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1992

## 1992 Small business survey: third annual report

American Institute of Certified Public Accountants. Private Companies Practice Section

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**for CPA Firms**

ertified Public Accountants

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**1992 Small Business Survey  
Third Annual Report**

*from the*

**Private Companies Practice Section**

**American Institute of CPAs**

May 6, 1992

## **EXECUTIVE SUMMARY**

In a national survey of small business executives, conducted in March and released in conjunction with U.S. Small Business Week (May 10-16, 1992), the Private Companies Practice Section (PCPS) of the American Institute of CPAs found that:

- o More than one-quarter of the respondents (26%) think the economy has already begun to rebound, page 6
- o Cities predicted for fast growth, pages 7-8
- o While two-thirds of the respondents say they've been harmed by the recession's effects, half experienced revenue growth in 1991 and nearly two-thirds expect higher revenues in 1992, pages 9-10
- o 56% of respondents say they're reducing the number of employees, while 78% are employing tougher credit policy standards, pages 12-13
- o Small business owners rely most on their CPA for business advice, page 14
- o Decreased revenues and underpricing by competition present greatest challenges, pages 18-19
- o H. Ross Perot, an Independent, receives more pre-election votes (9%) as a write-in presidential candidate than any Democratic contender, page 20
- o Close to 90% of the respondents believe that foreign companies sometimes engage in unfair trade practices, page 20

## **SURVEY METHODOLOGY AND RESPONSE**

The Private Companies Practice Section (PCPS) is a voluntary association of 6,500 local and regional CPA firms that primarily serve private companies. It is part of the Division for CPA Firms of the American Institute of CPAs. The AICPA has more than 305,000 individual members. This third annual Small Business Survey is an example of how PCPS monitors key issues that affect privately held companies.

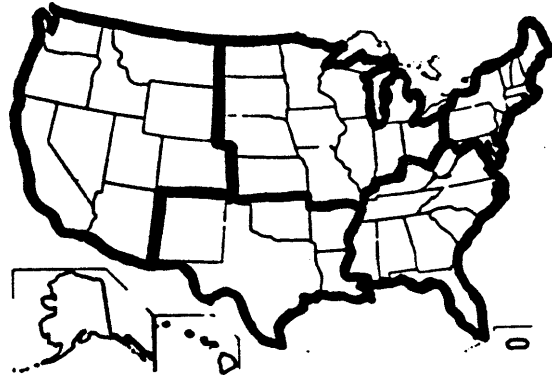
On March 23, 1992, PCPS mailed a four-page survey (attached hereto) nationwide to 2,000 owners of "small businesses," defined as those with between \$500,000 and \$25 million in total revenues. Names of the businesses and their owners were obtained from Dun's Marketing Services, a division of the Dun & Bradstreet Corporation. Twenty-three survey reports were returned for reasons such as "no forwarding address." By April 9, the response cut-off, PCPS received 257 completed surveys, a 13% response rate.

In 1991, PCPS received 310 completed surveys (a 15% response rate) from small business owners across the country whose demographics closely matched this year's respondents.

The conclusions drawn in this report are based on the answers and comments of the survey respondents. Survey results were computer tabulated by Suburban Associates, a research data processing company in New Jersey, which has verified the survey's accuracy at plus or minus 5.7% at a 95% confidence level. Percentages may not add up to 100 due to blank and "other" responses. When findings by region, industry or company size differ markedly from the national response, the variance is noted in the discussion of the findings.

### Geography

The respondents are grouped by headquarters region as indicated in the following map:



Respondents were from 46 states and the District of Columbia (no responses were received from Kansas, Maine, Vermont and Delaware), with the Northeast and West having the most respondents:

#### *Headquarters Location of Companies Surveyed*

Northeast:	27.3%
West:	22.4
Midwest:	21.6
Southeast:	15.5
Southwest:	13.1

## **Industry**

Industry groups represented in the sample were as indicated:

### *Industry Composition of Companies Responding*

Services/Consulting:	35.2%
Manufacturing/Construction:	24.5
Wholesale/Distribution:	21.7
Retail:	15.8
Transportation:	2.0
Agriculture:	1.2

## **Size**

More than 85% of companies responding had less than \$5 million in annual revenues during their most recent fiscal year.

