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**1994 Small Business Survey
Fifth Annual Report**

from the

Private Companies Practice Section

American Institute of CPAs

July 25, 1994

EXECUTIVE SUMMARY

In its fifth annual national survey of small business owners conducted in May 1994, the Private Companies Practice Section (PCPS) of the American Institute of CPAs found that:

- Two-thirds of the respondents reported that 1993 revenues outpaced those of 1992, consistent with expectations reported last year, p. 6.
- More than three-quarters (76.1%) of those surveyed expect higher revenues in 1994, p. 7.
- Respondents were more optimistic than last year about economic health of their region, p. 8.
- More than half (58.1%) of the respondents said they had hired new people in 1993, p. 9.
- Almost half (46.2%) of the respondents would use a significant profit increase to pay down debt, p. 10.
- Nearly all (92.9%) respondents believe that the number of lawsuits is increasing, and 85.8% support a federal legislative limit on punitive damages, p. 11.
- More than half (50.7%) of those surveyed increased selling prices as a result of the effect of the litigious environment, p. 14.
- CPAs rank with spouse/family as a primary source of business counsel, p. 14.
- Quality of services and tax capabilities are the most important attributes in selecting a CPA firm, p. 15.
- Banker ratings declined for fourth consecutive year, p. 16.
- Top financial problems include uneven cash flow and taxes, p. 19.
- Respondents would most like the government to simplify small business regulations, reduce the federal budget deficit and control workers' compensation costs, p. 20.
- Fewer than one-third of the respondents support universal healthcare, p. 20.

SURVEY METHODOLOGY AND RESPONSE

The Private Companies Practice Section (PCPS) is a voluntary association of more than 6,700 local and regional CPA firms that primarily serve private companies. It is part of the American Institute of CPAs (AICPA), the national professional organization of CPAs with more than 314,000 individual members. This fifth annual Small Business Survey is one example of how PCPS monitors key issues affecting privately held companies.

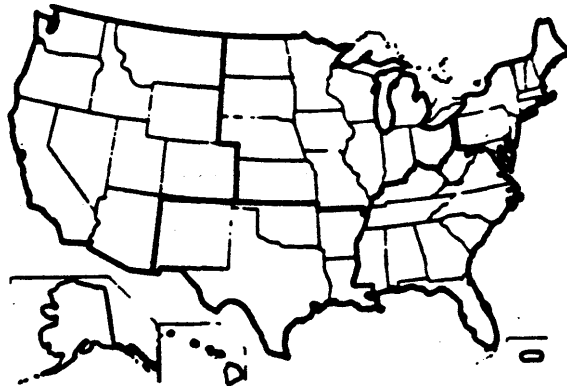
On April 18, 1994, PCPS mailed a survey (attached) nationwide to 1,644 owners of "small businesses," defined as those with less than approximately \$26 million in annual revenues. Names of the businesses and their owners were obtained from Dun's Marketing Services, a division of the Dun & Bradstreet Corporation. In early May, a follow-up "reminder" postcard was mailed. By May 23, the response cut-off date, PCPS received 197 completed surveys, a 12% response rate.

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 6.5% at a 95% confidence level. When findings by region, industry or company size differ markedly from the national response, the variation is noted in the discussion of the findings.

RESPONDENT DATA

Geography

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



Respondents were from 40 states (no responses were received from Alaska, Arkansas, Delaware, Hawaii, Idaho, Nebraska, New Hampshire, Utah, Vermont, Wyoming or the District of Columbia), with the Midwest having the most respondents:

Location of Firms Responding

Midwest:	30.9%
Northeast:	21.1
West:	20.1
Southeast:	17.0
Southwest:	10.8

Industry

The following industry groups were represented in the sample:

Industry Composition of Companies

Services/Consulting:	33.2%
Wholesale/Distribution:	18.4
Retail:	14.8
Manufacturing:	12.8
Construction:	9.7
Agriculture:	3.6
Real estate:	1.5
Education:	1.5
Insurance/Finance:	1.0
Other:	3.6

Size

Nearly 90% of the companies responding had less than \$6 million in annual revenues during their most recent fiscal year.

