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The Accounting Profession in the 1980's—Some SEC Perspectives

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Securities and Exchange Commission*

I am very pleased to respond to Howard Stettler's invitation to speak on the topic, as Howard put it, "the SEC's position regarding the accounting profession in 1985." Of course, the response cannot be direct. The Commission has no such "master plan," nor does it desire one, nor would such preconception be wise in these fast-evolving times.

However, there are some themes in the actions of the Commission and in the words of Chairman Williams and other SEC spokesmen which are indicative of the Commission's general expectations of and concerns about the profession in the 1980's. There are in my view two underlying themes. The Commission is sincerely committed to the policy of self-regulation by the profession; it is also committed to "active oversight" of the profession. These seemingly contradictory statements will come as no surprise to anyone familiar with the Commission's activities and annual reports to Congress, or who follows its relationships with the ASB, FASB, and the SECPS and its Public Oversight Board.

Unfortunately, to base very specific predictions about the profession in the 80's on these two features of the present climate would be questionable, even if the prevailing economic and social winds hold steady. Nevertheless, I believe we *can* take these two themes—that the profession is and should be and will remain a profession and that the SEC will continue its oversight role in helping interpret that which is reasonable in various public expectations for accounting and for business in general—second, add some observations about the climate in which we all operate, and then add some comments on certain areas where change is now occurring or is perceived as necessary—and from all this gain some feeling for the Commission's hopes for the accounting profession in this new decade.

The Environment—Economic, Social, Legal, Professional

Let me turn now to some comments about the environment in which we find ourselves. First, economic: the combination of inflation, recession, and questionable energy supplies have made the public much more conscious of economic

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matters—and of economic measurements. The amounts, sources, and uses of corporate profits (and losses) are often front-page news, and debate as to the proper measurement thereof is, appropriately, no longer left solely to accountants. Some major unexpected failures, of both corporations and municipalities, have also underscored the importance of accounting and in some cases have led to questioning of the auditors' responsibilities.

Second, the social environment: questions of "to whom and for what ends is the corporation accountable" are heard regularly. Widespread disclosures of questionable payments and illegal acts, and some glaring instances of fraud, have contributed to this, as have increasing concerns for the physical environment and relations with employees, customers, and so forth. Changing views on corporate accountability do—and should—affect the role of the auditor.

Third, the legal environment: this litigious era makes both business and the profession understandably cautious in responding to economic and social changes. Thus, where voluntary efforts such as disclosure of (and the CPA's review of) soft data may seem appropriately responsive, there is timidity—which only augments normal human inertia. Where standards or regulations have been promulgated, too frequently it is their letter rather than their spirit which is heeded. The interest of Congress in accounting, as shown in the oil and gas legislation, the FCPA, and the Metcalf-Moss-Eagleton Committees' scrutiny of the profession, may be flattering in some ways but also invites legalistically defensive attitudes.

Thus the profession, and with it the Commission, finds itself in a climate of conflicting and changing views on corporate accountability and the related roles of accounting data and the audit function. It is also a time of impatience with consensus-building. "Leadership"—usually and often necessarily translated, "rule-writing"—is expected of the profession and/or the Commission. Surely the "pronouncement explosion" of the 1970's will continue in this decade, given the economic, social and legal factors at hand.

One other factor should be noted. Accountants seem to be changing. It is becoming easier for many practitioners to speak of the "accounting industry" or "business" rather than "the profession." Consulting services are often viewed as not only an audit client service but as the major area of real growth opportunity, in a profession obsessed by growth. Clearly, there is business justification—the profession must remain economically and intellectually attractive to retain its talent. Nevertheless, Professor Briloff is not the only party concerned with whether the growth of the aggressive consultant mentality may be affecting the "typical auditor."

