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Critical Incident Interviews Report

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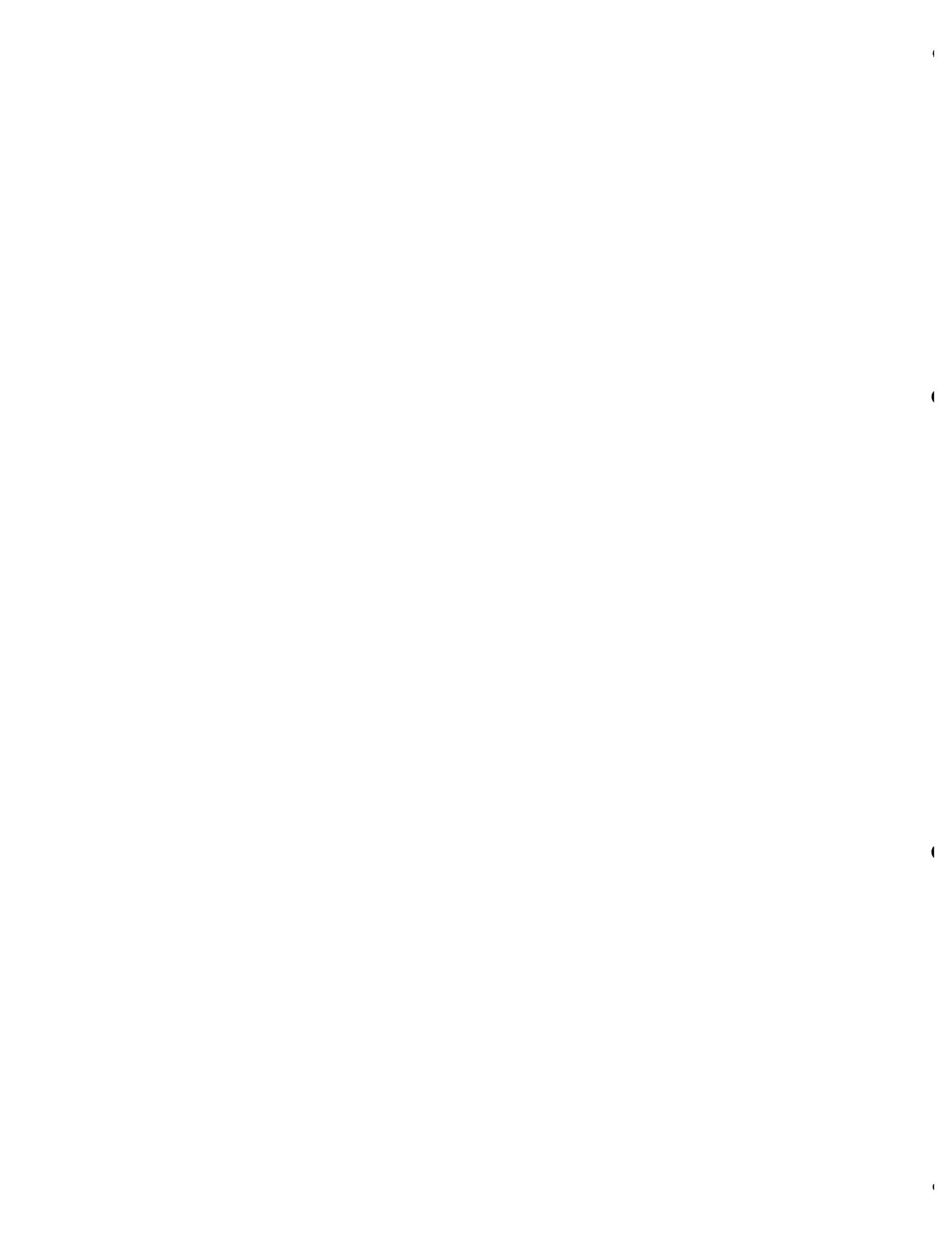
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**Critical Incident Interviews Report
CPA General Business Knowledge Study**

**Prepared for
American Institute of Certified Public Accountants
Board of Examiners
Content Oversight Task Force**

**Prepared by
Professional Examination Service
Department of Research and Development
475 Riverside Drive
New York, NY 10115**

May 1999



PURPOSE

This report summarizes the results of the critical incidents interviews as part of the *General Business Knowledge (GBK) Study* that Professional Examination Service (PES) is conducting for the American Institute of Certified Public Accountants (AICPA). The critical incidents interviews represented one of two data collection initiatives that PES implemented in the spring of 1999. The second initiative consisted of the conduct of two focus panels. The goal of both initiatives was to refine the draft delineation of the general business knowledge required by CPAs in practice that was developed by the GBK Working Group of the Content Oversight Task Force.

