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## AICPA handbook

American Institute of Certified Public Accountants

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# AICPA Handbook

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American Institute of  
Certified Public Accountants

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## A Description of Public Accounting

Accounting is a discipline which provides financial and other information essential to the efficient conduct and evaluation of the activities of any organization. It includes the development and analysis of data, the testing of their validity and relevance, and the interpretation and communication of the resulting information in quantitative terms, or in symbolic or verbal forms.

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## The Organization

The American Institute of Certified Public Accountants is the national professional society of CPAs devoted to organizing the body of accounting knowledge, conducting research, and enforcing the technical and ethical standards of the profession. Its purpose is to guide the profession's development along lines that serve the broadest public interest. Since its origin in 1887, the Institute has grown steadily, increasing its membership at an annual rate of 10 percent. At present, the Institute membership is approaching 150,000 in public practice, industry, government, and education.

The chairman of the Institute is elected from the membership for a one-year term, along with a vice chairman, three vice presidents, and a treasurer. Heading the staff in New York is Wallace E. Olson, president. From this headquarters, the Institute conducts national programs on continuing professional education, technical and professional standards, regulation, research, state legislation, public relations, and other activities. Its Washington office is a two-way information source, providing CPAs with current information on government programs and furnishing officials in the executive and legislative branches with data and analyses useful in the development of legislation and agency regulations.

Institute programs and policies are determined by a governing Council, consisting of 250 members from the 50 states, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam. The Council meets twice yearly.

One hundred sixty boards, committees, and task forces comprising more than 1,500 volunteer CPAs carry on Institute activities, supported by a full-time staff of nearly 500. In the course of a typical year, the Institute sponsors 650 meetings, held at various locations around the country, ranging from an annual meeting attended by more than 3,000 members and guests to small committee sessions. The Institute also answers more than 90,000 phone calls, receives over 700,000 pieces of mail, greets more than 25,000 visitors, and has yearly sales of publications amounting to nearly

\$3 million. Annually, the Institute issues to members and the public 40 million items of information—periodicals, courses, books, brochures, technical pieces, and other materials.

## Objectives

The main objectives of the Institute are (1) to provide the U.S. accounting profession with a broad series of programs designed to maintain and improve the quality of its services, (2) to promote and maintain high professional standards of practice, and (3) to enable the profession to make its most effective contribution with other organizations active in accounting and related fields.

## Accounting, Auditing, and Consulting Services

Major emphasis is placed on developing technical guidance for CPAs and on presenting the Institute's views to other standards-setting bodies.

**The accounting standards division**, consisting of an executive committee, subcommittees, task forces, and staff, presents the Institute's position on current accounting matters to the Financial Accounting Standards Board, the Securities and Exchange Commission, the Cost Accounting Standards Board, and other groups concerned with accounting and financial reporting. The division's statements of position on accounting matters serve as guidelines for CPAs until pronouncements are put forth by the FASB.

**The accounting and review services committee**, a senior technical committee, is charged with developing standards for the services a CPA may render in connection with the unaudited financial statements or other unaudited financial information of a privately held company.

**The auditing standards division** is the Institute's policy-setting body on auditing matters. Consisting of an auditing standards board, subcommittees, task forces, and staff, it issues statements

on auditing standards, auditing interpretations, and industry audit guides. Activities of the auditing standards board are monitored by an independent auditing standards advisory council. Institute pronouncements on auditing have provided authoritative guidance for independent auditors since 1939, when the first statement on auditing was issued. Since then, more than seventy-five auditing pronouncements have been issued. The Institute's code of ethics requires adherence by the membership to generally accepted auditing standards, recognizes statements on auditing standards as interpretations of the basic auditing standards, and requires that members be prepared to justify any departure from them.

**The management advisory services division**, with an executive committee, subcommittees, task forces, and staff, provides assistance to members engaged in MAS practice—the task of helping management solve operating and policy problems. It issues guidelines and standards on what are considered to be the best professional practices and publishes technical studies on a variety of specialized subjects.