So this is the environment and the profession which is our concern tonight. To reiterate my themes, one, the SEC hopes and expects the profession to be just that—a profession—in the 80's and beyond. That is:

- to respond first to the public interest, however that is reasonably interpreted.
- to practice, as firms and as individuals, in the spirit as well as the letter of articulations of the public interest.
- to maintain, as the organized profession, public confidence through credible self-regulation.

At the same time, (theme two) the Commission will continue to play an active and visible oversight role to ensure that the private sector exercises initiative in a timely and effective manner.

Some Developing Areas

I would like to turn now to a few developing areas, which I believe serve to illustrate the profession's changing environment and the present course of private and public standard-setting. These are:

1) ''supplementary data'' and limited reviews thereof;
2) corporate accountability, including governance structure and the specific case of internal accounting control reports;
3) a corollary to items one and two, the ''auditor of record'' or continuous audit concept; and,
4) professional self-regulation.

Supplementary Data/Limited Reviews

The era of ''soft information'' is rather rapidly evolving upon us. Inflation-adjusted numbers, forward-looking data, management's analyses and policy statements—these are ideas whose time, perhaps with a push from our inflationary economy, has come. The profession is facing the additional challenge of increasing expectations regarding its role in the broader area of financial reporting. A significant response has been the AICPA's designation of the FASB as the authoritative source of standards for disclosure of information outside the confines of the financial statements. The Board's Statement of Financial Accounting Concepts No. 1 specifies this broader view; Statement No. 33, ''Financial Reporting and Changing Prices,'' requires supplementary, non-statement disclosures.

The SEC's contributions have included the ASR No. 190 ''replacement cost'' disclosures (now rescinded), RRA (the reporting of valuations of proved oil and gas reserves), and various inducements to disclose forward-looking information. Currently outstanding is a set of proposals—the so-called ''integration project.'' While this project has many facets, a very significant aspect is one portion of the proposed 10-K amendment. This would change the focus of ''management's discussion and analysis'' and certain five-year summary data items to elicit meaningful information on three financial aspects: liquidity, capital resources and results of operations. Narrative discussion of the effects of inflation on the business entity would also be called for—even if the company is not required to present the supplementary information required by FASB Statement No. 33. Not coincidentally, the proposals would provide management with the opportunity to present more forward-looking information.

In general, the primacy of the basic annual financial statements as the focus of reporting activity and thus of auditor attention is being eroded. Disclosures of breakdowns of historical data, such as quarterly and business segment information, have also caused rethinking of the costs and benefits of various levels of audit assurance.

Happily, the Commission has demonstrated faith in the ability of auditors to add credibility to management's disclosures, even if the degree is less than that presumed in the standard audit of historical cost financial statements. It seems beyond question that means will be devised for explicit reporting by auditors on supplementary, nonfinancial statement, disclosures.

There are, of course, many problems (or more positively, challenging matters) to resolve. Many of the disclosure standards are new, some seem vague, many remain to be articulated. The same is true of developing limited review standards. There are obvious costs, unmeasurable benefits, and client opposition. And there are uncharted responsibilities, that is, liabilities.

SAS No. 27 is a positive step (and not the first one). However (to quote Chairman Williams):

> I am concerned that present standards do not require that auditors report on the nature and results of their reviews of supplementary information. Reporting the nature of the auditor's procedures and how they differ from an audit would provide an important communicating channel between the profession and the users of financial statements.[1]

The Auditing Standards Board is understandably quite sensitive to the liability implications of explicit limited assurances. It is probably fair to concede that definitive answers will come only from testing before the courts. Nevertheless, the Commission is aware of the complex issue of auditor liability. It has acted, and is contemplating further action, to defuse some of the more serious liability obstacles (though it does not wish to remove all auditor responsibility).

In June 1979, the Commission adopted a safe harbor rule offering certain protection from liability where forward-looking information, along with related assumptions, is disclosed or reaffirmed in SEC filings (under both the 1933 and 1934 Acts) or annual reports to shareholders. This includes projections of financial items, statements of management plans and objectives, and management discussion and analysis items which concern future economic performance. In addition, the Commission has proposed to extend safe harbor to certain supplementary information dealing with the effects of changing prices and with oil and gas reserve information.

