1972

Accounting profession, a time of great events

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, "Accounting profession, a time of great events" (1972). AICPA Annual Reports. 161.
https://egrove.olemiss.edu/aicpa_arprts/161

This Article 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.
The Accounting Profession

A time of great events.

American Institute of Certified Public Accountants
Preparing for the new tasks ahead...
The year 1972 may well be considered one of the most significant years in the annals of the profession of accounting.

This report presents some of these events as described by the men who played major roles in them.

No report can even suggest all those who gave of their time, their talent, their energies to bring about those accomplishments which further the usefulness, the value and the prestige of a profession, but this booklet has been prepared to indicate something of their achievements.
Walter J. Oliphant

President of the American Institute of Certified Public Accountants

Mr. Oliphant, a Senior Partner of Arthur Andersen & Co., has served the profession almost continuously for more than two decades. A former vice president and member of the governing Council of the Institute, he has been chairman of committees on accountants' liability, budget and finance, and planning and finance.
What has happened to the world as we know it...

"The world alters as we walk in it," a famous scientist has said, "so that the years of a man's life measure not some small growth, or rearrangement or moderation of what was learned in childhood, but a great upheaval."

This is what has happened to us and to the world as we know it. In this last year, as in this last decade, we have seen a great number of these changes and advances in the world and our profession, and these pages outline some of the latter.

First, we have seen the profession enter onto a larger stage in the approval by Council of the establishment of a full-time, independent, salaried Financial Accounting Standards Board with representation from the financial community as a whole.

Second, we have seen approval by the Council for vote by the membership of a revised Code of Ethics.

Third, we have witnessed the profession's concern for social questions expressed in its sponsoring of the first Interdisciplinary Roundtable on Social Measurement, in its volunteer efforts for the wage and price stabilization program and in its important contributions to equal opportunity and minority recruitment programs.

Fourth, we have seen during this year the first steps toward a major strengthening of our profession's relations with the federal government. By early fall our Washington staff will be significantly enlarged and will be operating with greater responsibilities under a resident staff vice president of the Institute. The effectiveness of our efforts in this growing area of importance to our profession will certainly be enhanced by this action.

These are some of the accomplishments during this last year which are reported more fully in the pages which follow. I cannot conclude, however, without expressing appreciation to Leonard M. Savoie for his efforts and achievements during his five years of service as the first executive vice president of the Institute. I also wish to extend a warm welcome to Wallace E. Olson as he undertakes his new responsibilities as our chief staff officer. We are extremely fortunate in obtaining his full-time commitment to our profession during this eventful period in our history. Under his leadership and with the support of all our members, we can look forward to the future with confidence.

... Walter J. Oliphant
We face major tasks ahead...

In discharging our obligation to meet the needs of society, we are faced with tasks which are constantly changing with the evolution of our role. The activities of the past year, as depicted in these pages, represent real progress toward addressing ourselves to these tasks. The full impact of these accomplishments will become evident in the coming years.

One major task, which can never be fully completed, is to continue to enhance the quality of financial reporting through the development of more effective technical standards. The establishment of the new Financial Accounting Standards Board, the important work of the Committee on Auditing Procedure and the continuing development of information retrieval systems in the technical areas are all important achievements.

But much remains to be done in establishing technical standards. The work of the Trueblood committee will help focus future efforts in setting accounting standards by more clearly defining the objectives of financial statements. The effectiveness of present audit techniques in providing a high degree of assurance of reliability of financial reports needs to be reexamined. Standards of practice in rendering management advisory services should be promulgated. The evolving need of some form of attestation of forecasts is receiving the profession's immediate attention.

Another continuing task is that of providing assurance to the public that the members of our profession perform their services with a high level of objectivity. The submission to our members of a revised Code of Ethics meets this need head on. However, questions continue to be raised regarding the effect of scope of practice on independence and these are being given careful study. The profession's machinery for self-regulation and discipline is also being reviewed to determine how it can be made more effective in assuring the public that any abuses of technical standards do not go unpunished.

A completely new task facing us is to consider what contributions our profession can make in the audit of social services and in developing procedures for measuring the quality of life. Our work in this area has been commenced by studies in several committees and by sponsoring a social measurement roundtable.

The foregoing are only a few of the more important challenges we face. We have taken a number of bold steps this year that indicate our willingness to meet the evolving needs of society and to continue to merit the public's confidence in us. We shall continue to strive for excellence and distinction as a profession in the years ahead.