Annual Revenues of Companies Responding

Below \$500,000:	20.4%
\$500,000 but under \$1 million:	18.4
\$1 million but under \$6 million:	50.5
\$6 million but under \$16 million:	8.7
\$16 million but under \$26 million:	0.5
\$26 million or above:	1.5

Respondent Title/Company Equity

Nearly four out of every five (78.6%) respondents hold the title of Chairman/President (74.5%) or owner (4.1%) of their companies. Another 10.7% are in management/operations, 8.2% are Chief Financial Officers/Controllers and 2.6% have other titles. A great majority (88.2%) said they have equity in their company, and of these, more than eight out of every ten (82.1%) said they owned half or more of the company. These results indicate that, in general, respondents control decisions at their companies and know what factors affect their results.

Do You Have Equity in the Company?

Yes	88.2%
No	11.8

SURVEY FINDINGS

Revenues

Economic recovery appears to be underway for small business owners. Indeed, respondents this year reported higher revenues in 1993 versus 1992 and were very optimistic about prospects for 1994.

More than two-thirds of the respondents (66.8%) reported that 1993 revenues outpaced those of 1992, as shown below:

1993 vs. 1992 Revenues: All Respondents [Actual]

Up [Net]:	66.8%
Up significantly:	21.9
Up moderately:	20.9
Up slightly:	24.0
Flat:	7.7
Down [Net]:	25.5
Down slightly:	14.8
Down moderately:	5.6
Down significantly:	5.1

This marks a steady upward trend for the past three years: in 1993, just over 60% of respondents said their revenues had improved while in 1992, only about half of the respondents indicated so:

1992 vs. 1991 Revenues: All Respondents [Actual]

Up [Net]:	61.7%
Flat:	9.7
Down [Net]:	28.6

1991 vs. 1990 Revenues: All Respondents [Actual]

Up [Net]:	50.2%
Flat:	7.5
Down [Net]:	42.3

This year, respondents were even more optimistic than last year about future revenues. More than three-quarters (76.1%) said that they expect their 1994 revenues to rise, compared to 65.2% who said so last year.

1994 vs. 1993 Revenues: All Respondents [Projected]

Up [Net]:	76.1%
Up significantly:	16.2
Up moderately:	33.0
Up slightly:	26.9
Flat:	9.6
Down [Net]:	14.2
Down slightly:	7.1
Down moderately:	3.0
Down significantly:	4.1

1993 vs. 1992 Revenues: All Respondents [Projected]

Up [Net]:	65.2%
Flat:	17.6
Down [Net]:	17.2

Economic Climate

This optimism permeates respondents' feelings about the overall economic climate. When asked if the economy in their area has improved over last year, more than half (52.8%) said yes, compared to only about one-third (36%) who indicated so in 1992:

Has the Economy in your Area Improved Over 1993?

Yes	52.8%
No	41.1
Don't know	6.1

Has the Economy in your Area Improved Over 1992?

Yes	36.0%
No	58.1
Don't know	5.9

Responses varied by geographic region, however. As shown, only about one-third (36.6%) of Northeastern respondents said that the economic climate had improved while in the Southwest and Southeast, almost three-quarters (71.4%) and two-thirds (63.6%), respectively, said that the economy had improved in their area:

Has the Economy in Your Area Improved Over 1993: By Region

	NE	SE	MW	SW	W
Yes	36.6%	63.6	56.7	71.4	41.0
No	51.2	27.3	38.3	28.6	56.4
Don't know	12.2	9.1	5.0	—	2.6

Respondents who indicated that the economy in their area improved in 1993 took a number of steps during the year to boost operating results. Last year, when respondents were asked what steps they planned to take in 1993 to improve operating results, they most frequently answered "enter new markets." However, as this year's results indicate, the most common measures actually taken were "hired new people" and "purchased new equipment."

*Steps Taken to Improve Operating Results**

	<i>Actual steps taken</i>	<i>Steps 1993 respondents planned to take</i>
Hired new people:	58.1%	24.5%
Purchased new equipment:	53.8	27.8
Entered new markets:	39.8	42.5
Paid down debt:	***	39.6
Added new products/services:	31.2	**
Opened new facilities:	11.8	13.2
Aggressive marketing:	3.8	**
Increased research and development:	3.2	7.5
Reduced operations staff:	2.2	**
Increase advertising:	1.1	**
Other:	5.4	12.7

*respondents were asked to select all that apply

**new category this year

***not a category this year

Again this year, small business owners are concerned about their debt burden. Nearly half (46.2%) of the respondents, compared to 49.8% last year, said that if they had a significant profit increase, they would most likely use the extra earnings to "pay down debt." In addition, this year's respondents were more likely than last year's to use the funds to "hire new people," as shown below:

What Would You Do With Significant Profit Increase?

