards for quality control and peer reviews; establishment of standards and an accrediting body for programs of professional accounting education; and experimentation with accounting models based on various combinations of valuation methods. The continuing activities of the Institute were carried on aggressively and effectively through the efforts of the staff and of our many committees and their hundreds of members. On the international scene, we are moving toward the establishment soon of an international federation of accounting organizations, an initiative in which our Institute has taken a leadership role. Details on these and many other significant activities are described in other sections of this report.

By any method of measurement, the tasks that lie ahead are unprecedented in their number, diversity, scope, and significance for the future. The profession has accomplished much in the past, and there is every reason to be confident that we shall be equal to the new challenges. Fortunately we have never been stronger; all of the resources necessary to meet our objectives are available in the form of unstinting devotion of time and effort by our members, a conscientious and capable staff, and a sound financial position. Despite a greatly increased level of activity and a substantial amount of unanticipated expenditures, the accompanying financial statements reflect an excess of revenues over expenses of \$1,793,066, which exceeded our budget by \$990,056. Moreover, our financial statements, impressive though they may be, reflect only a small part of the strength and vitality of the Institute, for there is no way

they can portray the contributions and the competence, will and determination of our members.

Although our profession is at a critical and difficult juncture, we believe we also are on the eve of a great expansion of our role in society and a future that is bright with promise. If we continue to work together toward being responsive to public interests and needs, we shall warrant the public trust and confidence necessary to assure that appropriate responsibility and accountability goals are met in our free enterprise system. Wise men such as Emerson have pointed out that, after all, the only real purpose in life is to matter, to have it make some difference that we have lived at all. One of the reasons that we are such a center of attention—and criticism—is that we, and our functions, *do* matter. This puts us in a position of great responsibility and great opportunity, and we should welcome both.

Wallace E. Olson Michael H. Chisman

I cannot let this opportunity pass without adding a personal postscript.

First, I would try to express to all of you my deep appreciation for the privilege of serving as your chairman. It has been a difficult year in many ways, but it also has been a rewarding one, made so by the willing and able effort and support of so many of you—including all who participated and/or expressed views, regardless of whether they were in agreement with actions being taken. Diversity of view is to be expected and, if it leads to greater participation and is coupled with a willingness to listen and to accommodate for the good of the whole, it can only add to the strength of any organization. I welcomed all the expressions I received.

Next, I would express my high regard for and my thanks to all of the Institute staff for their unstinting and able efforts on behalf of all of us. While the Institute necessarily and properly relies heavily on the voluntary efforts of its members, it could not begin to function as effectively as it does without the staff's dedicated competence.

And, finally, I would assure you that, despite all the challenges that lie ahead, we can face the future with confidence, guided by the able and dedicated leadership of Stan Scott and those who will serve with him. They deserve our confidence and our support; certainly they have mine.

The Year in Review

Federal Government

The Federal Government Executive Committee has been active in aiding the Institute's leadership in their response to numerous inquiries by Congress and government agencies about such matters as the profession's standards-setting procedures, detection of corporate irregularities, and the scope of accounting services.

The ability of the Institute's Washington office to respond to legislative activity was strengthened by formation of the federal legislative affairs division, which implemented a program that identifies CPAs who have close relations with members of Congress and can effectively communicate the profession's legislative positions to key legislators when needed. At the same time, it developed a system for periodically informing Institute members of federal activities that might affect their practice.

Both programs reflect awareness of federal presence in the profession's activities and the Institute's need for a balanced approach in meeting its responsibilities to the public, the government, and its membership.

Meanwhile, the federal government division's many technical subcommittees continued to assist the White House, numerous cabinet departments, and executive branch agencies with advice on a wide range of accounting and auditing matters.

Accounting Standards

The Accounting Standards Executive Committee continued to exert a strong influence on the establishment of accounting standards.

Four Statements of Position (SOPs) were issued as guides to the profession in the absence of formal statements from the Financial Accounting Standards Board: "Accounting Practices in the Record and Music Industry," "Accounting for Origination Costs and Loan Commitment Fees in the Mortgage Banking Industry," "Accounting Practices for Certain Employee Stock Ownership Plans," and "Financial Accounting and Reporting by Investment Companies."

Issued for exposure were proposed SOPs on interfund transfers for state and local governmental units; accounting for service transactions; accounting for investments in real estate ventures; and accounting for costs to sell and rent, and initial rental operations of, real estate projects. A discussion draft was issued on accounting for certain nonprofit organizations.

Liaison with the FASB and the Cost Accounting Standards Board were maintained through letters of comment on various projects. Also, FASB representatives commonly attend a portion of each Accounting Standards Executive Committee meeting to report on recent developments and the status of emerging practice problems.

Accounting standards division projects are currently in progress in the areas of accounting for real estate, construction contracts, personal financial statements, refunding of debt, off-balance-sheet financing, municipalities, and current value disclosures.

Auditing Standards

The Auditing Standards Executive Committee issued six Statements on Auditing Standards (SASs) during the year. The titles reflect many of the concerns of the profession and others: *Special Reports*, *Reports on Comparative Financial Statements*, *The Independent Auditor's Responsibility for the Detection of Errors or Irregularities*, *Illegal Acts by Clients*, *Unaudited Replacement Cost Information*, and *Client Representations*.

In addition, two interpretations of previous SASs were issued covering lawyers' letters and the auditor's report under the Employee Retirement Income Security Act of 1974 (ERISA).

The division and its committees are studying the Report of Tentative Conclusions of the Commission on Auditors' Responsibilities in an effort to anticipate and respond in a timely fashion to the commission's final conclusions, which are expected to be issued this fall. An aspect of the report being given special attention is the emphasis on internal accounting control. A special advisory committee including practitioners, financial executives, and internal

auditors is being formed to develop criteria to be used to evaluate the adequacy of internal controls. Meanwhile, the Auditing Standards Executive Committee is considering the underlying issues of reporting on the system of internal control.

Other projects in progress include—

- Consideration of comments received on the exposure draft of a proposed SAS on required communication of material weaknesses in internal accounting control.
- Preparation of exposure drafts of proposed SASs on planning and supervision and segment information.
- Studies on analytical review procedures, reports where there are contingencies, audit evidence, financial forecasts, and unaudited information in financial statements.
- A proposed statement of position on accounting for property and liability insurance companies.
- Audit and accounting guides for defined benefit plans, brokers and dealers, agribusiness, and trucking.
- A proposed booklet on the functions and duties of audit committees.
- An accounting and audit manual with special emphasis on meeting the needs of local practitioners for technical guidance.

The division also issued letters of comment to various government agencies on such matters as the SEC proposal on illegal acts, ERISA regulations, rules affecting brokers and dealers in securities and commodities, and IRS access to tax accrual working papers.