**The technical information services division** conducts research in accounting and financial reporting. It also provides a continuing consultation service for members inquiring about technical matters.

## Practice Services

**The computer services division** develops standards and techniques for the auditing of computer-based financial systems. It monitors developments in data processing and provides information to the members about the impact of EDP on auditing, client services, and the internal management of accounting firms. Libraries of time-sharing programs are made available to members through the facilities of two international data processing service organizations. The division also develops training materials on EDP topics. Every year, the division sponsors a four-day computer conference in a major city. In

addition, it is responsible for the Institute's internal computer processing.

**The financial and practice management division** develops and distributes programs, information, published documents, and consultative reviews on administrative and technical aspects of accounting practice. These include studies and programs to meet the professional needs of CPAs in industry, finance, and government. An information retrieval group administers a computerized information retrieval system, which provides access to data on many thousands of corporate financial statements and to accounting literature. With computer terminals located throughout the United States, the system is a cooperative effort on the part of a number of CPA firms and the AICPA. Nonparticipating firms can use the system through the Institute's facilities. The retrieval system also produces a series of financial report surveys on matters of current interest.

#### **International accounting and auditing standards.**

The Institute maintains cooperative relations with professional accounting bodies in other countries and is represented on the fifty-four-nation International Federation of Accountants, which seeks to develop compatible international auditing, ethical, and educational guidelines, and on the ten-nation International Accounting Standards Committee, which formulates worldwide standards for financial reporting.

### **Professional Regulation and Review**

**The professional ethics division** interprets and administers the Institute's code of professional ethics, which defines members' responsibilities with regard to independence, integrity and objectivity, competence, adherence to technical standards, and responsibilities to clients, colleagues, and the public. It investigates complaints and, if justified, disciplines members administratively or summons them before the profession's joint trial board, which has the power to acquit, admonish, suspend, or expel a member and, if warranted, to seek revocation of his right to practice. It also provides a continu-

ing consultation service for members' inquiries on application of the rules of conduct.

**The state legislation department** works closely with the state societies on accountancy legislation and regulation that protects the interests of all practitioners and the general public. The monthly newsletter, *Legislative Report*, provides information on noteworthy legislative and regulatory events. The legislative reference service acts as a central information exchange for dissemination of information on state accountancy legislation, regulation, court cases, and generally useful background information. Among its other publications, the department publishes guides for the development of the Key Man program and the CPA/Political Action Committee.

**Practice reviews** are arranged as a special Institute service. The program is designed to assist firms of all sizes to maintain standards of practice through reviews of their audit reports. An Institute service group assists the practice review committee in evaluations of reports submitted to the committee.

### **Professional Education and Qualification**

**The uniform CPA examination**, prepared by the Institute and used by each state, together with the advisory grading service, is the qualifying test for CPA candidates. The rigorous two-and-one-half-day examination is given in May and November at ninety-eight locations in all the fifty states, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam. Approximately 100,000 candidates now take the exam each year.

**Continuing professional education** is carried out by a staff division, guided by an executive committee. The division prepares and conducts courses on professional subjects and assists state societies in using these courses and in implementing their own programs. More than 80,000 persons currently participate in approximately 3,000 seminars, training programs, or courses held each year.

**The relations with educators division** encourages the improvement of educational standards for CPAs through a close liaison with colleges and universities. Its activities include development of Institute policy on personnel testing, recruiting for the profession, and professional accounting education.

## Member Services

**The publications division** administers the Institute's periodicals and other publications. The *Journal of Accountancy*, which first appeared in 1905, has become the leading American monthly journal in the field, with more than 220,000 subscribers, among whom are practitioners, business managers, government officials, and educators, including all members of the Institute. The *Tax Adviser*, a professional journal published for practitioners specializing in tax practice, reports on current developments and rulings, and carries articles by leading tax practitioners. The *CPA Letter* provides members and subscribers with a semimonthly alert on accounting developments and Institute policies and activities. The *CPA Client Bulletin* is sold to members for distribution to their clients. The bulletin provides a variety of information of interest to smaller businesses. A monthly newsletter for practicing CPAs deals with practice management for smaller firms. Over forty technical books and pamphlets are published each year.