### *Annual Sales of Companies Responding*

Under \$1 million:	50.0%
\$1 million but under \$5 million:	35.5
\$5 million but under \$15 million:	11.3
\$15 million but under \$25 million:	2.0
\$25 million and above:	1.2

### **Respondent Title**

More than two-thirds (68.4%) of the respondents hold the title of Chairman or President. An additional 12.9% are Chief Financial Officers or Controllers, while another 12.5% are in management/operations, 5.9% are owners and 2.7% have other titles. A vast majority of the respondents (83.9%) have equity in the company.

These results indicate that, in general, respondents control decisions at their companies. They know how their companies are performing and what factors affect their results.

## SURVEY FINDINGS

Small business owners seem to be cautiously optimistic about the present state of the economy and its future. Although many respondents have been adversely affected by the recession, many believe that economic recovery is now underway and that the next year will look brighter.

### Economic Recovery

Asked when they think the economy will rebound, almost three-quarters (74.0%) of the respondents predicted it will occur within the next 12 months. Significantly, more than one-quarter (26%) said it had already started:

#### *When Will Economy Rebound: All Respondents*

Has already started:	26.0%
Within next 6 months:	24.7
Within next 12 months:	23.3
Within next 18 months:	9.3
Within next 24 months:	9.7
Within next 3-5 years:	2.6
Not for a long time/never:	4.4

The response varied across regional, company size and industry lines. Respondents from the Southwest and those involved in retailing activities predicted recovery would take slightly longer, reflecting the difficulties faced by that region and that industry.



*When Will Economy Rebound: By Region*

	NE	SE	MW	SW	W
Has already started:	19.0%	31.4	30.6	14.3	26.0
Within next 6 months:	27.0	22.9	28.6	19.0	24.0
Within next 12 months:	22.2	22.9	18.4	47.6	20.0
Within next 18 months:	11.1	8.6	14.3	4.8	6.0
Within next 24 months:	9.5	8.6	4.1	14.3	16.0
Within next 3-5 years:	4.8	--	--	--	4.0
Not for a long time/never:	6.3	5.7	4.1	--	4.0

*When Will Economy Rebound: By Industry*

	Manuf.	Whlse.	Svcs.	Retail
Has already started:	26.9%	31.3	30.1	14.3
Within next 6 months:	34.6	29.2	18.1	22.9
Within next 12 months:	15.4	16.7	27.7	31.4
Within next 18 months:	11.5	8.3	8.4	8.6
Within next 24 months:	7.7	4.2	9.6	17.1
Within next 3-5 years:	1.9	2.1	1.2	2.9
Not for a long time/never:	1.9	8.3	4.8	2.9

**Cinderella Cities**

Certain metropolitan areas appear poised to take advantage of an economic upturn. When asked to select one large city in their region that is "likely to experience the fastest growth in the next five years," respondents named the following "Cinderella Cities:"

***Top Cities for Growth: By Region***

- Northeast:**
1. New York City, NY
  2. Boston, MA
  3. Baltimore, MD
  4. Philadelphia, PA

- Southeast:**
1. Atlanta, GA
  2. Tampa, FL
  3. Charlotte, NC
  4. Knoxville, TN

- Midwest:**
1. Columbus, OH
  2. Minneapolis, MN
  3. Chicago, IL
  4. Madison, WI

- Southwest:**
1. Dallas, TX
  2. Houston, TX
  3. Fort Smith, AR
  4. Austin, TX

- West:**
1. Sacramento, CA
  2. Portland, OR
  3. Fresno, CA
  4. Salt Lake City, UT

**Revenues**

A moderate upturn in the economy seems evident in responses to questions about company revenues. Respondents were asked to compare 1990 and 1991 revenues, and to predict how 1992 figures will compare to those in 1991.