	<i>1994 survey</i>	<i>1993 survey</i>
Pay down debt:	46.2%	49.8%
Expand facilities:	22.0	12.3
Increase owner salaries/bonuses:	20.3	21.5
Increase retirement plan funds:	13.2	14.6
Hire new people:	13.2	7.8
Fund product research and development:	5.5	5.9
Increase employee salaries/benefits:	2.2	4.1
Make capital improvements:	2.2	3.7
Build cash reserves:	1.1	**
Other:	1.1	4.6

*some respondents chose more than one answer

**new response in 1994

The Legal Environment

Respondents continue to be concerned about lawsuits and their impact on U.S. small business. This year's respondents shared many of the same perspectives and concerns as those from last year; indeed, respondents once again this year think the number of lawsuits is increasing and are decidedly in favor of liability reform.

An overwhelming majority of respondents (92.9%) believe that the number of frivolous lawsuits is increasing and 85.8% support a federal legislative change that would limit punitive damages, similar to last year's findings.

Is the Number of Frivolous Lawsuits Increasing?

	<i>1994 survey</i>	<i>1993 survey</i>
Yes	92.9%	95.4%
No	2.0	1.3
No opinion	5.1	3.4

Should There Be a Federal Limit on Punitive Damages?

	<i>1994 survey</i>	<i>1993 survey</i>
Yes	85.8%	85.0%
No	5.6	6.8
No opinion	8.6	8.1

This perspective most likely stems from respondents' own experience with legal liability problems: more than half (55.8%) of the respondents said that their overall exposure to liability had increased in the past five years. Compared to last year's results, however, respondents this year were less concerned with contractual matters.

During the Past Five Years, Has Your Overall Exposure to Legal Liability

	<i>1994 survey</i>	<i>1993 survey</i>
Increased:	55.8%	57.0%
Remained the same:	35.5	35.0
Decreased:	5.1	4.2
Don't know:	3.6	3.8

Sources of Greatest Exposure to Legal Liability

	<i>1994 survey</i>	<i>1993 survey</i>
Personal injury claims:	25.0%	22.6%
Product liability:	23.4	21.2
Employment claims:	16.5	12.8
Contractual matters:	13.8	28.3
Malpractice:	12.8	9.3
Other:	8.5	5.8

More than half (56.3%) of the respondents said that they expect their overall exposure to legal liability to increase over the next five years, as shown below:

Over the Next Five Years, Do You Expect Your Overall Exposure to Legal Liability Will

Increase:	56.3%
Remain the same:	34.0
Decrease:	4.1
Don't know:	5.6

Costs related to defense and proactive strategies are also rising. This year, nearly two-thirds (65.3%) of the respondents said that their liability-related expenses had risen during the past five years:

Over the Past Five Years, Have Liability-Related Legal Costs

	<i>1994 survey</i>	<i>1993 survey</i>
Increased:	65.3%	70.0%
Remained the same:	27.6	21.9
Decreased:	5.1	5.1
Don't know:	2.0	3.0

In addition, again more than four out of every ten respondents (41.2%) said that the current litigious environment had actually hurt their company's business:

Current Litigious Environment Hurt Business?

	<i>1994 survey</i>	<i>1993 survey</i>
Yes	41.2%	41.2%
No	45.4	40.3
No opinion	12.8	18.5

Of those respondents who said their businesses had been hurt by the current litigious environment, many are taking steps that will directly impact their customers and/or employees. Slightly more than half (50.7%) said that they had "increased the selling prices of good/services," more than one-quarter (26.0%) said that they had "terminated employees," nearly one-fourth (24.7%) said they "dropped products/service lines" and nearly one in five (19.2%) said they "withheld new products." In the "other" category, which garnered 16.4% of the votes, respondents cited measures such as "increased insurance," "stricter credit terms" and "increased accountability."