Management Advisory Services

This year the MAS Executive Committee submitted detailed recommendations for implementation of the MAS Body of Knowledge and Examination study findings to the AICPA Board of Directors and to the Special Committee on Specialization. With the concurrence of the Board of Directors and aided by the examinations division, it has also conducted studies on the kind of examination that might be developed for testing CPA/MAS specialists.

Major AICPA Meetings and Conferences 1976-77

<u>Event</u>	<u>Approximate Attendance</u>
Annual Meeting	1,200
Banking	300
Computer	500
Council (Spring)	300
CPE	100
Faculty Seminar	150
Federally Assisted Programs	300
Industry & Government	300
Key Person	75
MAP Conferences (4)	800
MAP Conference for State Societies	40
MAS	300
Practice Review	125
Professional Ethics Conference	250
Public Relations	125
Regional Council Meetings (6)	250
SEC	500
State Society	100
Tax	300
Tax Division Meetings (2)	300
Total	<u>6,315</u>

Conferences and meetings are an important part of the AICPA communication and education programs. The value placed on them by members is indicated by these attendance figures.

The division's principal publications for the year were *Management Advisory Services by CPAs: A Study of Required Knowledge; Guidelines for CPA Participation in Government Audit Engagements to Evaluate Economy, Efficiency, and Program Results; Interpretations of MAS Practice Standards (With Ethics Rulings Supplement); Environmental Cost/Benefit Studies; and Energy Conservation Studies Including Energy Audits*. Also issued was an exposure draft on university education for management consulting.

Other important division activities included—

The third annual MAS Conference held in October and attended by some 300 practitioners.

- Provision of data and testimony at a Federal Energy Administration hearing on energy audit regulations, which resulted in the addition of CPAs to the list of those eligible to perform energy audits in state energy conservation programs.
- Presentations at the American Accounting Association and Academy of Management annual meetings to inform educators about the division's suggestions for university education for management consulting.

Federal Taxation

The desires of Congress and the administration to simplify our tax law have been the Federal Taxation Executive Committee's primary concern this year. Two new subcommittees—Simplification and Basic Tax Reform, and Legislative Affairs—were formed to respond to government needs. Other divisional subcommittees provided additional assistance on other proposed tax legislation dealing with energy, small business taxation, and social security reform.

The division has determined that one of its primary responsibilities is to assist Congress on numerous provisions of the Tax Reform Act of 1976 (both before and after its enactment). Its comments in the 1977 issue of *Recommended Tax Law Changes* have formed the basis for many technical corrections in the Internal Revenue Code proposed by congressional tax-writing committees.

Another strong commitment by the division this year was to professional tax training through creation of a Tax Education Subcommittee, initiation of annual National Tax Conferences, the second of which is scheduled for October 1977, and the continued publication of its tax study series and *The Tax Adviser*.

One of the division's publications, *Statement on Responsibilities in Tax Practice no. 10*, provides guidance to members who prepare tax returns in which positions are taken that are contrary to Treasury Department or IRS interpretations of the code. The division was particularly active in the development of reasonable regulations implementing the return-preparer provisions of the Tax Reform Act of 1976.

Professional Ethics and State Legislation

This year the Professional Ethics Executive Committee has concentrated on the improvement of the joint ethics enforcement program under which the Institute and state CPA societies cooperate in the investigation of complaints. The interchange of information between AICPA and the state society ethics committees continues to improve; 40 jurisdictions have agreed to participate in the program.

Two rulings on independence, "Member as Lessor" and "Account With a Brokerage Client," were issued. Exposure drafts have been prepared on a revision of interpretation 502-8, "Newsletters and Publications Prepared by Others," and on a proposed ruling, "Client's Announcement of Availability of Member's Report on Internal Controls of Service Center." MAS-related rulings were issued covering independence during MAS systems implementation, executive search, MAS engagement to evaluate service bureaus, subcontractor selection for MAS engagements, supervision of technical specialist on MAS engagements, use of confidential information on MAS engagements, and earlier similar MAS study with negative outcome.

The recommendation of the Special Committee on General Standards that the Code of Professional Ethics be amended to provide a single set of general standards applicable to the performance of engagements in the three major areas of practice is being submitted to the membership for approval.

In state legislation, the divisional committees and subcommittees continued to work closely with state CPA societies seeking enactment of uniform accounting laws. Two state legislatures, New Jersey and Pennsylvania, adopted single continuing-class regulatory bills that are consistent with the Institute's model accountancy bill. Currently, 34 states have such laws, and others are considering introducing similar bills in upcoming legislative sessions.

The diligence of some 150 area subcommittee members, under the national state legislative action program, successfully aided the Institute's Legislative Reference Service to identify and track 2,000 accountancy-related bills in the legislatures.

Computer Services

The Computer Services Executive Committee continued to provide member guidance on computer technology, hardware, and software. Publications released during the year were *The Auditor's Study and Evaluation of Internal Control in EDP Systems*, an audit and accounting guide on how to apply the standards established by SAS no. 3; *Management, Control, and Audit of Advanced EDP Systems*, suggesting the uses and impact of advanced computer systems in internal accounting control and the audit function; and *Guidelines to Assess Computerized Tax Return Systems*, offering members a yardstick for measuring the adequacy of such systems.

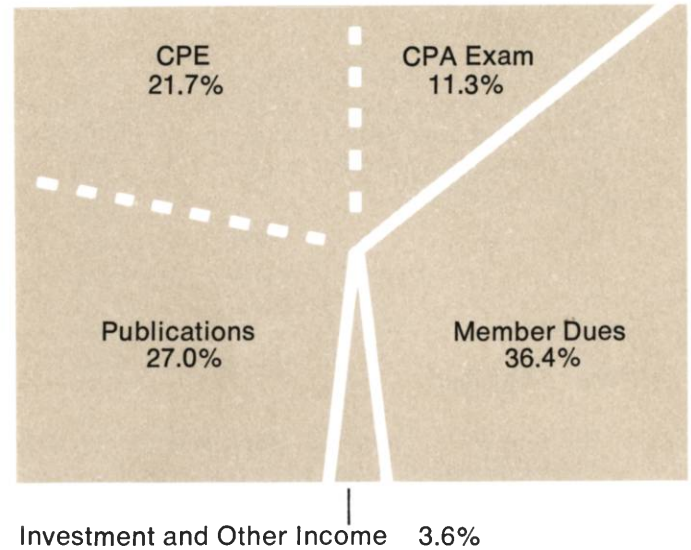
Slated for release are an audit and accounting guide on EDP audit techniques, which will be a compilation of computer audit techniques now used by independent auditors, and a set of guidelines for the assessment of a computerized general ledger and financial reporting system.