The Commission has also taken action relating specifically to the liability of auditors under Section 11(a) of the 1933 Act for their reports on supplementary information as to changing prices and oil and gas reserves, if such reports are required. As you may be aware, Section 11(a) imposes liability on an accountant for misstatements or omissions of material facts in a registration statement which includes his report, unless he had, after "reasonable investigation," grounds to believe that the information was true. The problem raised by this standard, of course, is that limited reviews contemplated by the Auditing Standards Board do not afford the auditor a sufficient basis to judge the "truth" of the supplemental data reviewed. The proposed rule amendments are similar to the Commission's recent action in ASR No. 274, the effect of which is to exclude reports by auditors on unaudited interim information (which under SAS No. 24 are based on review procedures less than an audit) from potential liability under Sections 7 and 11 of the Securities Act.

However appropriate these precedents may be, they still a) represent an item by item approach rather than a general position on soft data and b) do not fully clarify the auditor-reviewer's legal responsibility under the securities acts. To again quote Chairman Williams:

> There are some who assert—and I might add, fairly persuasively—that accountants should not be given a blanket exemption of this sort from liabil-

ity under Section 11(a). Thus, I anticipate that the Commission may, in the near future, request comments on alternative approaches to the issue. The result of that process could be liability for failure to comply with the applicable professional standards.

In any case, I fully expect that the liability question soon will be clarified and that requirements for accountants' reports expressing limited assurances on the basis of reviews of supplementary information will be resolved. This process reflects the Commission's belief—similar to that suggested by the *Hochfelder* decision—that there must be a fair and reasonable balance between, on one side, the need to ensure responsible auditing services, and, on the other, the burdens and liabilities placed on the accounting profession.[2]

The growing importance of non-financial statement disclosures, both "soft" and analytical, and auditor association therewith, provides a clear example of the twin themes of this address—the SEC and the profession in tension—a creative tension. The Commission has provided much of the impetus for interims, forward-looking data, and inflation adjusted data, and is continuing to do so with the proposed expansion of management's discussion and analysis. The profession's standard-setting bodies have contributed significantly in guiding the implementation of these initiatives.

Supplemental data also provides an example of the frustrating problem of compliance with the letter rather than the spirit of standards. The proposed management discussion is a good illustration. The existing guidelines have become laden with all manner of interpretations and materiality policies; too frequently, the discussion is a bare recounting of the most obvious. The proposal attempts to elicit more meaningful disclosure by being purposefully indefinite; at one point it says, in effect, "tell investors about your liquidity and capital structure." However, many commentators have complained about this lack of specificity. For reasons both mean and defensive (legally), there is great reluctance to exercise professional judgment in interpreting and enforcing the spirit or intent of standards and regulations.

This pervasive professional problem is also illustrated by the current reconsideration of the term "fairly presents" in the standard audit report. The Auditing Standards Board is presently considering some significant changes in that report, one of which would substitute "in accordance with GAAP appropriate in the circumstances" for "fair." The Office of the Chief Accountant is not especially supportive of this, despite the Cohen Commission recommendation, though it would feel more comfortable if more discussion of "appropriateness" or "preferability of measurement and disclosure choices" were provided (either by the ASB or FASB). In any event, "fairness"—the judgment of management and the auditor as to overall impressions conveyed—cannot be avoided. The Securities Acts and the courts demand disclosure which is "not misleading."

This "fairness-preferability-spirit of the standard" area is admittedly difficult. And as we move further from the anchor of the financial statements and experience a proliferation of "bottom lines," "fairness" is becoming even more amorphous. Still, the public expects disclosure of substance rather than mere compliance with rules, and one way or another this demand will be served.