Steps Taken in Response to Litigious Environment

	<i>1994 survey</i>	<i>1993 survey</i>
Increased selling prices:	50.7%	50.8%
Terminated employees:	26.0	19.0
Dropped product/service lines:	24.7	23.8
Withheld new products:	19.2	11.1
Enacted safety programs:	—	6.3
Closed facilities/offices:	5.5	4.8
Rigorously screened contracts:	—	4.8
Expanded research/testing:	5.5	4.8
Ended research programs:	5.5	1.6
Other:	16.4	14.3

*respondents were asked to select all that apply

Relationships with CPAs and Other Professionals

It's important for small business owners to know where to turn for business counsel. When asked how often they rely on the following for business decisions, respondents ranked CPAs just slightly behind "spouse/family," as shown:

Whom Do You Rely on For Business Decisions

	<i>% saying "always" or "often"</i>
Spouse/family:	51.9%
CPA:	50.0
Business colleague:	33.9
Company director:	33.5
Lawyer:	23.2
Banker:	22.2
Management consultant:	5.4

Given the pivotal role that CPAs play, it's not surprising that when respondents were asked if their CPA understands their business, more than three-quarters (77.9%) said "yes," as shown:

Does Your CPA Understand Your Business?

Yes	77.9%
No	12.8
Don't know	9.2

Quality service, tax capabilities and timely service top the list of attributes respondents value most highly when selecting a CPA firm, as show below.

Important Qualities in Selecting a CPA Firm

	<i>% saying "very important"</i>
Quality of services:	89.7%
Ability to provide tax services:	70.3
Timeliness of service:	68.7
Fair/low fees:	67.0
Reputation:	64.1
Personal attention/chemistry:	58.0
Industry expertise:	44.1
Continuity of staff:	42.0
Ability to provide consulting services:	30.9
Recommendation or referral:	27.0
Peer review or quality review results:	26.3
Professional affiliations:	16.8
Location of firm:	15.3
Size of firm:	5.7

Most respondents appeared fairly happy with their CPA's current level of service. When asked what additional services they'd like from their CPA, the largest percentage (37.8%) of the respondents said, "none; happy with him/her." Other common responses were:

Kinds of Additional Services You'd Like from CPA

More/better tax advice:	13.5%
Spending more time:	10.8
Cost control advice:	9.5
Budgeting:	6.8
Investment advice:	5.4
Financing advice:	2.7
Better understanding:	2.7
Software recommendations:	2.7

Other write-in responses included: "keeping up with changing laws/regulations," "small business management workshops" and "consulting services."

Bankers didn't fare as well. When asked to characterize their banker's ability to support company goals, this year only 30% said "very able," a percentage that has declined over the past four years:

Banker Ability to Support Company Business Goals

	<i>1994 survey</i>	<i>1993 survey</i>	<i>1992 survey</i>	<i>1991 survey</i>
Very able	30.9%	39.5%	40.2%	42.1%
Moderately able	35.1	33.8	34.4	35.1
Not particularly able	20.7	18.9	16.0	15.3
Not at all able	13.3	7.9	9.4	7.4

Borrowing Trends

Borrowing appears to have eased slightly over the past 12 months, as shown:

Has Your Company Borrowed Money in Past 12 Months?

	<i>1994 survey</i>	<i>1993 survey</i>
Yes	46.7%	51.9%
No	53.3	48.1%

However, there were significant variances by respondents' geographic region and size. As shown, small business owners in the Southwest and Midwest were more likely than their counterparts from other areas – particularly the Northeast – to say that they had borrowed during the past year:

Has Your Company Borrowed Money in Past 12 Months: By Region

	NE	SE	MW	SW	W
Yes	29.3%	45.5	53.3	61.9	48.7
No	70.7	54.5	46.7	38.1	51.3

In addition, companies with greater than \$6 million in annual revenues appear to be doing much more borrowing than their smaller counterparts:

Has Your Company Borrowed Money in Past 12 Months: By Size

	<i>Under \$500K</i>	<i>\$500K-\$1mil</i>	<i>\$1mil-\$5.9mil</i>	<i>\$6mil+</i>
Yes	32.5%	50.0%	44.4%	81.0%
No	67.5	50.0	55.6	19.0

When asked why they hadn't borrowed money, this year's respondents – like last year's – cited "no need for capital" and "have other sources of capital" as the two leading reasons:

Why Didn't You Borrow in the Past 12 Months?

No need for capital now:	57.6%
Have other sources of capital:	24.2
Bank tightened credit standards:	11.1
Do not borrow from banks:	10.1
Not enough collateral:	8.1
Refused by bank:	8.1
Rates too high:	1.0
Other:	5.1

* respondents were asked to select all that apply

Financial Obstacles

Cash concerns and taxes still rate at the top of the list of financial obstacles for the second consecutive year.