*1991 vs. 1990 Revenues: All Respondents [Actual]*

<b>Up [Net]:</b>		<b>50.2%</b>
Up significantly:	14.5	
Up moderately:	15.3	
Up slightly:	20.4	
<b>Flat:</b>		<b>7.5</b>
<b>Down [Net]:</b>		<b>42.4</b>
Down slightly:	14.5	
Down moderately:	15.7	
Down significantly:	12.2	

As illustrated, half of the respondents had better revenues in 1991 than in 1990. However, companies in the Northeast (58.2%), those with under \$15 million in revenues (48.3%) and those in retailing (50.0%) and wholesale (47.2%) were more likely than the average to have experienced lower revenues.

*1991 vs. 1990 Revenues: By Region [Actual]*

	NE	SE	MW	SW	W
<b>Up [net]:</b>	32.9%	54.0	53.8	65.7	60.0
<b>Flat:</b>	9.0	2.7	9.6	3.1	9.1
<b>Down [net]:</b>	58.2	43.2	36.5	31.3	30.9

**1991 vs. 1990 Revenues: By Industry [Actual]**

	Manuf.	Whlse.	Svcs.	Retail
Up [net]:	55.8%	49.2	50.0	42.5
Flat:	6.6	3.6	10.2	7.5
Down [net]:	37.8	47.2	39.8	50.0

About two-thirds of the respondents expect this upward trend to continue into 1992, as shown:

**1992 vs. 1991 Revenues: All Respondents [Projected]**

Up [Net]:		63.4%
Up significantly:	17.1	
Up moderately:	20.2	
Up slightly:	26.1	
Flat:		15.2
Down [Net]:		21.4
Down slightly:	8.6	
Down moderately:	8.9	
Down significantly:	3.9	

Respondents in the Midwest (67.9%) and Southwest (75.0%), as well as those in wholesale (72.7%) and services (65.2%), were more likely than respondents nationwide to anticipate increased revenues.

**1992 vs. 1991 Revenues: By Region [Projected]**

	NE	SE	MW	SW	W
Up [net]:	53.7%	63.2	67.9	75.0	67.3
Flat:	19.4	10.5	17.0	9.4	12.7
Down [net]:	26.8	26.3	15.1	15.7	20.1

***1992 vs. 1991 Revenues: By Industry [Projected]***

	Manuf.	Whlse.	Svcs.	Retail
Up [net]:	61.3%	72.7	65.2	57.5
Flat:	16.1	12.7	11.2	22.5
Down [net]:	22.6	14.5	23.6	20.0

**Impact of the Recession**

Fully two-thirds of the respondents believe that they have been hurt by the recession. When asked, "Has the current recession hurt your company's business," most respondents said "yes," as shown:

***Has Current Recession Hurt Business: All Respondents***

Yes:	69.3%
No:	30.7

Retail and wholesale companies were more likely to answer affirmatively than other industries:

***Has Current Recession Hurt Business: By Industry***

	Manuf.	Whlse.	Svcs.	Retail
Yes:	69.4%	72.7	65.2	75.0%
No:	30.6	27.3	34.8	25.0

Respondents were asked what specific measures they were taking to minimize the recession's effects. Non-staff cost reductions tops the list:

*Steps to Minimize Recession: All Companies\**

	1992	1991
Reducing non-personnel expenses:	78.7%	67.7%
Monitoring cash flow more closely:	68.5	68.4
Reducing number of employees:	56.7	40.0
Increasing productivity:	46.1	40.6
Reviewing credit policies to customers:	44.4	33.9

\*some respondents selected more than one answer

Although revenues are up significantly for Southwestern respondents, these respondents are also much more likely to reduce personnel. Those from the Southeast are watching non-staff costs and cash:

*Steps to Minimize Recession: By Region*

	NE	SE	MW	SW	W
Reducing other expenses:	80.0%	85.7	78.8	72.2	71.9
Monitoring cash flow:	65.5	82.1	72.7	61.1	62.5
Reducing employees:	56.4	64.3	48.5	72.2	59.4
Increasing productivity:	45.5	39.3	57.6	50.0	46.9
Reviewing credit policies:	49.1	46.4	39.4	27.8	46.9

*Steps to Minimize Recession: By Industry*

	Manuf.	Whlse.	Svcs.	Retail
Reducing other expenses:	74.4%	65.0	89.7	73.3
Monitoring cash flow:	69.8	65.0	65.5	76.7
Reducing employees:	55.8	45.0	63.8	53.3
Increasing productivity:	46.5	40.0	50.0	43.3
Reviewing credit policies:	32.6	57.5	39.7	53.3