Corporate Accountability

Any discussion of the profession in the coming years should pay some heed to changing popular expectations about business corporations and their management. Auditors certainly are affected by what a company "is for" and how it is governed. Clearly, more is being expected of the auditor's role than a blessing of profit measures. That evolving role, only one of several in the broader context of corporate accountability, is not, and cannot, be entirely self-defined by the profession.

There are two related areas here—for what should corporations be accountable and by means of what formal structure (that is, the corporate governance issue).

Corporate Objectives

As to basic corporate objectives beyond creation of value (or cash) for investors, we are all aware of the "social responsibility" school of thought. Where environmental and social concerns have been enacted into law, there are generally avenues of information and enforcement that do not involve the SEC or at present involve auditors. Yet, it is not inconceivable that the independent auditor could become involved in some of these matters, for example, as a result of calls for expanded "social disclosures" for the benefit of those investors who are not totally economically motivated. Even assuming that formal reporting will retain a primarily financial orientation, FAS No. 5 may be more broadly interpreted in disclosures of "social costs." A related example is the Commission's presently required disclosure of contingent future environmental costs including costs of litigation, and its policy, recently clarified in the interpretative release issued concurrently with the settlement of proceedings involving U.S. Steel, which states that disclosure may be necessary ". . . to prevent . . . financial statements [etc.] . . . from being misleading . . . if a corporation has a policy or approach toward compliance with environmental regulations which is reasonably likely to result in substantial fines [or] penalties . . ."[3]

Another "accountable for what" area is that of illegal acts by or on behalf of the corporation. The general, though simplistic, assumption is that companies should operate within the law, and that the corporate governance structure should deter illegal acts. However, many matters of definition and implementation remain unsettled. These include questions of whom should be informed of such acts—top management, the board of directors, the public—and on what basis of evidence and concept of materiality.

Turning to "irregularities," the Cohen Commission Report contained certain "recommendations . . . intended to add to the substance of the standard of care for fraud detection."[4] Some of these recommendations already have been acted upon (note SAS No. 22—"Planning and Supervision," SAS No. 23—"Analytical Review Procedures," and *Statement on Quality Control Standards No. 1)*. The continuing and considerable private sector initiatives (as evidenced by three of the papers at this Conference), along with increased involvement by directors, may yet provide realistic and responsive answers to these very difficult questions of disclosure and auditor responsibility regarding irregularities and illegal acts. In any event, neither the Commission nor the profession acts in a vacuum regarding these issues of business philosophy and law.

There is, of course, agreement that management has certain stewardship responsibilities. And the current "big issue" in this area is the report by management on the state of its internal accounting control. As you know, the Commission's proposed rule would have required such a report, accompanied by the auditor's comment thereon. The proposal was recently withdrawn, although "tabled" more accurately describes the Commission's action for it retains a very active interest in the matter.

Such a report is not mandated by the FCPA, nor was the Commission's purpose in its proposal a direct result of the accounting provisions of the Act. Rather, the Commission believes that reports on control systems provide information useful to investors in general but more specifically to the company's present shareholders—information for its own sake as a partial indicator of their management's performance of stewardship responsibilities as well as having implications for the quality of unaudited public information. In addition, it is my personal belief that IAC reports may be related to the same perceptions of public concern for American corporate conduct that underlay the FCPA legislation.

There are, obviously, some very substantive and unresolved questions of definition and liability. It should be emphasized though, that the Commission has not dismissed internal control reports. Chairman Williams' words nicely summarize its position in withdrawing the proposal:

> I am receptive to arguments that private sector initiatives, such as that proposed by the Financial Executives Institute and by various public accounting firms, should be given the opportunity to work. The Commission, of course, is watching developments on this subject with interest, and, where these initiatives conform to the objectives of the new Act, will take them into account in determining its course of action.[5]

It seems obvious that the accounting provisions of the Act have significant implications and that management statements on internal control are becoming a reality, whether in the long run they are molded by individual firms' initiatives, guided by private sector standards, SEC-mandated, or some combination thereof.