...Wallace E. Olson
Wallace E. Olson
Executive Vice President of the American Institute of Certified Public Accountants

As the newly elected chief operating officer of the American Institute, Mr. Olson will provide overall direction of the Institute's staff affairs in New York and Washington on a full-time basis and will be a leading Institute spokesman. Mr. Olson, formerly Executive Partner of Alexander Grant & Company, served on the Wheat Committee Study on Establishment of Accounting Principles and was chairman of the Committee on Code Restatement, the recommendations of which were approved by Council for vote by the membership.
In March 1972, the seven-member group under Francis M. Wheat made its historic report to establish a new, independent, salaried, full-time Financial Accounting Standards Board with broader representation in the financial community to replace the Accounting Principles Board in setting standards of financial reporting. The report said in part:

"First, we propose a new foundation to be called the Financial Accounting Foundation to be established separate from all existing professional bodies... with nine trustees. ... Secondly, we propose that a Financial Accounting Standards Board be established with seven members, all salaried and serving full-time for terms of five years with possible renewal for a second term... appointed by the Board of Trustees. Thirdly, we propose... a Financial Accounting Standards Advisory Council (appointed by the Board of Trustees of the Foundation) with approximately 20 members to work closely with the Standards Board in an advisory capacity. . . ."

This report and a proposed revision of the Institute's Code of Ethics were submitted to the AICPA Council at a meeting in Boca Raton, Florida, in May 1972.

Francis M. Wheat
Former commissioner, Securities and Exchange Commission; partner of Gibson, Dunn & Crutcher, attorneys-at-law.

“We believe that the work of a standard-setting body would be improved if a more direct share of responsibility were given to the three principal groups in the financial reporting community who, together with auditors, have a substantial concern with the setting of financial accounting standards...”
John C. Biegler, CPA
Member of the board of directors of the American Institute of CPAs; senior partner, Price Waterhouse & Co.

"Assuming that these recommendations meet with favor, there seems to be great advantage in adopting them promptly. Both the Study Group and the Institute's Board have felt a strong sense of urgency . . . ."

Arnold I. Levine, CPA
National executive partner, management, J. K. Lasser & Company.

"We believe our approach will help the many interested parties find a common ground and avoid the wide-spread dissension that has marked recent opinions."

Wallace E. Olson, CPA
Executive vice president, American Institute of CPAs; former executive partner, Alexander Grant & Company.

"What we have been concerned with here was finding the most effective way of setting standards and achieving acceptance of that function by the whole financial reporting community."

Thomas C. Pryor
Senior vice president and chairman of the investment policy committee of White Weld & Co., investment bankers.

"We feel that this broader structure and point of view will bring accounting standards the benefit of experience in the real world of industry and finance."

David Solomons, FCA
Professor and chairman of the accounting department, Wharton School, University of Pennsylvania.

"While setting financial standards may be considered a joint public-private venture, most of the activity has gone on in the private sector and there is a profound agreement in favor of self-regulation in this area and a private body for setting financial accounting standards that can command wide support."

Roger B. Smith
Vice president—finance, General Motors Corporation.

"We feel a full-time board with broad representation and without firm affiliations or ties will dispel any possible questions about the disinterestedness or independence of the board's decisions."
In May 1972, the 250-member Council of the American Institute of CPAs met at Boca Raton, Florida, to consider and vote upon a number of major recommendations affecting the profession. This meeting was especially significant in several respects.

The Council approved the report on Establishment of Accounting Principles and authorized its prompt implementation. It approved for vote of the full membership a restatement of the Institute’s Code of Ethics.

It heard a report by Kenneth Thompson, the chairman of the joint AICPA-National Association of State Boards of Accountancy Committee on Professional Recognition and Regulation, tentatively proposing among other things the establishment of a national CPA certificate to be issued by the Institute with the licensing function retained by the states.

It heard Robert M. Trueblood, chairman of the Accounting Objectives Study Group, report that thus far there is evidence that “certain commonalities of needs and purposes” seem to exist among various users of accounting information, that the group is considering the cost benefit relationship in the role of accounting and has retained an outside research team to work at a real-life corporation situation to explore the impact of any proposed objectives on implementation problems.

It heard a report by past AICPA President Marvin L. Stone, chairman of the Committee on Nature of Accounting Services, dealing with the proliferation of accounting services by non-CPAs.

