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AICPA CPA Opinion Poll

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AICPA
CPA OPINION POLL

Prepared for
The Communications Division

Prepared by
THE PLANNING AND RESEARCH DIVISION
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
1211 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10036-8775
(212) 575-3878

Foreword

In mid-November, 1988, a nationwide Poll of members of the American Institute of CPAs was conducted to obtain their views on a variety of important business and economic topics. In addition to obtaining general demographic information, the Poll questioned members on general business conditions, economic indicators, income taxes, and future factors affecting the economy. The survey is the second in a series of semi-annual Polls conducted by the Institute.

A random sample of about 4,000 Institute members were selected to participate in the Poll. The sample was chosen from that portion of the Institute membership with the experience necessary to provide input on the topics in the survey. A total of 1,441 completed questionnaires were included in the report which follows. An additional 42 questionnaires were received subsequent to the survey cut-off date. This yielded an impressive usable response rate of 36 percent and a total response rate of 37 percent.

Members who responded to the Poll mirror, as a group, the total membership of the Institute. Respondents in the sample closely match the total membership in terms of region of the country in which they work and generally match the total membership with respect to primary job function. Respondents to the survey generally exhibit longer tenure as a CPA than the membership as a whole -- as would be expected given the sampling design utilized.

The sampling process and strong response rate provide a high degree of confidence (95 percent) that the results contained in this report are within a few percentage points of the results that would have been obtained had the entire Institute membership been polled.

I. Demographics

When respondents to the survey are stratified by region of the country in which they work, 25 percent are from the Northeast, 23 percent are from the Midwest, 33 percent from the South, and 19 percent the West.

Respondents exhibit varying degrees of experience as CPAs, with a median of 14 years of experience. Fifteen percent of the respondents have under 6 years of experience, while 27 percent have over 20 years.

Respondents are employed in a variety of job functions. Fifty-two percent of the respondents are employed in public accounting as either partners or sole practitioners. Thirty-two percent of the respondents are employed in industry as either presidents, CEOs, CFOs, financial officers, or other officers. Of the remaining respondents, 3 percent are employed in education, 6 percent in government, and 7 percent in other areas.

TABLE 1
 DEMOGRAPHICS
(Percentage Distributions)

Region

Northeast	25
Midwest	23
South	33
West	19

Years as CPA

Under 6 years	15
6-10 years	23
11-20 years	35
Over 20 years	27
Median	14 years

Primary Job Function

Public Accounting	52
Industry	32
Education	3
Government	6
Other	7

II. Business and Economics

General Business Conditions

Respondents to the survey are generally upbeat about current general business conditions in the country. Seven percent of the respondents rate current general business conditions as excellent and nearly seven out of every ten rate them as good. On the other hand, only 23 percent of the respondents rate current general business conditions as fair and one percent rate them as poor.

The short-run outlook for general business conditions in the country shows that respondents generally expect these conditions to continue -- eight out of every 10 respondents expect conditions six months from now to be about the same as they are now with another five percent expecting conditions to be even better. However, the longer-term outlook is more mixed. The proportion of respondents who expect that current conditions will hold-up over the next year drops to 44 percent and the proportion who expect that conditions will get worse jumps from 15 percent to 42 percent of the respondents.

A comparison of the November 1988 Poll results with those from the April 1988 Poll indicates that the outlook of respondents for general business conditions in the country has not changed much since April 1988.

TABLE 2

GENERAL BUSINESS CONDITIONS
(Percentage Distributions)

	<u>Excellent</u>	<u>Good</u>	<u>Fair</u>	<u>Poor</u>
<u>Current General Business Conditions:</u>				
November 1988 Poll	7	69	23	1
April 1988 Poll	n/a	n/a	n/a	n/a
	<u>Better</u>	<u>About the Same</u>	<u>Worse</u>	<u>Don't Know/ No Opinion</u>
<u>Future General Business Conditions:</u>				
November 1988 Poll -				
6 months from now	5	80	15	*
1 year from now	13	44	42	1
April 1988 Poll -				
6 months from now	12	78	9	1
1 year from now	16	33	48	3

* Under 0.5%
n/a not asked

Business and Economic Indicators

The outlook of respondents regarding business and economic indicators basically mirrors the outlook for general business conditions -- that is, respondents generally expect most of the business and economic indicators to remain about the same six months from now, but are somewhat less optimistic about one year from now.

- o 62% of the respondents expect the inflation rate of consumer prices to be about the same 6 months from now, whereas 37% expect it to be higher. On the other hand, in the 1 year outlook, the proportion of respondents who expect the inflation rate to be about the same drops to 31% while the proportion who expect it to be higher increases sharply to 64%. Moreover, very few respondents expect lower inflation either over the shorter-term or the longer-term.
- o Over 3 out of every 4 respondents anticipate that the unemployment rate will be the same over the shorter-term, while only 16% think it will be higher. The longer-term outlook is somewhat less optimistic as the proportion of respondents who expect a higher unemployment rate jumps to 37%.
- o Over half of the respondents -- 53% -- expect higher interest rates 6 months from now and about 2 out of every 5 expect them to be about the same. Over the longer-term, even more respondents -- 63% -- expect higher interest rates, while 19% expect the same interest rates and, at the other extreme, 17% expect lower interest rates.
- o Three out of every 5 respondents expect the level of capital expenditures to be about the same over the shorter-term, while almost one in four expect it to drop. The outlook worsens somewhat over the longer-term as the proportion of respondents who expect capital expenditures to drop rises to 43%.
- o A very similar relationship exists between the shorter-term and longer-term outlook for consumer spending -- a much smaller proportion of respondents expect consumer spending to be lower 6 months from now than do 1 year from now.