PROCEDURES

Potential interviewees were selected from a pool of nominees recruited through a nomination process implemented by a staff member of the Examination Division of the AICPA. Additional interviewees were selected from a pool of individuals who responded to an advertisement in the July/August 1998 CPA Newsletter.

Fifteen individuals were interviewed. Interviewees were senior- and manager-level CPAs working at local, regional, and national firms who had responsibility for supervising and/or managing other CPAs. Participants represented diverse practice settings and locations. A list of the interview participants, and a summary description of their demographic and professional characteristics, are presented in Appendices 1 and 2 to this report. (Between 3 and 4 telephone calls were placed to additional 7 nominees; in most cases, PES received no "call backs" and was unable to schedule an interview.)

The interviews were conducted during April 1999. Participants were contacted by telephone in advance of the actual interview. At that time, a convenient date and time for the interview was established. All interviews were conducted by telephone. The length of the interviews ranged from 30 to 70 minutes.

The interview was designed to elicit a list of *critical* business related knowledge used by CPAs in practice. In advance of the interview, each participant was sent two documents to review: a listing of 18 categories of general business knowledge developed by the COTF, and a copy of the content outline for the Business Law and Professional Responsibilities section of the Uniform CPA Examination. A copy of the pre-interview mailing is presented in Appendix 3. A copy of the interview protocol is presented in Appendix 4.

Each interview began with a brief introduction to *General Business Knowledge Study* and a description of the purpose of the interview. The interviewer then asked the following ten questions:

- Briefly describe your major duties and responsibilities as a certified public accountant.
- Attachment A lists areas of business/industry-related knowledge that might be used by CPAs

in public accounting. Of those knowledge areas listed on the sheet, which ones are the most important to the practice of public accounting?

- In addition to those listed, what other types of business knowledge are important in public accounting?
- Thinking of the CPAs you see or supervise who are engaged in the practice of public accounting, what gaps in their business knowledge have affected their work? In what way? It might be helpful to think of a time when you or a CPA you supervise did exceptionally poorly—wherein having some specific business knowledge or business perspective made the difference in the success or failure of the engagement.
- Thinking of the CPAs you see or supervise, where is their business knowledge base strongest?
- Attachment B contains the content specification outline for the Business Law and Professional Responsibilities portion of the Uniform CPA Examination. Knowledge of which of these items is necessary for the practice of public accounting? Would you add or delete any content?
- On a somewhat different topic, what types of business knowledge (and/or business law) do you expect an entry level CPA that just passed the CPA exam to possess?
- Describe the C.P.E. your firm offers related to business knowledge.
- Tell me about the CPAs you supervise. What kind of work do they do? How experienced are they?
- What types of business knowledge should be tested on the Uniform CPA Examination?

FOLLOW-UP AND RESULTS OF THE CRITICAL INCIDENT INTERVIEWS

In preparation for the May 3, 1999 meeting of the AICPA Board of Examiners' COTF, PES prepared an annotated delineation of general business knowledge that incorporated the results of the critical incidents interviews and the focus panels. The annotated delineation, *Revised Delineation of General Business Knowledge: Results of Critical Incidents Interviews and Focus Panels*, was presented to the COTF for review on May 3, 1999.