Other divisional activities include—

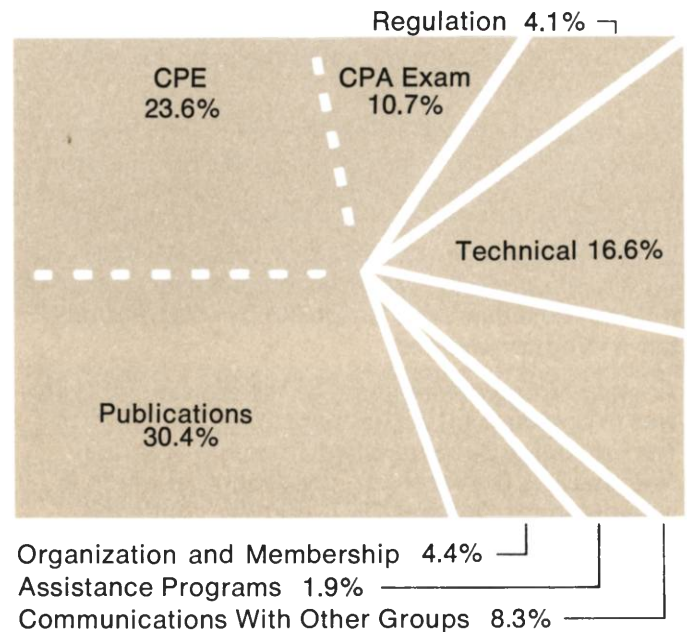
- The 13th annual Conference on Computers and Information Systems, held in Chicago in May and attended by a record 500 people from the United States and other countries.
- Development by the Computer Education Subcommittee of a two-day basic course on computer auditing for the continuing professional education division.
- The COMSHARE timesharing library containing more than 80 computer programs used by 255 subscribers.
- Task force studies of auditing of electronic fund transfer systems and the impact of data-base systems on the audit function. The latter study will be a joint effort by the AICPA, the Canadian Institute of Chartered Accountants, and the Institute of Internal Auditors.

Finances at a Glance

REVENUE BY SOURCE



EXPENSE BY ACTIVITY



The Year in Review continues on page 17.

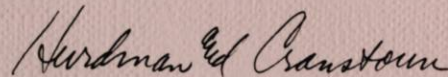
Report of Independent Certified Public Accountants

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, 1977 and 1976 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, 1977 and 1976 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, 1977 and 1976, 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
August 31, 1977

Financial Statements

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Statement of Assets, Liabilities and Fund Balances

	July 31,	
	1977	1976
Assets		
Cash	\$ 432,488	\$ 552,926
Marketable securities (1977 cost \$9,188,064; 1976 quoted market \$7,374,200)	9,162,223	7,297,440
Accounts receivable (less allowance for doubtful accounts, \$10,000)	2,119,555	1,715,036
Inventories (Note 1)	1,568,368	2,072,148
Deferred authorship costs and prepaid expenses	889,689	1,164,775
Furniture, equipment and leasehold improvements (Note 2)	1,829,702	1,744,012
	<u>16,002,025</u>	<u>14,546,337</u>
Endowment and other restricted funds:		
Cash	2,168	
Marketable securities (quoted market: 1977, \$574,898; 1976, \$623,900) ...	572,242	573,679
	<u>\$16,576,435</u>	<u>\$15,120,016</u>
Liabilities and Fund Balances		
Liabilities and deferred revenues:		
Accounts payable and other liabilities	\$ 1,627,847	\$ 2,114,746
Accrued taxes (Note 3)	356,668	477,260
Advance dues	5,951,316	5,614,721
Unearned publication subscriptions and advertising	1,831,258	1,871,899
	<u>9,767,089</u>	<u>10,078,626</u>
Commitments and contingent liabilities (Notes 4 and 5)		
Fund balances:		
General fund:		
Fund balance before unrealized loss on marketable securities	6,260,777	4,467,711
Less unrealized loss on marketable securities	25,841	
	<u>6,234,936</u>	<u>4,467,711</u>
Endowment and other restricted funds	574,410	573,679
	<u>6,809,346</u>	<u>5,041,390</u>
	<u>\$16,576,435</u>	<u>\$15,120,016</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,	
	1977	1976
Revenues:		
Membership dues	\$ 8,605,583	\$ 8,008,343
CPA examination fees	2,672,579	2,497,518
Publications	6,377,565	6,227,665
Continuing professional education	5,134,079	4,166,953
Sundry self-sustaining programs	309,101	360,998
Investment and sundry income	534,870	390,913
Loss on sale of securities	(7,341)	(11,763)
	<u>23,626,436</u>	<u>21,640,627</u>
Expenses (see also summary of expenses by activity):		
Salaries and fees	8,138,128	7,640,581
Personnel costs	1,349,315	1,221,546
Occupancy	2,500,393	2,513,069
Printing and paper	4,923,478	4,393,281
General	4,922,056	4,250,819
	<u>21,833,370</u>	<u>20,019,296</u>
Excess of revenues over expenses	<u>\$ 1,793,066</u>	<u>\$ 1,621,331</u>
Summary of expenses by activity:		
CPA examinations	\$ 2,330,902	\$ 2,110,891
Publications:		
Cost of sales	5,334,476	5,523,481
Distributed to members and others	1,309,546	1,265,964
Continuing professional education	5,148,295	4,360,507
Technical:		
Accounting standards	355,229	267,907
Auditing standards	550,270	478,699
Federal taxation	279,161	302,758
Management advisory services	196,049	219,439
Computer services	284,725	262,081
International practice	213,678	193,326
Research	117,647	65,408
Technical assistance to members	182,731	147,318
Library service	346,785	288,926
Information retrieval and index programs	301,288	258,650
Financial Accounting Foundation contribution	243,894	224,988
Commission on auditors' responsibilities	437,373	372,692
Accountants' legal liability	125,929	101,220
Regulation:		
Ethics and trial board	450,464	468,400
Practice and quality control review	278,043	191,198
State legislation	171,306	124,979
Organization and membership:		
Board, council and annual meetings	345,781	352,565
Nominations and committee appointments	67,775	89,116
Communications with members	83,288	51,251
Membership admissions and records	379,099	373,718
Membership benefit plans	38,813	60,626
Special organizational studies	46,651	22,316
Communications with other groups:		
Public relations	291,458	410,144
State societies	235,628	272,902
Universities	222,699	239,734
Federal government	1,049,485	604,857
Assistance programs for minority students and businesses	414,902	313,235
	<u>\$21,833,370</u>	<u>\$20,019,296</u>