Accountability Mechanisms

Let us move now from the "for what" to the "how" of corporate accountability—mechanisms for corporate governance and possible effects on the auditor's role therein.

The modern corporation is an extraordinarily complex system in which, among others, managers, directors, lawyers and auditors (both internal and independent) play important roles. In combination, their often subtle interrelationships determine the quality of corporate accountability. In this system, the audit function, both directly, and indirectly by monitoring other controls, advances the corporate accountability process and influences the corporation's financial discipline.

Both formal corporate structure and shareholder participation are involved here. As to developments in the area of structure:

- Corporate boards which are more independent of management and more involved in the company's affairs.

The SEC supports this movement through moral suasion, through ordered settlements of enforcement actions, and implicitly by inclusion of relevant disclosures in proxy information. As this trend develops, the profession has a significant opportunity in helping to meet corporate directors' information needs. I recommend "The Strategic Audit," a recent *Journal of Accountancy* article, for some interesting observations in this regard.[6]

- Audit committees

There is no need to recount the perceived importance of functional audit committees for auditors, internal and external, and for corporate accountability structure in general. A large majority of public companies have them; they are a New York Stock Exchange listing requirement. Also, certain companies have consented to audit committees, with defined membership and duties, as a feature of their settlements of SEC enforcement proceedings.

- Corporate legal counsel

The American Bar Association is reconsidering the matter of whether "the corporation," its board, its shareholders, or the management is the attorney's client. There is a theory that an attorney, who knows of actions (actual or contemplated) of management which because of their questionable legality could be detrimental to the company, has a duty to demand that management apprise the board, if not "the public" as well. If this view prevails, there could be implications for auditors—for example, attorney-CPA communication may be facilitated.

- Formal Codes of Management Ethics

The Cohen Commission, among others, has advocated that management disclose the existence and monitoring of such a code and that the auditor opine on that assertion. The implementation and publicizing of such reform measures could well improve the public's image of business. The private sector—the profession, but more fundamentally the business community—has an opportunity for initiative.

Turning briefly to shareholder democracy, here the activities range from the fundamental to the more evolutionary. The "Corporate Democracy Act of 1980," recently introduced in the House of Representatives, would require among other things "constituency boards of directors," expanded disclosures, and "community impact analyses" in connection with plant closings. If this, or some of the other more radical of the legislative proposals were to pass, there would surely be major and unpredictable effects on business in general, and on the profession and perhaps the structure of accounting theory, as well. More procedural is the "corporate accountability project" of the SEC's Division of Corporation Finance. While this study could result in proposed proxy rule amendments, it seems doubtful that such proposals will involve extension of the responsibilities of independent auditors.

In summary, the corporate governance area is perhaps a better example of the profession's opportunity for constructive response than for initiative. Accountants are rather ill-positioned to initiate changes, but can, must, and are, adapting to whatever evolves.

> Auditors—both outside auditors and internal auditors—are major contributors to the effective corporate accountability process which is an alternative to further governmental intrusions into the private sector's decision-making process.[7]

"Auditor-of-Record" Concept

> The audit should be considered a function to be performed during a *period of time,* rather than an audit of a *particular set* of financial statements . . . (It) should expand to include all important elements of the financial reporting process.[8]

Thus did the Cohen Commission advocate the continuous auditing or auditor-of-record concept. This was in a context which included regular association with interim reports and evaluation of the full period's internal accounting control. As financial reporting expands and the corporate governance structure evolves—also, as basic audit approaches and techniques become less seasonal—it seems to be a natural development.

This is, it seems to me, the expectation of the Commission. The SEC is interested in and favors the concept. There were, of course, the actions of a few years ago which involved auditors in quarterly data. I believe it is fair to say that at present the staff posture is to encourage continued private sector initiatives regarding quarterly reviews and, by implication, further formalization of the auditor-of-record status.