Appendix 1
Roster of Critical Incident Interviewees

<u>Name</u>	<u>Firm</u>	<u>State</u>
Julie Barrientos	KPMG	NE
Clay Benedict	Rogoff Erickson Diamond & Walker, LLP	NM
Jill Duncan	Dixon Odom PLLC	NC
Shelley Earsley	Eide Bailly LLP	ND
Mark Hobbs	Hobbs and Corley	SC
Lisa Johnson	Kafoury, Armstrong & Co	NV
Shari Johnson	Arthur Andersen	IL
Randall Mason	Hood & Strong, CPA's	CA
Mindy Orth	Olive, LLP	IN
Christopher Pautler	RBG & Co	MO
Todd Rakowski	Kolb Lauwasser & Co	WI
Hal Schultz	PricewaterhouseCoopers LLP	CA
John Soehle	Freedberg, Derba, & Tardift	MA
Michelle Streit	McGladley & Pullen, LLP	IL
Bret Von Urff	BDO Seidman LLP	PA
 <i>Unable to Schedule:</i>		
Caprice Atterbury Bautista	Domachowski, Kempisty, & Salvatore	NY
Catherine Delesky	PricewaterhouseCoopers LLP	NJ
Andrew Franklin	AMEX TBS	MD
MaryBeth Hicks	PricewaterhouseCoopers LLP	KY
Tal Kaissar	Ernst & Young LLP	NY
Karyl Sadler	Deloitte & Touche LLP	AL
Jose Valiente	Valiente, Hernandez & Co, PA	FL

Appendix 2
Professional and Background Information of Critical Incident Interviewees (N=15)

1. In what type of firm do you work?
 - 5 Local
 - 5 Regional
 - 2 National
 - 3 International (Big 5)

2. What is the number of professional accountants that work for your firm, in total?
 - 0 1
 - 2 2 – 10
 - 2 11 – 100
 - 6 101– 1000
 - 5 1000+

3. What is your present position in your firm?
 - 2 Partner or stockholder
 - 6 Manager or equivalent
 - 3 Supervisor or equivalent
 - 4 Senior or equivalent

4. How many years of experience to you have in public accounting?
 - 0 0
 - 7 1 – 5
 - 6 6 – 10
 - 2 10+

5. How many years of experience do you have in non-public accounting?
 - 10 0
 - 5 1 – 5
 - 0 6 – 10
 - 0 10+

6. What is your highest level of education?
 - 12 Bachelor's degree
 - 3 Master's degree

7. What is your gender?
 - 7 Female
 - 8 Male

Appendix 3

To:

Fax:

From: Patricia M. Muenzen
Assistant Director of Research Programs

Date: April 6, 1999

Re: Critical Incidents Interview

Pages: 4, including this cover sheet

Again I would like to thank you for your participation in the Business Law and Business Knowledge Study sponsored by the American Institute of Certified Public Accountants (AICPA), and your willingness to complete a Critical Incidents Telephone Interview. To prepare, it might be useful to think about some of the questions that I will be asking:

Of those areas of business/industry-related knowledge listed in Attachment A, which ones are the most important to the practice of public accounting?

Thinking of the CPAs you see or supervise who are engaged in the practice of public accounting:

Where is their business knowledge base strongest?

What gaps in their business knowledge have affected their work? In what way?

Think of a time when you (or a CPA you supervise) did exceptionally well or exceptionally poorly—wherein having some specific business knowledge or business perspective made the difference in the success or failure of the engagement. Describe the situation. What specific business knowledge made you (or the CPA you supervise) particularly effective (or ineffective) in this situation?

Of the areas of business law listed in Attachment B, which ones are necessary for the practice of public accounting?

I look forward to speaking with you on _____, 1999 at _____. If you need to reschedule your interview, please call me at (212) 367-4273.

Enc.

Attachment A

Categories of Business Knowledge

Economics	Production Factors and Cost Functions
Government Regulation of Business	Cost Measurements
Business Organizations	Pricing
Contracts	Property Law
Agencies	Property Insurance
Working Capital Policy and Management	Long-term Financing and Capital Structure
Marketable Securities	Debtor-Creditor Relationships
Accounts and Notes Receivable	Budgeting and Planning
Inventory Management	Decision Analysis

Attachment B

Business Law And Professional Responsibilities

- I. Professional and legal responsibilities
 - A. Code of professional conduct
 - B. Proficiency, independence, and due care
 - C. Responsibilities in other professional services
 - D. Disciplinary systems imposed by the profession and state regulatory bodies
 - E. Common law liability to clients and third parties
 - F. Federal statutory liability
 - G. Privileged communications and confidentiality
 - H. Responsibilities of CPAs in business and industry, and in the public sector