Note: With the exception of a \$200,000 AICPA Foundation contribution for the assistance programs and the Financial Accounting Foundation contribution, each of the above amounts includes a pro rata allocation of administrative expenses, which aggregated \$2,163,529 and \$2,028,499 for 1977 and 1976, 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,	
	1977	1976
General Fund:		
Fund balance, beginning of year	\$ 4,467,711	\$ 2,846,380
Excess of revenues over expenses	1,793,066	1,621,331
Fund balance before unrealized loss on marketable securities	6,260,777	4,467,711
Less unrealized loss on marketable securities	25,841	
Fund balance, end of year	6,234,936	4,467,711
Endowment and other restricted funds:		
Fund balances, beginning of year	573,679	576,287
Excess (deficiency) of revenues over expenses	(303)	93
Gain (loss) on sale of securities	1,034	(2,701)
	731	(2,608)
Fund balances, end of year	574,410	573,679
	\$ 6,809,346	\$ 5,041,390

**AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS**

**Statement of
Changes in Financial Position**

	Year Ended July 31,	
	1977	1976
Cash and marketable securities, beginning of year	\$ 7,850,366	\$ 5,613,730
Sources of funds:		
From operations:		
Excess of revenues over expenses	1,793,066	1,621,331
Add back expenses not requiring outlay of funds—depreciation and amortization including amortization of authorship costs	869,698	661,891
	2,662,764	2,283,222
Increase (decrease) in liabilities and deferred revenues:		
Accounts payable and other liabilities	(486,899)	891,222
Accrued taxes	(120,592)	39,741
Advance dues	336,595	174,998
Unearned publication subscriptions and advertising	(40,641)	429,109
	2,351,227	3,818,292
Uses of funds:		
Additions to deferred authorship costs and prepaid expenses	375,794	1,056,128
Additions to furniture, equipment and leasehold improvements	304,508	165,394
Increase (decrease) in other assets:		
Receivables	404,519	(52,709)
Inventories	(503,780)	412,843
Unrealized loss on marketable securities	25,841	
	606,882	1,581,656
Increase (decrease) in funds:		
Cash	(120,438)	(24,532)
Marketable securities	1,864,783	2,261,168
	1,744,345	2,236,636
Cash and marketable securities, end of year	\$ 9,594,711	\$ 7,850,366

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,	
	1977	1976
Assets		
Cash	\$ 66,751	\$ 9,388
Marketable securities (quoted market: 1977, \$593,958; 1976, \$537,988)	588,273	533,026
Pledges receivable (less allowance for uncollectible pledges: 1977, \$370; 1976, \$1,095)	6,550	17,610
Other receivables	9,277	14,882
	<u>\$670,851</u>	<u>\$574,906</u>
 Liabilities and Fund Balances		
Liabilities and deferred credits:		
Accounts payable (1977: includes scholarships—\$86,250)	\$112,900	\$ 10,941
Contributions designated for future periods	6,550	17,610
	<u>119,450</u>	<u>28,551</u>
Fund balances:		
General	13,306	10,537
Library	104,021	106,522
John L. Carey Scholarship Fund	87,404	94,812
Accounting Education Fund for Disadvantaged Students	346,670	334,484
	<u>551,401</u>	<u>546,355</u>
	<u>\$670,851</u>	<u>\$574,906</u>

**AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS FOUNDATION**

**Statement of
Changes in Fund Balances**

	Year Ended July 31,	
	1977	1976
Additions:		
Investment income	\$ 22,392	\$ 26,355
Contributions:		
General	2,531	
Accounting Education Fund for Disadvantaged Students	415,881	349,006
	<u>440,804</u>	<u>375,361</u>
Deductions:		
Contributions to American Institute of Certified Public Accountants for library expenses	4,802	4,882
Expenditures:		
General	49	125
John L. Carey Scholarship Fund (scholarships)	9,380	4,733
Accounting Education Fund for Disadvantaged Students (grants and scholarships)	411,344	317,576
	<u>425,575</u>	<u>327,316</u>
Increase in funds before loss on sale of securities	15,229	48,045
Loss on sale of securities	(10,183)	(3,144)
Net increase in funds	5,046	44,901
Fund balances, beginning of year	546,355	501,454
Fund balances, end of year	<u>\$551,401</u>	<u>\$546,355</u>

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,	
	1977	1976
Assets		
Cash	\$ 40,599	\$ 20,265
Marketable securities (1977 cost \$502,602; 1976 quoted market \$548,413) ...	485,989	518,512
Notes and mortgages receivable (less allowance for doubtful amounts: 1977, \$13,325; 1976, \$24,825)	45,920	66,935
Other receivables	4,169	5,171
	<u>\$576,677</u>	<u>\$610,883</u>
Liabilities and Fund Balance		
Accounts payable	\$ 620	\$ 650
Fund balance before unrealized loss on marketable securities	592,670	610,233
Less unrealized loss on marketable securities	16,613	
Fund balance	<u>576,057</u>	<u>610,233</u>
	<u>\$576,677</u>	<u>\$610,883</u>

**AMERICAN INSTITUTE
BENEVOLENT FUND, INC.**

**Statement of
Changes In Fund Balance**

	Year Ended July 31,	
	1977	1976
Additions:		
Contributions	\$ 13,681	\$ 75,909
Investment income	26,038	23,136
Notes and mortgages received in consideration of benefits paid	5,660	8,610
Repayments of assistance to members and families	8,318	
	<u>53,697</u>	<u>107,655</u>
Deductions:		
Assistance to members and families	68,444	74,315
Stationery, printing and other expenses	5,697	9,402
	<u>74,141</u>	<u>83,717</u>
Increase (decrease) in fund before gain on sale of securities ..	(20,444)	23,938
Gain on sale of securities	2,881	1,749
Net increase (decrease) in fund	(17,563)	25,687
Fund balance, beginning of year	610,233	584,546
Fund balance before unrealized loss on marketable securities	592,670	610,233
Less unrealized loss on marketable securities	16,613	
Fund balance, end of year	<u>\$576,057</u>	<u>\$610,233</u>

**ACCOUNTING RESEARCH
ASSOCIATION, INC.**

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

	July 31,	
	1977	1976
Assets		
Cash	\$ 81,888	\$ 57,941
Marketable securities (quoted market: 1977, \$2,250,000; 1976, \$1,313,000) ..	2,250,000	1,313,000
Dues receivable	476,005	406,523
Other receivables	10,750	13,185
	<u>\$ 2,818,643</u>	<u>\$ 1,790,649</u>
Liabilities and Fund Balance		
Liabilities and deferred credits:		
Due to Financial Accounting Foundation	\$ 3,795	\$ 5,235
Accounts payable	3,369	900,253
Unearned advance dues	878,284	905,488
	<u>885,448</u>	<u>905,488</u>
Fund balance	1,933,195	885,161
	<u>\$ 2,818,643</u>	<u>\$ 1,790,649</u>