Of those respondents that are reviewing credit policies (44.4%), most are toughening their standards, as indicated:

*Changing Credit Policies*

Employ tougher standards:	78.5%
Turn customers over to credit agencies:	27.3
Turn customers away for non-payment:	27.3
Eliminate credit altogether:	9.9
Employ looser standards:	4.1

**Changes in Ownership**

Slightly more than one in ten (13.3%) respondents said they expected their company's ownership to change in the next two years, and following were the predicted outcomes for company disposition:

*Probable Company Disposition*

	<i>1992</i>	<i>1991</i>
Sell to outside investors:	26.4%	26.2%
Sell to insiders:	23.5	28.6
Sell to larger corporation:	20.5	21.4
Pass business to family members:	20.5	9.5
Liquidate:	14.7	7.1
Go public:	2.9	4.8

**The CPA's Role**

The personal attachments involved in running a small business can sometimes make it difficult to form an objective opinion when it matters most. Outside of their management team, respondents turned most often to their CPA for business advice:

***Rely On Most for Outside Business Advice: All Respondents\****

	<b><i>Total</i></b>	<b><i>% ranking #1</i></b>
CPA:	71.6%	44.1%
Business colleague:	30.8	14.2
Lawyer:	24.8	8.7
Spouse/family:	19.6	14.2
Banker:	18.4	7.1
Company director:	12.4	8.7
Management consultant:	5.6	0.8
Other	3.6	2.2

\*respondents were asked to select top two

When asked what were the three most important qualities they looked for in a CPA, the highest percentage of respondents cited "understanding of my business," as shown:

***Three Most Important Qualities In a CPA: All Respondents***

Understanding my business:	70.1%
Quality of service:	61.8
Ability to provide tax services:	40.3
Personal attention/chemistry:	40.3
Ability to provide consulting services:	23.1
Reputation:	21.5
Fees:	16.8
Recommendation or referral:	8.4



Fewer than one-third (30.9%) of the respondents changed CPA firms in the past five years. For those that did switch, the most-mentioned reason was for dissatisfaction with performance, as shown:

***Why Change CPA Firm***

Dissatisfied with their performance:	61.0%
Fee issues:	35.1
Needed different or more services:	20.8
CPA firm changed partners/professionals:	9.1
CPA firm or company changed locations:	6.5

**Lending Environment**

Access to credit may be a challenge for small businesses. Slightly less than half of the respondents (44.0%) borrowed money in the last 12 months. When respondents were grouped by company size, marked differences emerge. Those with revenues of \$5 to \$15 million were more likely to say they had borrowed in the past year (65.5%) than those with revenues below \$1 million:

***Has Your Company Borrowed Money In Last 12 Months: By Company Size***

	Below \$1 m.	\$1-\$5 m.	\$5-\$15 m.	\$15-25 m.
Yes:	36.7%	44.0	65.5	100.0
No:	63.3	56.0	34.5	--

More than half (56%) of the respondents did not borrow within the past year. When asked why, they gave the following responses:

***Why Didn't You Borrow Within the Past 12 Months: All Respondents***

	<i>1992</i>	<i>1991</i>
No need for capital now:	57.1%	41.2%
Have other sources of capital:	19.3	15.3
Bank tightened credit standards:	16.4	16.0
Not enough collateral:	12.9	9.9
Do not borrow:	10.0	24.4
Refused by bank:	8.6	--
Rates too high:	7.9	7.6

\*some respondents selected more than one answer

**Banker Satisfaction**

When asked, "How would you characterize your banker's ability and willingness to support your company's business goals," 72.1% said "very" or "moderately" willing/able. As shown, these results are remarkably consistent with last year's responses:

***Banker Ability to Support Company Business Goals: All Respondents***

	<i>1992</i>	<i>1991</i>
Very willing/able:	40.2%	40.6%
Moderately willing/able:	34.4	33.9
Not particularly willing/able:	16.0	14.8
Not at all willing/able:	9.4	7.1

Consistent with last year's findings, small business owners in the West expressed the most concern about bankers' performance.