It heard a resolution honoring Andrew Barr, who retired in 1972 as chief accountant of SEC, and was informed that Mr. Barr had agreed to become a consultant to the Institute.
In its 13-year history the Accounting Principles Board has produced four Statements, 21 Opinions and a thousand critics...

With the establishment of the Financial Accounting Standards Board, the Accounting Principles Board this year came to the end of its 13-year labors.

Since its inception in 1959, the Accounting Principles Board, a senior committee of the Institute made up of 18 members, all on a volunteer basis, has been the body designated to issue authoritative pronouncements on financial accounting standards.

In that period, it has held 68 meetings lasting 175 days and occupying some 3,350 man-days of the time of the 68 men who were called on to serve over the years. All members of the APB served without compensation and devoted from one-half to two-thirds of their time to this work.

The results of these labors have been, as has been said: “four Statements, 21 Opinions and a thousand critics.”

I can attest, however, to the immense amount of work involved.

As of 1973, the APB will have completed its thousands of man-days of labor and we in the profession will move to a further stage in the setting of accounting standards on a responsive, independent, self-regulated basis within the framework of the private sector.

The profession, however, is indebted to those who so selflessly and conscientiously gave of their time and effort to the APB for those thirteen long and stormy years. They made it abundantly clear that our profession is willing to pay the price through sacrifice, independence and effort for self-regulation.

Philip L. Defliese
Chairman,
Accounting Principles Board

Mr. Defliese, Managing Partner of Lybrand, Ross Bros. & Montgomery, is a member of the Institute’s governing Council and has served as chairman of the Committee on Auditing Procedure. A member of the Accounting Principles Board since 1964, he has been chairman for the last two years.
In the last year, more Statements on Auditing Procedure were issued than at any period in the 30-year history of the Committee on Auditing Procedure. These statements strengthened prior pronouncements and improved guidelines to meet informed criticism or changes in environment, and provided a modest extension of the attest function. Among the most important were those on reliance on other auditors, reports following a pooling of interest, piecemeal opinions, subsequent events, letters for underwriters, internal control, and reporting on the statements of changes in financial position.

In addition, a task force was appointed to study SAP 38 on the subject of unaudited financial statements, since a decision of the New York Court in the 1136 Tenants' Corporation appeared to call into question a part of this pronouncement.

To assist practitioners in referring to the many new pronouncements, a task force was also appointed to consolidate pronouncements, since the last such consolidation was in 1963 (in SAP No. 33). Publication of this new document is planned for early 1973, and a loose-leaf service will then be made available for incorporating new pronouncements as issued.

Two further developments were undertaken to advance and broaden auditing guidelines: the first, preparation of a series of "auditing interpretations" which were published in the Accounting and Auditing Problems column of *The Journal of Accountancy*, the second, the inaugurating of a series of auditing research monographs. The initial monograph, *The Auditor's Reporting Obligation*, was published this year.

---

**Thomas Holton**

**Chairman,**

**Committee on Auditing Procedure**

Mr. Holton, a Partner in the Executive Office of Peat, Marwick, Mitchell & Co., has served as chairman of this committee for three years during the period when a greater number of Statements on Auditing Procedure were issued than at any other time in the 30-year history of these committees.
The development of "standards of practice" for the Management Advisory Services area continues...

James E. Seitz
Chairman, Executive Committee
Management Advisory Services

Mr. Seitz, National Director of Management Advisory Services of Touche Ross & Co., was recently nominated vice president of the Institute.

The development of "standards of practice" for the MAS area of practice within our profession constitutes the top priority program. Work continues on the development of a basic set of eight standards dealing with Independence and Objectivity, Training and Competence, Due Professional Care, Assurance of Client Benefit, Clear Understanding with Client, Planning and Supervision, Sufficient Relevant Data, and Communication of Results.

In addition, technical studies were prepared for publication, educational requirements in the MAS area were developed for various groups of CPA practitioners, and questionnaires were disseminated and evaluated on the CPA's involvement in environmental matters.

This year for the first time, MAS practitioners who are not CPAs became members of various Institute constituent committees in their areas of expertise. Their contribution was noteworthy. This reinforced the need for the MAS Executive Committee to submit proposals to the Board of Directors relating to the formal recognition in the Institute of MAS practitioners with CPA firms.