**ACCOUNTING RESEARCH
ASSOCIATION, INC.**

**Statement of
Changes in Fund Balance**

	Year Ended July 31,	
	1977	1976
Additions:		
Dues	\$ 2,129,249	\$ 2,165,568
Investment income	103,292	72,661
	<u>2,232,541</u>	<u>2,238,229</u>
Deductions:		
Payments to Financial Accounting Foundation (Note 7)	1,174,817	1,611,050
Membership promotion	1,698	9,374
Reports to members	3,216	1,757
Stationery, supplies and other expenses	4,776	5,433
	<u>1,184,507</u>	<u>1,627,614</u>
Net increase in fund	1,048,034	610,615
Fund balance, beginning of year	885,161	274,546
Fund balance, end of year	<u>\$ 1,933,195</u>	<u>\$ 885,161</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 separately as a reduction of the fund balance. Realized gains and losses on security transactions are included in operations.
- Inventories are stated at the lower of cost (primarily first-in, first-out) or market.
- Authorship costs applicable to publications and continuing professional education courses, 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. Dues of ARA members are assessed on a calendar year basis and recorded as additions to fund balance ratably 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 in operations 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, 1977 and 1976**

1. Inventories

Inventories of the Institute are stated at the lower of cost (primarily first-in, first-out) or market and at July 31, 1977 and 1976 consisted of:

	1977	1976
Paper and material stock ..	\$ 179,644	\$ 267,880
Publications in process ...	337,844	591,249
Printed publications and continuing professional education course material	1,050,880	1,213,019
	<u>\$1,568,368</u>	<u>\$2,072,148</u>

2. Furniture, equipment and leasehold improvements

The following presents the amounts of furniture, equipment and leasehold improvements of the Institute at July 31, 1977 and 1976:

	1977	1976
Furniture and equipment ..	\$1,589,999	\$1,432,449
Leasehold improvements ..	1,119,815	977,072
	<u>2,709,814</u>	<u>2,409,521</u>
Less accumulated depreciation and amortization	880,112	665,509
	<u>\$1,829,702</u>	<u>\$1,744,012</u>

Depreciation and amortization charged to operations for the years ended July 31, 1977 and 1976 amounted to \$218,818 and \$218,405, respectively.

3. Taxes

The Internal Revenue Service has completed an examination of the Institute's Federal payroll tax returns covering the calendar years 1969 through 1973 and is contesting 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 employment taxes that may be assessed.

The Institute's unrelated business income tax returns have been settled through the year ended July 31, 1974. Accruals in prior years no longer needed in the amount of \$128,000 have been credited to General Expense.

4. Lease commitments

Rental commitments under noncancelable leases in effect as of July 31, 1977 aggregated approximately \$30,100,000. 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,	
1978	\$ 1,863,000
1979	1,821,000
1980	1,816,000
1981	1,816,000
1982	1,794,000
1983-1987	8,721,000
1988-1992	8,248,000
1993-1994	4,021,000
	<u>\$30,100,000</u>

Rental expense for the year ended July 31, 1977 was approximately \$2,165,000 and \$2,207,000 for 1976 (including \$127,000 in escalation attributable to 1975).

5. Retirement plan

Pension expense relating to the Institute's retirement plan amounted to approximately \$478,000 and \$398,000 for the years ended July 31, 1977 and 1976, 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 estimated amount required to fund prior service costs under the plan is \$830,000 as of May 1, 1977.

6. Commitment of Foundation funds

With the help of continuing grants from the AICPA and the U.S. Department of Health, Education and Welfare, the Foundation plans to distribute from the Accounting Education Fund for Disadvantaged Students more than \$400,000 over the next year for direct scholarships to minority students, to assist in improving the educational level of the accounting faculty of minority universities and for grants to eight universities to support scholarships to minority students.

7. Commitment to Financial Accounting Foundation (FAF)

In October 1972, the Accounting Research Association, Inc. 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 1976, and the ARA fund balance at July 31, 1977 is more than adequate to meet the

unpaid portion of the commitment for 1977. Remaining funds of the ARA have been earmarked for continued support of the Financial Accounting Foundation.

8. Effective Legislation program

To further the interests of the Institute and its members by contributing to campaign funds of concerned members of Congress, the AICPA Effective Legislation Committee was formed during the year. As of July 31, 1977 the Committee had received \$61,672 in contributions and disbursed \$1,697, leaving a fund balance of \$59,975. The Fund is maintained independently of the Institute and, accordingly, these amounts are not included in the accompanying financial statements.

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 revenue of 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 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.

Continuing Professional Education

The CPE Executive Committee, together with the divisional subcommittees and task forces, has worked to maintain the relevance and quality of AICPA courses. A computerized system is now used to record evaluation input from both discussion leaders and participants. This input is weighed in the processes of selecting new courses and scheduling presentations; courses are updated as needed either by thorough revision or by inclusion of update supplements. Special efforts are made to be sure AICPA courses are appropriate to the needs of local practitioners, who account for 75 percent of the participants.

In response to developing needs, 29 group study courses and 25 individual study programs were added to the course offerings this year. Linked as it now is to each of AICPA's technical divisions, the Curriculum Subcommittee expects to provide new courses in a timely manner. It also anticipates the continuing cooperation of firms and individuals willing to make their own courses available to the profession through the division. The division's EDMAX Library continues to be the profession's largest cooperative reference library of CPE course materials available to AICPA members.

Twenty-four states now require continuing education as a condition for renewal of practice licenses. Because more states will be joining this group in the years ahead, the CPE courses of the AICPA have been designed to meet the requirements of the state boards of accountancy.

Last year, state societies sponsored or cosponsored some 2,400 AICPA course presentations involving the distribution of approximately 68,500 course manuals. CPAs received 103,600 man-days of instruction at these presentations.