***Banker Ability to Support Company Business Goals: By Region***

	NE	SE	MW	SW	W
Very willing/able:	34.4%	44.4	45.1	50.0	28.8
Moderately willing/able:	37.7	30.6	39.2	18.8	36.5
Not particularly willing/able:	19.7	13.9	5.9	15.6	26.9
Not at all willing/able:	8.2	11.1	9.8	15.6	7.7

Respondents were asked if their company renegotiated outstanding bank debt within the last 12 months to take advantage of lower interest rates:

***Has Your Company Renegotiated Bank Debt In Last 12 Months: By Company Size***

	Below \$1 m.	\$1-\$5 m.	\$5-\$15 m.	\$15-25 m.
Yes:	19.8%	24.2%	37.9%	80.0%
No:	42.1	39.6	44.8	20.0
No current bank debt:	38.1	36.3	17.2	--

When asked, "Does your bank or other outside party (e.g. bonding company) require audited financial statements," more than two-thirds said "no," as shown:

***Bank/Outside Party Require Audited Financial Statements: All Respondents***

Yes:	29.5%
No:	70.5

Banks are much more likely to require audited statements from those in the manufacturing industry:

***Bank/Outside Party Require Audited Financial Statements: By Industry***

	Manuf.	Whlse.	Svcs.	Retail
Yes:	41.0%	22.4	28.2	16.2
No:	59.0	77.6	71.8	83.8

**Financial Obstacles**

Respondents were asked to specify the top three financial problems they now face.

"Decreased revenues" and "underpricing by the competition" were the financial obstacles mentioned by most respondents, as shown:

***Greatest Financial Obstacle: All Respondents***

	1992	1991
Decreased revenues:	25.0%	*
Underpricing by competition:	24.2	*
Insurance:	20.6	23.9
Uneven cash flow:	19.8	33.9
Obtaining outside capital:	18.7	19.4
Taxes:	17.9	21.3
High salaries/labor costs:	7.5	22.6
Higher cost of raw materials:	4.8	*
High rents/facilities costs:	3.2	6.1
Government interference:	2.8	*

\*new category in 1992

Decreased revenues ranked highest in the services and retail industries, as well as in the Northeast. Interestingly, underpricing by the competition -- a new category this year -- was ranked high consistently across the country, with the exception of the Midwest:

***Greatest Financial Obstacle: By Region***

	NE	SE	MW	SW	W
Decreased revenues:	33.3%	24.3	15.4	18.8	28.3
Underpricing by competition:	24.2	27.0	15.4	31.3	22.6
Insurance:	16.7	24.3	19.2	37.5	13.2
Uneven cash flow:	19.7	13.5	23.1	21.9	18.9
Obtaining outside capital:	16.7	24.3	19.2	37.5	13.2
Taxes:	16.7	35.1	13.5	18.8	7.5
High salaries/labor costs:	6.1	10.8	11.5	6.3	--
Higher cost of raw materials:	3.0	10.8	1.9	12.5	1.9
High rents/facilities costs:	1.5	2.7	--	9.4	3.8
Government interference:	1.5	5.4	1.9	--	5.7

**Government Issues**

Even with measures to cushion the recession's effects, certain barriers to success are outside of any company's control. To determine what problems bother small business owners most, we asked, "If you were a delegate at the 1994 White House Conference on Small Business, which would be the top two issues you would bring to the attention of the government?" The top six responses were:

***Government Issues Concerning Small Businesses: All Respondents***

Reduce federal budget deficit:	50.7%
Reduce/change taxes:	34.6
Control worker's compensation costs:	31.3
Reform health insurance requirements:	28.9
Reduce/change regulations:	20.5
Economic assistance for small businesses:	15.6

**1992 Presidential Election**

Respondents were asked to name whom they favor for President. Politically, a majority of the respondents are Republican (62.1%) and favor President Bush for re-election (59.0%). Most significantly, however, H. Ross Perot, a write-in candidate and an Independent, garnered 9.0% of the votes, outpacing Democrats Bill Clinton (7.0%), Paul Tsongas (5.1%) and Jerry Brown (4.3%). About one in ten respondents (12.5%) voted for "none of the above."