- o The outlook for the federal budget deficit is mixed over the shorter-term -- nearly as many respondents expect it to be the same as expect it to be higher, while very few expect a lower deficit. Over the longer-term, in contrast, more than twice as many respondents expect the deficit to be higher than expect it to be the same, yet on the other hand 21% expect it to decline.
- o Expectations about the stock market are mixed over the shorter-term -- 15% of the respondents expect the market to be higher, 1 out of every 2 expect it to be about the same and 3 in 10 expect it to be lower. The longer-term outlook is also mixed as about 1 out of every 4 respondents expect the stock market will be higher, almost 3 in 10 expect it to be about the same, and almost 2 in 5 expect it to be lower.

The April 1988 Poll asked respondents for their outlook on four of the indicators included in the November Poll -- consumer price inflation, unemployment, interest rates, and capital expenditures. A comparison of these results with the corresponding results from the November 1988 Poll show that expectations about the four business and economic indicators generally changed very little in the intervening period.

TABLE 3

BUSINESS AND ECONOMIC INDICATORS
(Percentage Distributions)

<u>Business/Economic Indicator</u>	<u>Higher</u>	<u>About the Same</u>	<u>Lower</u>	<u>Don't Know/ No Opinion</u>
<u>Inflation rate of consumer prices:</u>				
November 1988 Poll -				
6 months from now	37	62	1	*
1 year from now	64	31	4	1
April 1988 Poll -				
6 months from now	37	61	1	1
1 year from now	72	23	3	2
<u>Unemployment rate:</u>				
November 1988 Poll -				
6 months from now	16	76	7	1
1 year from now	37	49	12	2
April 1988 Poll -				
6 months from now	11	78	10	1
1 year from now	35	49	13	3
<u>General level of interest rates:</u>				
November 1988 Poll -				
6 months from now	53	39	7	1
1 year from now	63	19	17	1
April 1988 Poll -				
6 months from now	38	55	6	1
1 year from now	73	18	7	2
<u>Capital expenditures:</u>				
November 1988 Poll -				
6 months from now	11	60	24	5
1 year from now	16	35	43	6
April 1988 Poll -				
6 months from now	12	59	22	7
1 year from now	17	32	43	8

TABLE 3
(Cont'd)

<u>Business/Economic Indicator</u>	<u>Higher</u>	<u>About the Same</u>	<u>Lower</u>	<u>Don't Know/ No Opinion</u>
<u>Consumer spending:</u>				
November 1988 Poll -				
6 months from now	9	68	21	2
1 year from now	12	43	43	2
April 1988 Poll -				
6 months from now	n/a	n/a	n/a	n/a
1 year from now	n/a	n/a	n/a	n/a
<u>Federal budget deficit:</u>				
November 1988 Poll -				
6 months from now	48	43	8	1
1 year from now	53	24	21	2
April 1988 Poll -				
6 months from now	n/a	n/a	n/a	n/a
1 year from now	n/a	n/a	n/a	n/a
<u>Stock market:</u>				
November 1988 Poll -				
6 months from now	15	50	30	5
1 year from now	26	29	39	6
April 1988 Poll -				
6 months from now	n/a	n/a	n/a	n/a
1 year from now	n/a	n/a	n/a	n/a

* Under 0.5%
n/a - not asked

Future Factors Affecting the Economy

In the final survey question, respondents were asked to indicate the most important factor that will affect the economy in 1989. The federal budget deficit easily placed at the top of the list -- 64 percent of those responding to this question listed that factor. Interest rates were a distant second, with 10 percent of the respondents listing that factor.

In the April 1988 Poll, respondents were asked to indicate the most important factor that will affect the economy in 1988. A comparison of the April 1988 Poll with the November 1988 Poll shows some big differences in results. Most notably, the federal budget deficit was listed as the most significant factor by 64 percent of the respondents to the November Poll, compared to only 19 percent of the respondents to the April Poll. Another big difference in results between the two Polls lies in the presidential election -- only three percent of the respondents to the November Poll see it as the most significant factor that will affect the economy, compared to 23 percent in the April Poll. In evaluating these results, it should be noted that the April Poll was conducted shortly after the presidential primaries had begun when there was little certainty as to whom the candidates would be and the subsequent impact on the economy. Finally, respondents in the more recent Poll also tend to view the trade deficit and tax law changes as somewhat less significant factors affecting the future economy than did respondents to the April 1988 Poll.

TABLE 4

FUTURE FACTORS AFFECTING THE ECONOMY
(Percent of Responses)

<u>Factor</u>	<u>November 1988 Poll</u>	<u>April 1988 Poll</u>
Federal budget deficit	64	19
Interest rates	10	9
Trade deficit	5	13
Presidential election	3	23
Price of oil	2	7
Foreign exchange rate of the dollar	2	5
Inflation	2	4
Consumer confidence/spending	1	2
Tax law changes	*	8
Other factors	<u>11</u>	<u>10</u>
	100	100

* Under 0.5%

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FUTURE FACTORS AFFECTING THE ECONOMY
 (Percent of Responses)

<u>Factor</u>	<u>November 1988 Poll</u>	<u>April 1988 Poll</u>
Federal budget deficit	64	19
Interest rates	10	9
Trade deficit	5	13
Presidential election	3	23
Price of oil	2	7
Foreign exchange rate of the dollar	2	5
Inflation	2	4
Consumer confidence/spending	1	2
Tax law changes	*	8
Other factors	<u>11</u>	<u>10</u>
	<u>100</u>	<u>100</u>

* Under 0.5%