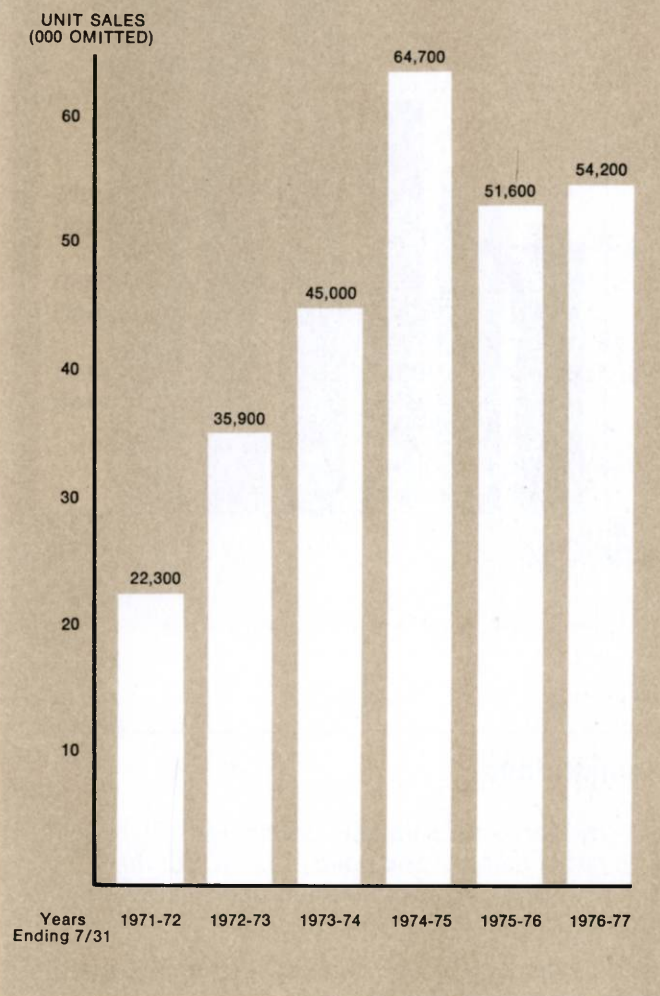
An innovation this year was the "Hot-Topic" Lecture Series. Hailed for timeliness and for high-caliber instruction, discussions at strategic national locations brought practitioners needed interpretations of technical material on such topics as the tax reform act, accounting for leases, and quality control review. The joint AICPA-University of Michigan program was introduced this year to train full-time tax personnel. Over one hundred participants attended the two-week sessions taught by prominent CPA tax authorities from across the country. Next year, the

course will be expanded to one month by the addition of two weeks of advanced tax training.

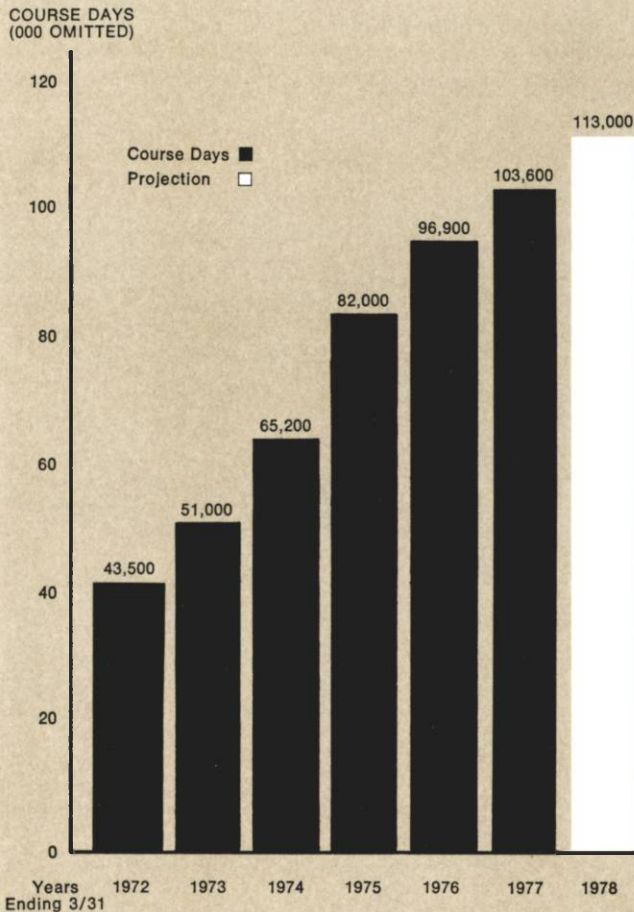
Percentage of Participation in CPE Courses by Firm Size and Member Classifications—1976-77

	<u>Percentage</u>
National and Regional Firms	9
Local Firms	75
Industry and Government	11
Education and Others	5
	<u>100.0</u>

Continuing Professional Education Self-Study Unit Sales



Continuing Professional Education Course Days Provided and Projected 1972-78



Examinations

The Board of Examiners continues its careful supervision of and policy-making for the Uniform CPA Examination and the Advisory Grading Service of the Institute.

Again this fiscal year, the number of candidates and papers graded for the November 1976 and May 1977 examinations reached record highs.

18

	Candidates	Papers Graded
November, 1975	42,124	156,096
November, 1976	45,007	165,832
May, 1976	41,457	151,981
May, 1977	44,036	160,504

The Board of Examiners submitted its policies and procedures for the design, preparation, security, and advisory grading of the Uniform CPA Examination to review by a special team appointed by the National Association of State Boards of Accountancy. The report of the review team was received by the Board of Directors in July and was referred to the Board of Examiners who will report on its implementation to the Board of Directors.

International Practice

In its effort to harmonize worldwide accounting relations, the International Practice Executive Committee continues to monitor technical and practice developments and provide liaison with many affiliated groups, some of whose important activities are summarized below.

The Accountants International Study Group (AISG) published three studies — *Independence of Auditors*, *Audit Committees*, and *Accounting for Pension Costs*.

The International Accounting Standards Committee (IASC) issued three International Standards — *Depreciation Accounting*, *Information to Be Disclosed in Financial Statements*, and *Accounting Responses to Changing Prices* — and released exposure drafts on (1) the treatment in the income statement of unusual items and changes in accounting estimates and accounting policies, (2) accounting for research and development costs, and (3) contingencies and events occurring after the balance sheet date. Because of worldwide interest in accounting for the effects of inflation, the IASC also published a discussion memorandum entitled *Treatment of Changing Prices: A Summary of Proposals*.

The International Coordination Committee for the Accountancy Profession (ICCAP) issued final proposals for the establishment of an International Federation of Accountants. The proposals will be discussed at the International Congress in Munich in October. The organization, if approved as expected,

will be registered under Swiss law and will be headquartered in New York.

The Inter-American Accounting Association (IAA) announced the establishment of its headquarters in Mexico City and the employment of a full-time executive director.

The Confederation of Asian and Pacific Accountants (CAPA) has agreed to the long-term development of a coordinated regional organization with harmonized standards and has established standing committees in education, ethics, and technical matters.

Publications

Advertising revenues for the *Journal of Accountancy* for fiscal year 1976-77 were \$800,000, about \$125,000 over budget. Paid circulation of the *Journal*, including member copies, is currently over 211,000.

The first *CPA Client Bulletin* was issued in January 1977. Today 2,400 member-subscribers distribute about 185,000 copies to their clients.

The Board of Directors approved publication of a monthly letter—*The CPA Practitioner*. The publication will be directed to local practitioner members of the AICPA and is expected to be available in fall 1977.