Top Financial Obstacles

	<i>Ranked #1 in 1994 survey</i>	<i>Single greatest financial obstacle in 1993 survey*</i>
Uneven cash flow:	18.4%	22.1%
Taxes:	13.3	22.9
Cost of employee benefits:	8.7	21.6
Decreased revenues:	7.7	17.3
Borrowing/raising outside financing:	4.1	12.6
U.S. competition:	3.1	9.1
Availability of capital/credit:	3.1	—
Cost of employee salaries:	3.1	9.1
Employee productivity:	2.6	4.3
Foreign competition:	2.0	0.4
Product liability insurance:	1.5	7.8
Rents/facilities costs:	1.0	5.2
Cost of raw materials:	0.5	4.3
Other:	2.6	6.1

*some respondents selected more than one answer

Government Issues and Healthcare

When asked how important it was from a small business perspective for the government to address certain issues, the top responses were "simplify small business regulations" and "reduce federal budget deficit." Almost three-quarters (74.1%) of the respondents considered workers' compensation costs an important issue.

Important Issues for the Government to Address

	<i>% saying "very important"</i>
Simplify small business regulations:	84.1%
Reduce federal budget deficit:	83.2
Control workers' compensation costs:	74.1
Simplify corporate tax laws:	69.6
Economic assistance for small/new businesses:	36.5
Reform healthcare system:	31.1
Programs to spur economic development:	21.2
Provide export development programs:	18.6
Provide foreign trade assistance:	8.0
Other:	10.3

Given the relatively low priority survey respondents attached to healthcare reform, it was not surprising that when asked if they generally supported a national healthcare policy, less than one-third (31.6%) of the respondents expressed their support.

Do You Generally Support Universal Healthcare?

No	62.2%
Yes	31.6
No opinion	6.1

There were sharp regional differences, however: respondents from the West were the most supportive while those in the Midwest were the least:

Do You Generally Support Universal Healthcare: By Region

	NE	SE	MW	SW	W
Yes	37.5%	36.4	16.7	28.6	48.7
No	57.5	54.5	75.0	71.4	46.2
Don't know	5.0	9.1	8.3	—	5.1

Respondents don't favor paying additional costs or taxes to achieve a universal healthcare policy, with more than three-quarters (77.3%) saying they would oppose such a proposition:

Would You Pay Costs/Taxes to Achieve Universal Healthcare?

No	77.3%
Yes	12.4
No opinion	10.8

ABOUT THE AICPA PRIVATE COMPANIES PRACTICE SECTION

The Private Companies Practice Section (PCPS) of the American Institute of CPAs is the largest national body of CPA firms that serve private companies. The PCPS comprises more than 6,700 CPA firms nationwide representing approximately 80,000 CPAs in more than 9,000 offices. The PCPS is part of the American Institute of CPAs, the national professional association of CPAs with more than 314,000 individual members.

This 1994 Small Business Survey is part of a continuing effort by PCPS and its members to monitor key issues affecting small and privately held companies.

For more information about PCPS, call David Handrich, PCPS Technical Manager, at 212/596-6145. For additional information about this survey, please contact Lori Colaccio at 212/840-1661.

- end -

**FIFTH ANNUAL (1994) SURVEY OF SMALL BUSINESSES****Private Companies Practice Section
American Institute of CPAs**

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? _____ (1)
2. What were your company's annual revenues for your most recent fiscal year? (2)
- | | |
|--|--|
| 1 <input type="checkbox"/> Below \$500,000 | 4 <input type="checkbox"/> \$6 million but under \$16 million |
| 2 <input type="checkbox"/> \$500,000 but under \$1 million | 5 <input type="checkbox"/> \$16 million but under \$26 million |
| 3 <input type="checkbox"/> \$1 million but under \$6 million | 6 <input type="checkbox"/> \$26 million or above |
3. What industry group best describes your company? (3)
- | | |
|---|--|
| 1 <input type="checkbox"/> Manufacturing | 4 <input type="checkbox"/> Services/Consulting |
| 2 <input type="checkbox"/> Construction | 5 <input type="checkbox"/> Retail |
| 3 <input type="checkbox"/> Wholesale/Distribution | 6 <input type="checkbox"/> Other: _____
(specify) |
4. What best describes your responsibilities at the company? (4)
- | | |
|---|--|
| 1 <input type="checkbox"/> Chairman/President | 3 <input type="checkbox"/> Manager/Operations |
| 2 <input type="checkbox"/> CFO/Controller | 4 <input type="checkbox"/> Other: _____
(specify) |
5. Do you have equity in the company? (5)
- | |
|---|
| 1 <input type="checkbox"/> Yes
(If yes, do you have _____ 50% or more
or _____ less than 50% equity?) |
| 2 <input type="checkbox"/> No |