Professional Self-Regulation

The new SEC Practice Section-Public Oversight Board structure provides the most vivid example of the clash and cooperation between the profession and the public sector in responding to the impetus of public expectations. The structure, still very much in the development and testing stage, is complex and subtle. The chain runs from the firm's own quality control mechanisms, to peer reviews of the firm by the SECPS, to POB monitoring of those reviews, to the SEC—whose oversight activity will be heavily influenced by the Commission's evaluation of the effectiveness of the POB as an overseer of the profession's self-regulatory program.

The peer review program is the centerpiece. If carried out meaningfully and if coupled with effective disciplinary procedures, the profession will have implemented a significant, though expensive and difficult, change. The effectiveness of this new program is understandably not yet resolved. The Commission hopes ultimately to be able to rely heavily on the POB's monitoring. However, it is still felt necessary for the SEC staff to have sufficient access to peer review workpapers to permit an overall evaluation of the reviews themselves and of the Board's supervision, both for the Commission's own satisfaction and so that it may report credibly to Congress.

The difficulty in arriving at a mutually acceptable arrangement here is only in part due to technical or jurisdictional problems. More fundamentally, it reflects the profession's fears on the one hand (for example, that the Commission would use access to detailed documents to institute proceedings against firms) and on the other hand the SEC's need to assure integrity of the process (while not wanting its involvement to include a "blanket pardon"). There is probably no better example of the need for regulator and professional statesmanship than the continuing ''access'' negotiations.

The major issue of disciplinary ''clout'' also is progressing. Last November, the SECPS established a ''Special Investigations Committee'' and set forth *Rules of Procedures for the Imposition of Sanctions.* It remains to be seen whether the Section can complement and perhaps even obviate some of the SEC's enforcement work by invoking discipline which is both constructive and credible—or whether this function de facto will remain primarily with the Commission. Obviously, it is a ''sticky'' matter.

The Public Oversight Board, composed of distinguished members of the public, occupies a unique position as the ''go between'' in the regulatory-professional nexus.

> The POB must be sufficiently detached from the accounting profession to guide the effort objectively and to ensure that the profession does not lose sight of the goals which it must achieve. While the Board's authority is advisory only, it can and should—by virtue of its stature—serve as a conscience, critic and leader. But it is not yet clear whether the POB is prepared to assume this responsibility.[9]

One matter underlying this less than ringing endorsement is the Commission's position on the ''scope of services'' issue, which differs at least in emphasis from that of the POB, and indeed it seems from much of the profession. Audit independence vs. consulting is, of course, an especially vexing matter, for it is intrinsically a question primarily of attitudes rather than hard evidence. ASR Nos. 250 and 264 have been severely criticized as being too threatening and vague in attacking an allegedly non-existent problem. The Commission, as you know, felt the POB and the profession to be ''not adequately sensitized'' to public perceptions. But it is reluctant to go beyond mandating disclosure of fees and directors' approvals at this point—instead, it much prefers that the profession grapple with the ''scope'' issue.

One major feature of ASR No. 264 is the so-called ''global test''—that is, an expression of the Commission's general concern that auditing firms be primarily in the practice of auditing. The philosophy of ASR No. 264 is that while there is generally no current problem, the profession should be alert to the potential, given the increasing importance and scope of consulting services.

ASR No. 264 is indeed vague, but would more detailed rules be more realistic? Let us consider three example situations, the latter two hypothetical:

- the 10% audit, 90% tax-writeup-consulting firm
- a management consulting firm, which forms or acquires an auditing subsidiary
- a CPA firm, where a majority of its billings and executive partners are non-accounting-related

In any of these is actual audit quality necessarily impaired? Is even the probability of impairment higher? How will such firms—and indirectly the whole auditing profession—be perceived? How would the Commission view firms two or three (especially if either has been given a ''clean'' peer review)? It is frustrating that none of these questions have clear answers. However, resort to detailed rules and proscriptions would surely be more form than substance, i.e., give comfort (to firms, to the public, even to the SEC) that could be illusory.