The Institute published 51 books and pamphlets that were publicized by 24 brochures. Chief among the publications was *The Institute Responds . . .*, the AICPA response to the Metcalf Subcommittee Staff Report; in addition, the Institute provided facilities for the publication of *The Commission on Auditors' Responsibilities: Report of Tentative Conclusions*.

Public and State Society Relations

The public relations and state society relations divisions were merged in July 1976. A major undertaking of this new unit is the national program of public relations for state societies.

The division designs the broad information programs and provides all printed materials needed for the campaign, while state societies and their chapters deal directly with local newsmen.

As part of its state society activities, the division organized the 11th annual State Society Planning Conference, shifted the editorial focus of the *State Society Coordinator* to make it more useful as a planning aid for state society executive directors, and issued for state society use news releases, feature articles and columns, radio and TV news spots, and books and pamphlets.

Information Retrieval

Three Financial Report Surveys were produced from the National Automated Accounting Research System (NAARS) data bases this year:

- *Illustrations of Accounting for Contingencies* (no. 10)
- *Illustrations of the Disclosure of "Pro Forma" Calculations* (no. 11)
- *Illustrations of Accounting for Marketable Equity Securities* (no. 12)

The distribution of terminals accessing the NAARS data bases and the types of entities operating them are shown below.

	<u>Entities</u>	<u>Terminals</u>
Accounting Firms, Associations, FASB & SEC	16	32
Law Firms	72	72
Industrial Corporations	5	7
University Schools of Business	3	3
Total	<u>96</u>	<u>114</u>

Sources and Occupations of AICPA Membership

	<u>1971</u>	<u>1973</u>	<u>1975</u>	<u>1977</u>
Total AICPA Membership	79,736	95,415	112,494	131,300
Public Accounting	62.0%	59.8%	59.1%	57.5%
Business, Industry, Miscellaneous	31.1%	33.6%	34.6%	36.2%
Education	3.2%	3.1%	2.9%	2.8%
Government	3.7%	3.5%	3.4%	3.5%
	<u>1971</u>	<u>1973</u>	<u>1975</u>	<u>1977</u>
Membership in Public Practice	49,436	57,057	66,506	75,528
Firms with one member	20.2%	20.9%	22.1%	22.1%
Firms with 2 to 9 members	31.8%	31.5%	29.7%	30.1%
Firms with 10 or more members, except the	8.0%	8.7%	10.1%	12.0%
25 largest firms	40.0%	38.9%	38.1%	35.8%

In calendar year 1976, over 700 committee and task force meetings were held.* Assuming an average attendance of 15 members at each meeting, total member attendance was over 10,000. Using an average of 1.5 days for each meeting, the total

volunteer days exceeded 15,000.

In addition to this contribution of members' skills and time, the suggestions and constructive criticism of the general membership help guide the Institute and promote its effectiveness. The interest of all who contribute to these endeavors is appreciated.

*This figure does not include the Annual Meeting, two Council meetings, and numerous conferences.

Practice and Quality Control Review

A conference for chairmen of state society practice review committees was held to familiarize state committee members with the way auditor's reports are obtained and the procedures for reviewing and processing them.

Since adoption of the Voluntary Quality Control Review Program for CPA Firms in the fall of 1976 by Council, a Special Committee on Proposed Standards for Quality Control Policies and Procedures in April issued a discussion draft entitled *A Guide to Implement the Voluntary Quality Control Review Program for CPA Firms: Quality Control Policies and Procedures for Participating CPA Firms*; the final version is expected in the fall, with implementation of compliance reviews expected to begin in 1978.

Two other discussion drafts are expected to be released in late summer. One deals with performing quality control compliance reviews, and the second deals with reporting on such compliance reviews.

Meanwhile, a task force developed sample quality control documents for the guidance of local firms intending to participate in the program.

The Quality Control Review Committee continued to oversee the development of the program by surveying a sample of CPA firms to ascertain their plans for participation and to derive data on which to base its administration of the program. The committee is studying the issues surrounding acceptability of quality review programs such as those conducted by associations of CPA firms under the AICPA program. The general Audit Practice Subcommittee is developing the consulting reviews provided under the program. The technical standards consulting review is operational; it supersedes the former local firm quality review program. The technical standards review checklists, which are also available separately, have been updated. The subcommittee is in the process of developing the other two consulting reviews, namely, the quality control document review and the preliminary quality control procedures review.

Member Relations

The year-old member relations division has acquired numerous responsibilities since its inception.

The Management of an Accounting Practice (MAP) Committee sponsored four MAP conferences attended by 800 members (an increase of 25 percent over last year), developed the second *MAP Handbook* supplement, which is to be released this fall, and held the third annual conference for State Society MAP Committees.

Advisory Group A, which represents local practitioner members, is responsible for keeping the Board of Directors and AICPA committees informed about the needs of that membership segment.

The group reviewed and commented on drafts of reports by the Committee on GAAP for Smaller and/or Closely Held Businesses and by the Accounting and Review Services Committee, whose deliberations relate to unaudited statement work, and sponsored the fourth annual series of local practitioner seminars. At year's end the committee was expanded from 15 to 21 members, the last six of whom represent firms having from one to ten AICPA members.

The Small Business Development Committee, continued to assist accounting resource centers and state societies to operate minority business assistance programs and to work with minority CPA firms in achieving their goals.

This year the division worked with 28 state societies to organize 122 Member Forums on the *Report of Tentative Conclusions* of the Commission on Auditors' Responsibilities. The division also organized 21 field trips and produced a leaflet on "AICPA Programs for Local Practitioners."

Relations with Educators

The Board on Standards for Programs and Schools of Professional Accounting issued its *Final Report* identifying standards that, when satisfied by a school, would justify its recognition by the accounting profession. The standards contemplate a five-year educational program culminating in

a postbaccalaureate degree in accounting.

A joint American Accounting Association/AICPA task force is proposing the creation of an Accounting Accreditation Council to operate in cooperation with the American Assembly of Collegiate Schools of Business and be responsible for implementing a set of standards for professional accounting programs.

The division completed and published the 1977 Survey of the Supply of Accounting Graduates and Demand for Public Accounting Recruits.

The Grants-In-Aid Selection Task Force has awarded \$24,150 in grants to five doctoral candidates who have expressed interest in pursuing careers as accounting educators.

In addition, two Yale University seniors planning to do graduate work in accounting were awarded John L. Carey Scholarships.