Finally, the Division encouraged the Institute to consider using more interdisciplinary approaches in dealing with areas that cross functional lines. This effort resulted in MAS representatives and audit representatives working together in dealing with the CPA's role in the area of forecasting. We would expect that, in time, there will be a number of other areas where interdisciplinary approaches toward the development of programs and solutions of problems will occur.

...James E. Seitz
Greater conformity of tax accounting with financial accounting was advanced...

The profession's position on the subject of greater conformity of tax accounting to generally accepted accounting standards was advanced in testimony on proposed regulations at two Treasury Department hearings. The first hearing was on the valuation of inventories, the second on the completed contract method of accounting, and the profession's viewpoint may be given some weight. Both proposals have been withdrawn for further study.

Members of the Institute's Committee on Tax Administration met for two days with the Director of the IRS Audit Division for discussions on tax administration, and we presented before the Legal and Monetary Affairs Subcommittee of the House Committee on Government Operations proposals for the regulation of commercial tax-return preparers.

We also met with the Commissioner of Internal Revenue and the Assistant Secretary of the Treasury for Tax Policy on several occasions on tax matters of interest to the profession and the taxpayers. Our exposure draft of proposed Statement No. 9 entitled "Certain Procedural Aspects of Preparing Returns" has been reviewed by state society tax committees and others interested in tax practice. This is part of our series of Statements on Responsibilities in Tax Practice. In our series of Studies in Federal Taxation, our third book, Guide to Federal Tax Elections, has been issued.

Robert G. Skinner
Chairman, Executive Committee
Federal Taxation

Mr. Skinner, Chairman of the National Tax Committee of Ernst & Ernst, has been active in the Institute's tax programs since 1962. He has also been called on to make several appearances in Washington to testify before the Treasury Department and Congress.

...Robert G. Skinner
The idea of required continuing education has been accepted by the profession as a whole...

A resolution on continuing education was made by the Council of the American Institute of CPAs in May 1971. It pointed out that it was essential that certified public accountants continue to develop their competence and that formal programs of continuing education provided them with this opportunity. It urged each of the several states to institute a requirement, by legislation or regulation as might be appropriate, that certified public accountants demonstrate that they are continuing their professional education "as a condition precedent to the reregistration, renewal of permit to practice, or other validation of a CPA's designation." Finally, it provided guidelines in the hope and expectation that as the states adopted required continuing education a high degree of uniformity would be achieved.

While opposition has been expressed to the idea of required continuing education, the profession as a whole has accepted it with energy and enthusiasm. Most states have appointed ad hoc committees, and their work has been facilitated by kits of materials supplied by the Institute. Information assembled by the Institute's State Society Relations Division shows substantial progress in many states, and it may be expected that the new year will see laws and regulations regarding required continuing education in several states.

The recognition that a person in the major professions needs a program of continued learning has led to the development of excellent professional development courses. At one point accounting trailed law and medicine, but that condition has been corrected, and today continuing education plays a leading role in the activities of the Institute and the state societies.

Today the Institute provides 77 continuing education courses, constituting 141 man-days of offerings. Since its inception, there have been a total of 187,611 enrollments. Last year 25,673 people participated in Institute continuing education programs, largely through state societies.

The CPA can meet his continuing education requirement by attending Institute or state society sponsored courses or in a host of other ways.

The adoption of this policy calling for required continuing education by CPAs is another evidence of the profession's concern for protection of the public, and its sense of responsibility for competent performance by all its members.

...Elmer G. Beamer
Elmer G. Beamer
Chairman, 
Committee on Continuing 
Education

Mr. Beamer, currently also chairman of the Education Executive Committee, has served the Institute as a member of the Council for seven years and as a vice president of the Institute. He is a recipient of the Institute Gold Medal, the Institute's highest award for distinguished service to the profession. He recently retired as a Partner of Haskins & Sells.
Meeting our obligations to society...

The profession has been active in social programs both in its official capacity through the Institute and in the private volunteer work of its members in their own firms and communities. In its official capacity, its work has been particularly commended in the areas of equal opportunity and minority recruitment, in the work of a volunteer task force on Phase II of the Wage and Price Stabilization program and for a program of assistance to minority business.