About the Financial Environment

6. Please complete these two statements: (6)
- a. Compared to 1992, our 1993 company revenues were: (7)
- | | |
|---|---|
| 1 <input type="checkbox"/> Up significantly | 5 <input type="checkbox"/> Down slightly |
| 2 <input type="checkbox"/> Up moderately | 6 <input type="checkbox"/> Down moderately |
| 3 <input type="checkbox"/> Up slightly | 7 <input type="checkbox"/> Down significantly |
| 4 <input type="checkbox"/> Flat | |
- b. Compared to 1993, we expect that 1994 revenues will be: (7)
- | | |
|---|---|
| 1 <input type="checkbox"/> Up significantly | 5 <input type="checkbox"/> Down slightly |
| 2 <input type="checkbox"/> Up moderately | 6 <input type="checkbox"/> Down moderately |
| 3 <input type="checkbox"/> Up slightly | 7 <input type="checkbox"/> Down significantly |
| 4 <input type="checkbox"/> Flat | |

7. Do you think the economy in your geographic area improved in 1993? (9)

- 1 Yes 2 No 3 Don't know

If yes, what steps, if any, did you take in 1993 to take advantage of the improved economy in your area? (check all that apply) (9-19)

- 1 Hired new people 5 Increased research and development
 2 Purchased new equipment 6 Added new products/services
 3 Entered new markets 7 Other _____
 4 Opened new facilities (specify)

8. In 1994, what steps do you plan to take to improve your operating results? (check all that apply) (16-22)

- 1 Hire new people 5 Increase research and development
 2 Purchase new equipment 6 Add new products/services
 3 Enter new markets 7 Other: _____
 4 Open new facilities (specify)

9. If you had a significant profit increase that exceeded expectations, what would you most likely do with the extra earnings? (check one) (23)

- 1 Increase owner salaries/bonuses 5 Fund product research and development
 2 Increase funds in retirement plans 6 Pay down debt
 3 Hire new people 7 Other: _____
 4 Expand facilities (specify)

10. What are the top three financial obstacles facing your company right now? (rank 1, 2 and 3) (24-28)

- | | |
|--|--|
| _____ Uneven cash flow | _____ High cost of raw materials |
| _____ Decreased revenues | _____ Employee productivity |
| _____ U.S. competition | _____ Taxes |
| _____ Foreign competition | _____ Borrowing or raising outside financing |
| _____ Cost of employee salaries | _____ Availability of credit/capital |
| _____ Cost of employee benefits (including healthcare) | _____ Product liability insurance |
| _____ High rents/facilities costs | _____ Other: _____
(specify) |

Relationships with Professionals

11. Outside your own management team, how often do you rely on the following when making significant business decisions? (27-33)

	Always	Often	Sometimes	Seldom	Never
CPA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Banker	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lawyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Management consultant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Company director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Business colleague	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Spouse/family	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

12. How important are the following qualities in selecting a CPA firm? (34-40)

	Very	Moderately	Not very	Not at all
Reputation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Professional affiliations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality of services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Peer review/quality review results	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Industry expertise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tax services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Consulting services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Personal attention or "chemistry"	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Timeliness of service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Continuity of staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fair fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Size of firm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Location of firm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Recommendation or referral	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

13. Do you think your CPA understands your business? (50)
1 Yes 2 No 3 Don't know

14. What is the one piece of advice your CPA has given you in the past year that has made the most difference to your company's bottom line or your peace of mind? (51)

15. What kinds of services/advice would you like from your CPA that you don't get? (52)

16. Has your company borrowed money from a bank in the past 12 months? (53)

1 Yes 2 No

If no, why not? (check all that apply) (54-61)

- | | |
|---|--|
| 1 <input type="checkbox"/> Bank tightened credit standards | 5 <input type="checkbox"/> Have other sources of capital |
| 2 <input type="checkbox"/> Not enough collateral | 6 <input type="checkbox"/> Was refused by bank |
| 3 <input type="checkbox"/> No need for debt capital right now | 7 <input type="checkbox"/> Do not borrow from banks |
| 4 <input type="checkbox"/> Rates are too high | 8 <input type="checkbox"/> Other _____ |
- (specify)