- II. Business organizations
 - A. Agency
 - 1. Formation and termination
 - 2. Duties of agents and principals
 - 3. Liabilities and authority of agents and principals

 - B. Partnership, joint ventures, and other unincorporated associations
 - 1. Formation, operation, and termination
 - 2. Liabilities and authority of partners and owners

 - C. Corporations
 - 1. Formation and operation
 - 2. Stockholders, directors, and officers
 - 3. Financial structure, capital, and distributions
 - 4. Reorganization and dissolution

 - D. Estates and trusts
 - 1. Formation, operation, and termination
 - 2. Allocation between principal and income
 - 3. Fiduciary responsibilities
 - 4. Distributions

Attachment B

III. Contracts

- A. Formation
- B. Performance
- C. Third party assignments
- D. Discharge, breach, and remedies

IV. Debtor-creditor relationships

- A. Rights, duties, and liabilities of debtors and creditors
- B. Rights, duties, and liabilities of guarantors
- C. Bankruptcy

V. Government regulation of business

- A. Federal securities acts
- B. Employment regulation
- C. Environmental regulation

VI. Uniform commercial code

- A. Commercial paper
- B. Sales
- C. Secured transactions
- D. Documents of title

VII. Property

- A. Real property including insurance
- B. Personal property including bailments and computer technology rights

Appendix 4

Interviewee's Name: _____

Date: _____

**CRITICAL INCIDENTS INTERVIEW
for the
General Business Knowledge Study**

**Conducted for
American Institute of Certified Public Accountants
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881**

**Conducted by
Professional Examination Service
Departments of Research and Development
475 Riverside Drive
New York, New York 10115**

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CRITICAL INCIDENTS INTERVIEW PROTOCOL

AICPA GENERAL BUSINESS KNOWLEDGE STUDY

Before we begin with questions and answers, I would like to give you some background on the study we are conducting for the AICPA, and our reasons for interviewing you at this time.

The AICPA is committed to ensuring that the Uniform CPA Examination accurately reflects the knowledge base required of CPAs. A Content Oversight Task Force appointed by the AICPA identified general business knowledge and broad business perspectives as a knowledge base that is important to the successful performance of auditing, financial accounting and reporting, and taxation engagements.

The AICPA contracted with us (PES) to gather more-specific information on how general business knowledge, and a broad business perspective, impact accounting practice. You were asked to participate in this interview because you are a CPA who can help us understand the essential business knowledge required of the CPA.

The information that you provide in this interview is confidential, and will only be used in connection with the AICPA study. The call should take 30 - 45 minutes to complete. Do you have any questions before we move on?

Briefly describe your major duties and responsibilities as a certified public accountant.

Tell me about the CPAs you supervise. What kind of work do they do? How experienced are they?

[Refer to stimulus material.] Attachment A lists areas of business/industry-related knowledge that might be used by CPAs in public accounting. Of those knowledge areas listed on the sheet, which ones are the most important to the practice of public accounting? [Probe to elaborate on the specific types of knowledge within the most-important areas.]

In addition to those listed, what other types of business knowledge are important in public accounting?

Thinking of the CPAs you see or supervise who are engaged in the practice of public accounting, what gaps in their business knowledge have affected their work? In what way? It might be helpful to think of a time when you or a CPA you supervise did exceptionally poorly—wherein having some specific business knowledge or business perspective made the difference in the success or failure of the engagement. [Have interviewee describe at least two types of critical incidents. Probe for the business knowledge that made them particularly ineffective in this situation.]

Thinking of the CPAs you see or supervise, where is their business knowledge base strongest?

[Refer to stimulus material.] Attachment B contains the content specification outline for the BL&PR portion of the UCPAE. Focusing on each of the seven areas, knowledge of which of these items is necessary for the practice of public accounting? Would you add or delete any content? [Probe for specifics within each area identified as important.]

On a somewhat different topic, what types of business knowledge (and/or business law) do you expect an entry level CPA that just passed the CPA exam to possess?

Describe the C.P.E. your firm offers related to business knowledge.

[If time permits, ask, What types of business knowledge should be tested on the Uniform CPA Examination?]