Equal Opportunity and Minority Recruitment

Lincoln J. Harrison, Chairman
Committee on Minority Recruitment and Equal Opportunity

"Three years ago the Institute's Council resolved to initiate special educational and recruiting efforts to integrate the profession 'in fact as well as in ideal' and established the committee on minority recruitment and equal opportunity to implement that resolution. To support the committee, public accounting firms, individual members, and large corporations have contributed nearly one-half million dollars to the Accounting Education Fund for Disadvantaged Students.

"The committee has appropriated most of the Fund for undergraduate scholarships for minority accounting students. Seventy-seven scholarships have been awarded thus far—25 directly by the committee and 52 by specific colleges and universities which were given scholarship grants of over $300,000. A small percentage of the Fund has been allocated for other educational activities, primarily designed to attract outside financial support, to improve the quality of education for minority students. Surveys by the committee in July 1970 and July 1971 indicated that from the spring of 1969 to the spring of 1970 black professionals increased from 197 to 363, orientals from 282 to 380, American Indians from 9 to 10, and Spanish-surnamed Americans from 216 to 442; and that from the spring of 1970 to the spring of 1971 black professionals increased from 363 to 487; but Spanish-surnamed Americans decreased from 442 to 360."
Social Measurement

Arthur B. Toan, Jr., Chairman
Committee on Social Measurement

“We recognize that society is beginning to demand of us some sort of realistic measurements of social performance. We have been in the business of measuring for a long time and we know something about methods that work and those that don't work. We recognize also that the ability to determine the 'state of society'—the costs and benefits of various efforts to improve it, the costs of damages inflicted on it—is going to depend a great deal on a sound measurement and reporting system and we realize that this must be one of our most important priority efforts. We sponsored this year the first Interdisciplinary Roundtable on Social Measurement and two further such roundtables are planned for the future.”

Assistance to Minority Business

Robert Boyer, Chairman
Committee on Economic Opportunity

“The profession's efforts in this area have been described by the Department of Commerce's Office of Minority Business Enterprise as 'the most workable involvement for professional groups which has emerged so far.'”

“The profession's efforts are largely channeled through state societies and at the end of 1971 progress reports from those state societies reporting indicated more than 830 minority businesses received about 10,000 hours of technical assistance from CPAs through this program. This year the profession was awarded by the Office of Minority Business Enterprise a $150,000 cost reimbursement contract. With these funds, the Committee plans, among other things, to continue counseling minority businessmen on a one-to-one basis, to publish a Businessman's Information Guide, to develop seminars for minority businessmen, and to assist the Office of Minority Businessmen in setting up Business Resource Centers in key cities.”
What is the new role of the profession in our society...

For the past ten years, ours has been the fastest growing profession in our country. Furthermore, young men and women have been coming into the profession in increasing numbers and represent an increasing proportion of those in practice. Finally, the profession is unique in that though it has international partnerships that are among the largest and most influential professional firms in the world, the single practitioner and the small CPA partnership still represent the larger proportion of those in practice and play a major role in the profession.

For those of us who have been in this profession during this last decade, the changes have seemed momentous. Ours was once a quiet and relatively placid profession, little noted by the public and press. No longer. Our activities, our procedures, our principles and our policies have become centers of frequent and sometimes harsh discussion. The importance of our work has been noted, the crucial nature of our contribution to the whole enterprise system has been discovered, and the pivotal position we hold in the workings of the economy—especially in the standards of reporting profit and loss, in the areas of taxation and in the preservation of public trust in financial statements—has been loudly proclaimed.

With this new wide recognition of our work and role, there has come inevitably awareness of our limitations and defects. All professions, like most other institutions today, have become the objects of scrutiny and criticism. Accountancy has been taken to task for lack of consistency in its standards. We have been blamed, sometimes unfairly, for not foreseeing and warning against business mismanagement and failures; we have been sued and held liable in a number of widely publicized cases for a few serious lapses of competence and character.

All of this suggests the new and expanded role society is demanding of us. This role calls for us to continue to increase our competence, our independence and our concern to find ways of measuring those things society values. The great strides and advances in the profession made during the last decade and particularly in the last year augur well for our future.

...LeRoy Layton
LeRoy Layton
President-Nominee of the
American Institute of
Certified Public Accountants

Mr. Layton, Senior Partner of Main Lafrentz & Co., is a former chairman and long-time member of the Accounting Principles Board and has served the Institute as vice president and as a member at large on the governing Council.
The CPA serves in all areas of American life, in industry in government, in public practice—in large cities and small towns.