*Whom Do You Favor for President: All Respondents*

Republican:

Bush: 59.0%

Buchanan: 3.1

Democratic:

Brown 4.3

Clinton 7.0

Tsongas 5.1

Independent (write-in):

Perot: 9.0

None of the above: 12.5

**Foreign Competition**

Respondents overwhelmingly believe (88.9%) that foreign companies sometimes engage in unfair trade practices:

*Do Foreign Companies Engage in Unfair Trade Practices: All Respondents*

Yes: 88.9%

No: 9.8

However, only 58% favor legislative measures to restrict imports, as shown below:

***Stronger Legislative Measures to Restrict Imports: All Respondents***

Yes:	58.7%
No:	39.7
Don't know:	1.6

Regionally, about one in five companies have encountered direct foreign competition, with Northeastern respondents being the most heavily affected (31.8%). When tracked by industry, about 40.7% of the wholesale industry respondents have felt the pinch of foreign competitors.

***Has Foreign Competition Had a Direct Effect on Business: By Region***

	NE	SE	MW	SW	W
Yes:	31.8%	21.1	20.8	21.9	22.2
No:	68.2	78.9	79.2	78.1	77.8

***Has Foreign Competition Had Direct Effect on Business: By Industry***

	Manuf.	Whlse.	Svcs.	Retail
Yes:	32.3%	40.7	9.0	25.6
No:	67.7	59.3	91.0	74.4

## **ABOUT THE AICPA PRIVATE COMPANIES PRACTICE SECTION**

The Private Companies Practice Section (PCPS) is a voluntary association of 6,500 CPA firms that primarily serve private companies. It is part of the Division for CPA firms of the American Institute of CPAs (AICPA). The AICPA has more than 305,000 individual members.

The 1992 Small Business Survey is part of a continuing effort by PCPS and its members to monitor key issues that affect small and privately held companies.

As one condition of membership in the Division for CPA Firms, member firms participate in a demanding quality control program which includes a "peer review" of their accounting and auditing practice every three years, the results of which are available to the public.

Like an audit, a peer review is an independent evaluation by a group of specially trained CPAs to determine if a firm's quality control system conforms to stringent professional standards. In addition to peer review, all of the professionals in a Division member firm -- not just the CPAs -- must have an average of at least 40 hours of continuing professional education every year.

Division member firms stay up-to-date in the profession, and peer review results demonstrate the quality of their accounting and auditing services.

For more information about PCPS, call Dave Handrich, Technical Manager of PCPS, at 212/575-6359. For additional survey information and names of respondents willing to be interviewed, please call Lori Colaccio at 212/840-1661.





# Division for CPA Firms

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## 1992 PCPS SURVEY OF SMALL BUSINESSES

Please answer the following questions by checking the boxes corresponding to your answers or, where indicated, writing in your responses. Unless otherwise specified, check one response for each question.

### About Your Company

1. In what state is your company headquartered? \_\_\_\_\_ (5-6)
2. What were annual revenues for your most recent fiscal year? (7)
  - 1  Below \$1 million
  - 2  \$1 million but under \$5 million
  - 3  \$5 million but under \$15 million
  - 4  \$15 million but under \$25 million
  - 5  \$25 million or above
3. What industry group best describes your company? (8)
  - 1  Manufacturing / Construction
  - 2  Wholesale / Distribution
  - 3  Services / Consulting
  - 4  Retail
  - 5  Other: \_\_\_\_\_ (specify)
4. What best describes your responsibilities at the company? (9)
  - 1  Chairman / President
  - 2  CFO / Controller
  - 3  Manager / Operations
  - 4  Other: \_\_\_\_\_ (specify)
5. Do you have equity in the company? (10)
  - 1  Yes
  - 2  No

### About the Financial Environment

6. Please complete these two statements: (11)
  - a. Compared to 1990, our 1991 company revenues were: (12)
    - 1  Up significantly
    - 2  Up moderately
    - 3  Up slightly
    - 4  Flat
    - 5  Down slightly
    - 6  Down moderately
    - 7  Down significantly
  - b. Compared to 1991, we expect that 1992 revenues will be: (13-14)
    - 1  Up significantly
    - 2  Up moderately
    - 3  Up slightly
    - 4  Flat
    - 5  Down slightly
    - 6  Down moderately
    - 7  Down significantly
7. Has the current recession hurt your company's business? (15)
  - 1  Yes
  - 2  No

If *no*, please skip to Question 10.