Hopefully, the "veiled threats" of ASR No. 264 (as some characterize them) and "sensitivity" on the part of firms and the SECPS will be sufficient to avoid cases of actual impairment of audit quality, the bottom line, as well as of a firm's professional image.

Conclusion

What generalizations can be made about the SEC's "perspectives" for the '80s, for the profession and itself? What are its hopes and expectations?

As to the profession, the 1980's would appear to be a time of digesting the truly significant developments of the 1970's—soft data, limited reviews, audit committees, peer reviews, internal accounting control, the Cohen Commission Report, as major examples. A great deal of experimentation and definition remain, but the profession has broken ground in several ways to enhance its role in corporate accountability. It must, and I believe it will, now

> . . . guard against the tendency to become complacent, or to develop an attitude that enough, or too much, has already been done—or that much of what is being done is not substantively necessary or cost justifiable, but rather a mandatory tithe to keep powerful but misguided external forces at bay.[10]

The Commission is certainly not eager to formally regulate the profession or to set accounting and auditing standards. Dealing with practical impediments to broader societal purposes, which cannot be brushed aside as mere nuisances, is a clear role for the profession. The private sector will continue to be relied on to develop new ideas regarding disclosure, audit technique, and even audit purpose, and to aid the implementation of those initiatives which the Commission may feel to be necessary—and to take some of the grief that comes with new standards. Further, in Clarence Sampson's words: "It is inherent that professionals are more likely to respond in a professional manner when enforcing their own standards than when complying with rules imposed by government."[11]

Turning to the Commission, it too needs to be sensitive and practicable—and I believe is generally demonstrating these qualities. It will surely continue to occupy a dominant role in interpreting public expectations. This seems inevitable because of the SEC's mandate under the securities laws, its "broader-than- accounting" function in corporate accountability, and, relative to private sector standards bodies, its capacity to act. There is no desire to preempt the FASB, ASB, POB, etc., but rather, as an overseer, to assure that standards adopted fall with a range of acceptable solutions.

The profession has understandable limits on its ability to undertake major initiatives. However, it is in a quasi-public role—not conscripted into involuntary service in a dangerous mission, but it has nevertheless enlisted in a public service, under a franchise based on the securities laws of 1933 and 1934. As such, the profession with the Commission must heed and interpret reasonable public expectations.

If only we could predict those expectations (or even agree on what is reasonable today), we could perhaps venture more definitive predictions for the profession. But that is difficult. All anyone can say about "the Commission's plan for the '80s" is an expectation that in tandem—in constructive tension—the profession and the SEC will enhance the usefulness, and the concomitant responsibilities and prestige, of the accounting and auditing functions.

Footnotes

1. Harold M. Williams, "The First Thousand Days—and Beyond," an address at the Accounting Research Center, Northwestern University, Evanston, Illinois; April 23, 1980.
2. *Ibid.*
3. Securities Act Release No. 6130/September 27, 1979 (Part B3). The Commission, incidentally, "noted the applicability" of FAS No. 5, "Accounting for Contingencies," in this regard.
4. The Commission on Auditors' Responsibilities, *Report, Conclusions, and Recommendation,* AICPA 1978, p. 37.
5. Williams, *op. cit.*
6. Alfred Rappaport, "The Strategic Audit," *Journal of Accountancy,* June 1980, pp. 71-77.
7. Williams, *op. cit.*
8. The Commission on Auditors' Responsibilities, *op. cit.,* p. 60.
9. Williams, *op. cit.*
10. *Ibid.*
11. A. Clarence Sampson, "The Effect of SEC Regulation on the Development of Accounting Theory," an address at the 1979 Accounting Research Convocation, The University of Alabama; November 17, 1979.