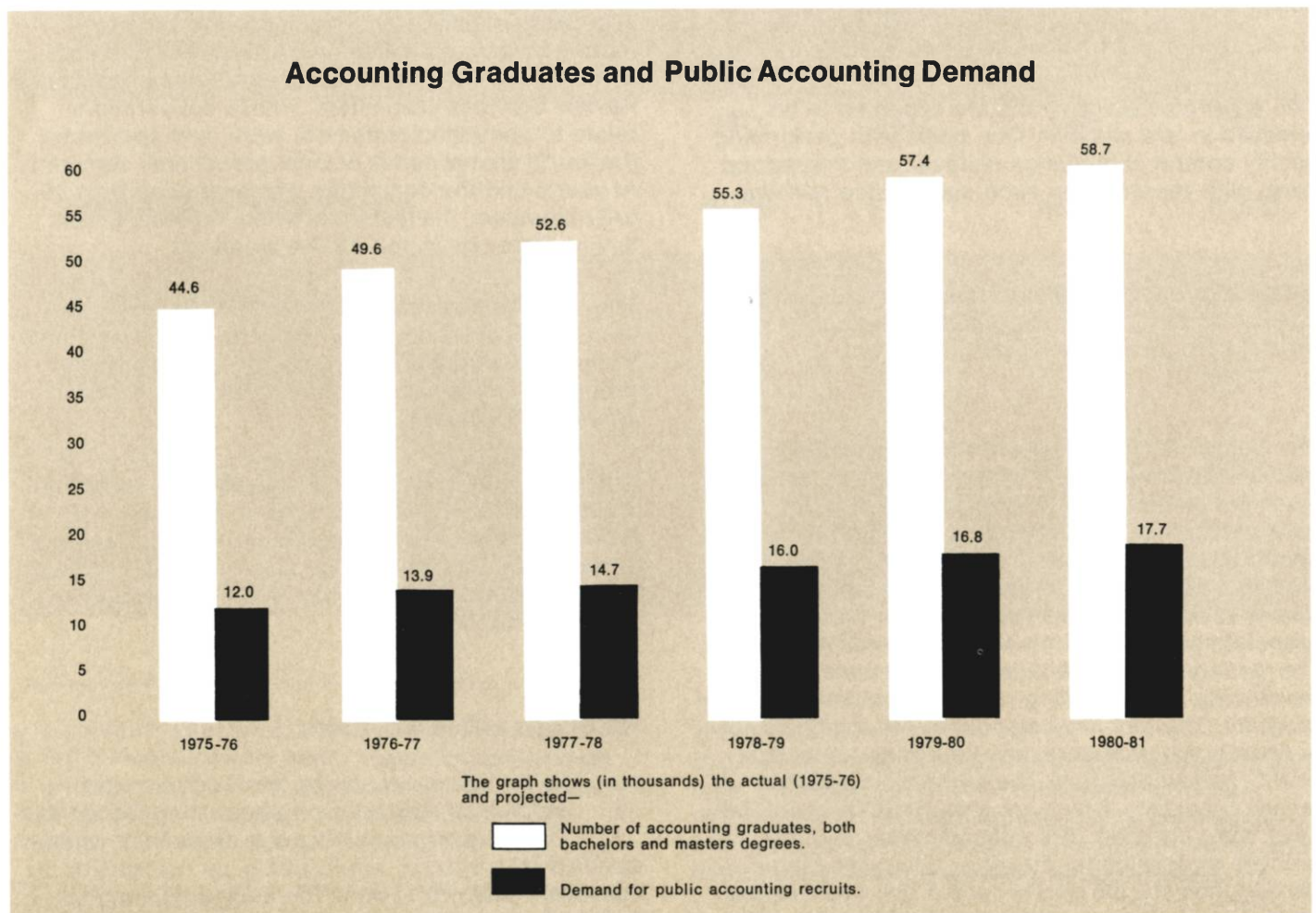
Other Services

Minority Recruitment and Equal Opportunity

At its fall 1976 meeting, Council authorized a contribution of \$200,000 of Institute funds for support of the Minority Recruitment and Equal Opportunity Program, for 1976-77, to augment other contributions to the program.

The AICPA Minority Recruitment and Equal Opportunity Program, through the Accounting Education Fund for Disadvantaged Students, assists promising minority undergraduate accounting majors with scholarship aid. More than 200 students were awarded scholarships of up to \$1,000 each in 1976-77.

The program also provided support for the seventh annual Faculty Summer Seminar, co-sponsored by the District of Columbia Institute of Certified Public



Accountants, which was attended by over 70 representatives of the accounting faculties of the traditionally minority colleges and universities. The objective of this program is to help assure quality education of minority accounting students.

As another part of the program, the AICPA also sponsors a project jointly with the American Accounting Association to enable minority accounting faculty in developing institutions to pursue doctoral study in accounting and provide temporary teaching replacements for them while they are absent from their schools. During the 1976-77 academic year, eight accounting educators participated in this Doctoral Fellow and Visiting Scholar program, which is also supported by an annual grant from the Department of Health, Education, and Welfare.

Insurance and Retirement Programs

LIFE INSURANCE PLANS

At March 31, 1977, over \$4 billion of life insurance was in force on more than 50,000 individual CPAs insured under the CPA Plan, and on over 50,000 proprietors, partners, employees, and eligible dependents covered under the Group Insurance Plan.

PROFESSIONAL LIABILITY INSURANCE PROGRAM

This program is directed by the AICPA Accountants Professional Liability Insurance Plan Committee with the objective of maintaining a stable rating structure while providing high liability protection without critical gaps in coverage. In the three years since its establishment the program has grown from 2,100 to more than 7,000 participating practice units throughout the country.

MEMBERS RETIREMENT PLAN

The Members Retirement Plan provides eligible firms with a way to furnish retirement income benefits to proprietors, partners, and employees. By December 31, 1976, more than \$33 million had been accumulated for retirement purposes, with more than \$6 million in contributions received in 1976 alone.

American Institute Benevolent Fund

The American Institute Benevolent Fund was established in 1933 to provide assistance to members,

former members, and their families during periods of financial difficulty. The fund is administered by the Board of Trustees through the Institute offices and is sustained by member contributions. During fiscal year 1976-77, the fund

- Provided \$68,444 of financial assistance to members or former members and their families.
- Received \$13,681 from members in response to a request for contributions.
- Began putting recipients in touch with financial advisors when necessary and undertaking staff visits to recipients when appropriate.

Officers and Board of Directors 1976-77

Michael N. Chetkovich, *Chairman of the Board*
Stanley J. Scott, *Vice Chairman*
Wallace E. Olson, *President*
Peter E. Arnstein, *Vice President*
George R. Catlett, *Vice President*
Frank B. Hill, Jr., *Vice President*
John W. Zick, *Treasurer*
Donald J. Schneeman, *Secretary and General Counsel*

Wilton T. Anderson
Richard T. Baker
Ivan Bull*
Robert Boyer
Joseph P. Cummings
William R. Gregory
William S. Kanaga
Rholan E. Larson
Harry R. Mancher
John R. Meinert

**Immediate Past Chairman of the Board*