(16-17)

8. What steps are you taking to minimize the effects of the recession? (check all that apply) (18-23)

- |   |  |
|---|--|
| 1 <input type="checkbox"/> Reducing the number of employees | 5 <input type="checkbox"/> Increasing productivity                           |
| 2 <input type="checkbox"/> Reducing other expenses          | 6 <input type="checkbox"/> Monitoring cash flow more closely                 |
| 3 <input type="checkbox"/> Relocating or closing facilities | 7 <input type="checkbox"/> Reviewing / amending credit policies to customers |
| 4 <input type="checkbox"/> Shrinking inventories            | 8 <input type="checkbox"/> Other: _____                                      |
- (specify)

9. If you are changing credit policies, in what ways? (check all that apply) (24-29)

- |  |   |
|--|---|
| 1 <input type="checkbox"/> Employing tougher standards                   | 4 <input type="checkbox"/> Turning customers away for non-payment |
| 2 <input type="checkbox"/> Employing looser standards                    | 5 <input type="checkbox"/> Eliminating credit altogether          |
| 3 <input type="checkbox"/> Turning customers over to collection agencies | 6 <input type="checkbox"/> Other: _____                           |
- (specify)

10. When do you think the economy will rebound? (30)

- |  |  |
|--|--|
| 1 <input type="checkbox"/> Has already started       | 4 <input type="checkbox"/> Within the next 18 months |
| 2 <input type="checkbox"/> Within the next 6 months  | 5 <input type="checkbox"/> Within the next 24 months |
| 3 <input type="checkbox"/> Within the next 12 months | 6 <input type="checkbox"/> Other: _____              |
- (specify)

11. What is the single greatest *financial* obstacle facing your company right now? (31)

- |  |   |
|--|---|
| 1 <input type="checkbox"/> Uneven cash flow              | 6 <input type="checkbox"/> Higher cost of raw materials           |
| 2 <input type="checkbox"/> Decreased revenues            | 7 <input type="checkbox"/> Taxes                                  |
| 3 <input type="checkbox"/> Underpricing by competition   | 8 <input type="checkbox"/> Borrowing or raising outside financing |
| 4 <input type="checkbox"/> High salaries / labor costs   | 9 <input type="checkbox"/> Insurance                              |
| 5 <input type="checkbox"/> High rents / facilities costs | 0 <input type="checkbox"/> Other: _____                           |
- (specify)

12. Do you expect your company's ownership to change in the next two years? (32)

- 1  Yes  
2  No

If **yes**, do you expect to:

- |   |  |
|---|--|
| 1 <input type="checkbox"/> Go public                    | 5 <input type="checkbox"/> Pass the business along to family members |
| 2 <input type="checkbox"/> Sell to insiders             | 6 <input type="checkbox"/> Liquidate                                 |
| 3 <input type="checkbox"/> Sell to outside investors    | 7 <input type="checkbox"/> Other: _____                              |
| 4 <input type="checkbox"/> Sell to a larger corporation |  |
- (specify)

**Relationships with Professionals**

13. Outside your own management team, which *two* of the following do you rely on most for business advice? (rank 1 and 2) (34-35)

- |                               |                            |
|-------------------------------|----------------------------|
| 1 _____ Banker                | 5 _____ Company director   |
| 2 _____ Lawyer                | 6 _____ Business colleague |
| 3 _____ CPA                   | 7 _____ Spouse / family    |
| 4 _____ Management consultant | 8 _____ Other: _____       |
- (specify)

14. What are the *three* most important qualities you look for in a CPA firm? (rank 1, 2 and 3) (36-38)

- |  |   |
|--|---|
| 1 _____ Reputation                             | 8 _____ Personal attention or "chemistry" |
| 2 _____ Professional affiliations              | 9 _____ Low fees                          |
| 3 _____ Quality of services                    | 0 _____ Size of firm                      |
| 4 _____ Peer review or quality review results  | 11 _____ Location of firm                 |
| 5 _____ Understanding of my business           | 12 _____ Recommendation or referral       |
| 6 _____ Ability to provide tax services        | 13 _____ Other: _____                     |
| 7 _____ Ability to provide consulting services |   |
- (specify)