**The AICPA library** has the country's most comprehensive collection on accounting and related topics—more than 17,000 books, 49,000 pamphlets, and 300 current journal subscriptions. The *Accountants' Index*, compiled by the library staff, is the catalog to this collection and the authoritative bibliographic guide to the worldwide English language literature in accounting. The reference staff answers 40,000 inquiries a year, maintains an extensive mail circulation service, and a public reading room where tax services and a microfiche annual report service are also available.

## Public and State Society Relations

**The public and state society relations division** disseminates information related to the profession through all news media and coordinates program activities of the AICPA and the autonomous state societies. The division prepares national public relations programs for local implementation by the societies. Their purpose is to inform the public of CPAs' roles as advisors to business, government, and individuals, as tax advisors, and as auditors. The division prepares news releases, articles, films, booklets, and taped radio and TV materials to broaden public understanding of accountancy and of the professionals who practice it. A speaker referral service assists societies and their chapters in arranging for knowledgeable speakers on pertinent topics. The division serves as a central agency for those who are either seeking information about the profession or assistance in developing projects related to the goals of the profession.

## Member Relations

**The division on member relations**, established in mid-1976, administers programs for local practitioners and members in industry and government, and serves as the focal point of general communications with all members. It has responsibility for the nominations and committee-appointments processes and the small-business development program. A separate program of aid to minorities, supervised by the Institute, promotes the recruitment of minorities into the profession, providing scholarships and other aids from a \$1 million fund established by accounting firms, corporations, individual CPAs, and government.

## Washington Office

**Federal government relations** is handled by a special staff in Washington. Congressional committees and agencies of the federal government such as the SEC and the Department of Labor

frequently consult the Institute on accounting and auditing issues.

**The federal legislative affairs division**, also established in mid-1976, monitors information and events. Through this division, members are apprised of agency actions and legislation affecting the profession. A weekly *Washington Report* on current developments in the nation's capital is available to the members on a subscription basis.

**The federal government division**, consisting of an executive committee, subcommittees, task forces, and staff, provides assistance to members of both the Institute and the divisions by serving as liaison between the profession and leaders in the government and executive branch. It makes the profession's services available to the various agencies in such ways as assisting with revisions to agency audit guides and commenting on regulatory proposals, as well as submitting testimony on national legislative issues.

**The federal tax division**, the Institute's policy-setting body on tax matters, works primarily with the Treasury Department, the Internal Revenue Service, and tax-writing committees of Congress to present the views of the accounting profession in the area of federal tax law and regulation. The division issues statements on responsibilities in tax practice to guide practitioners, and publishes the *Tax Adviser* and policy statements and tax studies on issues of major concern.

## Division for CPA Firms

**The division for CPA firms** is wholly voluntary and serves the interests of accounting firms. Organized in two sections, the division provides visible evidence of the auditor's independence and offers smaller firms a greater voice in the profession's decision-making processes.

The two sections—firms may join one or both—are the SEC practice section and the private companies practice section. The SEC

unit serves the interests of accounting firms with an SEC practice; the other focuses on the activities of accounting firms with primarily privately held clients.

Membership in the SEC practice section entails—

- Periodic peer reviews
- Monitoring of the section by a five-member public oversight board
- Continuing professional education for all professionals in a firm
- Maintenance of proper standards
- Effective sanctions for violations of standards or membership requirements

Membership in the private companies practice section entails—

- Periodic peer reviews
- Continuing professional education for all professionals in a firm
- Opportunity for committee involvement in matters pertaining to local firms
- Effective sanctions

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## Six areas of service CPAs provide

1. Audit financial statements
  2. Prepare tax returns and recommend tax savings
  3. Provide professional advice on management and accounting aspects of business problems
  4. Prepare financial reports
  5. Provide assistance in securing loans
  6. Design accounting systems for your business or personal affairs
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