If yes, has your banker requested that you use the Business Credit Information Package (BCIP) in the lending process? (52)

1 Yes 2 No

17. Are your financial statements: (53)

- | | |
|-------------------------------------|---------------------------------------|
| 1 <input type="checkbox"/> Reviewed | 3 <input type="checkbox"/> Audited |
| 2 <input type="checkbox"/> Compiled | 4 <input type="checkbox"/> Don't know |

18. How would you characterize your banker's ability to support your company's business goals? (54)

- | | |
|--|--|
| 1 <input type="checkbox"/> Very able | 3 <input type="checkbox"/> Not particularly able |
| 2 <input type="checkbox"/> Moderately able | 4 <input type="checkbox"/> Not at all able |

19. During the past five years, has the cost of raising capital for your business: (55)

- | | |
|--|---------------------------------------|
| 1 <input type="checkbox"/> Increased | 3 <input type="checkbox"/> Decreased |
| 2 <input type="checkbox"/> Remained the same | 4 <input type="checkbox"/> Don't know |

About the Legal Climate

20. Where is your company's greatest exposure to legal liability? (check one) (56)

- | | |
|---|--|
| 1 <input type="checkbox"/> Product liability | 4 <input type="checkbox"/> Malpractice |
| 2 <input type="checkbox"/> Employment claims | 5 <input type="checkbox"/> Contractual matters |
| 3 <input type="checkbox"/> Personal injury claims | 6 <input type="checkbox"/> Other: _____ |
- (specify)

21. During the past five years, have your legal costs (e.g., liability insurance premiums, defense costs, etc.): (57)

- | | |
|--|---------------------------------------|
| 1 <input type="checkbox"/> Increased | 3 <input type="checkbox"/> Decreased |
| 2 <input type="checkbox"/> Remained the same | 4 <input type="checkbox"/> Don't know |

22. During the past five years, do you think your business' overall exposure to legal liability has: (58)

- | | |
|--|---------------------------------------|
| 1 <input type="checkbox"/> Increased | 3 <input type="checkbox"/> Decreased |
| 2 <input type="checkbox"/> Remained the same | 4 <input type="checkbox"/> Don't know |

23. Over the next five years, do you think your business' overall exposure to legal liability will: (59)

- | | |
|--|---------------------------------------|
| 1 <input type="checkbox"/> Increase | 3 <input type="checkbox"/> Decrease |
| 2 <input type="checkbox"/> Remain the same | 4 <input type="checkbox"/> Don't know |

(Over, please)

24. Has the current legal environment hurt your company's business? (79)

1 Yes 2 No 3 Don't know

If yes, which, if any, of the following steps have you taken? (check all that apply) (71-77)

1 Dropped product/service lines 5 Increased selling price of goods/services
 2 Ended research programs 6 Terminated employees
 3 Expanded research/testing programs 7 Closed facilities/offices
 4 Withheld new products from the market 8 Other: _____
(specify)

25. Do you think that the number of frivolous lawsuits is increasing? (79)

1 Yes 2 No 3 No opinion

26. Do you think there should be a federal legislative limit on punitive damages? (79)

1 Yes 2 No 3 No opinion

General

27. Name the one large city in your region that is likely to experience the fastest growth in the next five years: (if "none," so indicate) (80)

_____ (80)

28. Do you generally support the notion of universal healthcare? (81)

1 Yes 2 No 3 No opinion

29. Would you be willing to pay additional costs/taxes to achieve universal healthcare? (82)

1 Yes—up to _____% of payroll costs 2 No 3 Don't know

30. From a small business perspective, how important do you think it is for the government to: (82-83)

	Very	Moderately	Not very	Not at all
Reduce federal budget	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Simplify corporate tax laws	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Simplify regulations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reform the healthcare system	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Initiate measures to control workers' compensation costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Initiate programs for economic development in distressed areas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provide economic assistance for small and new businesses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provide export development programs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provide foreign assistance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other: _____ (specify)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you are willing to participate in a phone interview on these subjects and have your remarks included in a survey report, please complete the following.

Name: _____

State: _____

Daytime phone: _____

Type of business: _____

THANK YOU FOR YOUR COOPERATION

Please return this survey by May 6, 1994 in the enclosed postage-paid 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.