15. Have you changed CPA firms in the past five years? (39)

- 1  Yes
- 2  No

If **yes**, it was because: (check all that apply) (40-45)

- 1  Dissatisfied with their performance
- 2  Needed different or more services
- 3  Fee issues
- 4  Banker suggested change (If so, did you switch to a larger or smaller firm? \_\_\_\_\_)
- 5  CPA firm or company changed locations
- 6  CPA firm changed partners / professionals
- 7  Other: \_\_\_\_\_ (specify)

**Banks and Lending**

16. Has your company borrowed money from a bank in the last 12 months? (46)

- 1  Yes
- 2  No

If **no**, why not: (check all that apply) (47-54)

- 1  Bank tightened credit standards
- 2  Not enough collateral
- 3  No need for capital right now
- 4  Rates are too high
- 5  Have other sources of capital
- 6  Was refused by bank
- 7  Do not borrow from banks
- 8  Other: \_\_\_\_\_ (specify)

17. Has your company renegotiated its outstanding bank debt within the last 12 months to take advantage of lower interest rates? (55)

- 1  Yes
- 2  No
- 3  Don't currently have bank debt

18. How would you characterize your banker's ability and willingness to support your company's business goals? (56)

- 1  Very willing / able
- 2  Moderately willing / able
- 3  Not particularly willing / able
- 4  Not at all willing / able

19. Does your bank or other outside party (e.g. bonding company) require **audited** financial statements? (57)

- 1  Yes
- 2  No

**General**

20. Name the one large city in your region that is likely to experience the fastest growth in the next five years: \_\_\_\_\_ (58-59)

21. If you were a delegate at the 1994 White House Conference on Small Business, which would be the top **two** issues you would bring to the government's attention? (rank 1 and 2) (60-61)

- 1 \_\_\_\_\_ Reduce federal budget deficit
- 2 \_\_\_\_\_ Reduce / change taxes
- 3 \_\_\_\_\_ Reduce / change regulations
- 4 \_\_\_\_\_ Reform health insurance requirements
- 5 \_\_\_\_\_ Initiate measures to control workers' compensation costs
- 6 \_\_\_\_\_ Initiate programs to spur economic development in rural or distressed areas
- 7 \_\_\_\_\_ Provide economic assistance for small and new businesses
- 8 \_\_\_\_\_ Provide export development programs
- 9 \_\_\_\_\_ Provide foreign trade assistance
- 0 \_\_\_\_\_ Other: \_\_\_\_\_ (specify)

(Over, please)

22. Do you believe that foreign companies sometimes engage in unfair trade practices? (62)

- 1  Yes  
2  No

23. Does your company export its goods and service? (63)

- 1  Yes  
2  No

24. Has foreign competition had a direct effect on your business? (64)

- 1  Yes  
2  No

25. Do you believe there should be stronger legislative measures to restrict imports? (65)

- 1  Yes  
2  No

26. Whom do you favor for President? (select one only) (66-67)

**Republican:**

- 1  Bush  
2  Buchanan

**Democratic:**

- 3  Brown  
4  Clinton  
5  Tsongas

**Other:**

\_\_\_\_\_ Party name

\_\_\_\_\_ Individual

- 6  None of the above

27. Are you willing to participate in a phone interview on these subjects and have your remarks included in a survey report? If so, please fill in the following information.

Name: \_\_\_\_\_ State: \_\_\_\_\_

Daytime phone: \_\_\_\_\_

Type of business: \_\_\_\_\_

**THANK YOU FOR YOUR COOPERATION**

Please return this survey by **April 9, 1992** in the enclosed envelope or mail to:

AICPA Private Companies Practice Section  
c/o Bliss, Gouverneur & Associates, Inc.  
500 Fifth Avenue, Suite 935  
New York, NY 10110

You may also **fax** your completed survey form to: (212) 840-1663.