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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
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December, 1989

Foreword

On November 1, 1989, 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, globalization, federal financial management, future factors affecting the U.S. economy, and social issues. The survey is the third in a series of Polls conducted by the Institute.

A random sample of nearly 3,000 Institute members was selected from that portion of the Institute membership with the experience necessary to provide input on the topics in the survey. A total of 831 completed questionnaires were included in the report which follows. An additional 42 questionnaires were received subsequent to the survey cut-off date. This yielded a respectable usable response rate of about 28 percent and a total response rate of about 29 percent.

Members who responded to the Poll mirror, as a group, the total portion of the Institute membership under study. Respondents in the sample closely match that portion of the membership in terms of region of the country in which they work and generally match

it 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 response rate provide a high degree of confidence (95 percent) that the results contained in this report are within four percentage points of the results that would have been obtained had the entire portion of the Institute membership under study been polled.

I. Demographics

When respondents to the survey are stratified by region of the country in which they work, 21 percent are from the Northeast, 21 percent are from the Midwest, 37 percent from the South, and 21 percent the West.

Respondents exhibit varying degrees of experience as CPAs, with a median of 15 years of experience. Ten percent of the respondents have under 6 years of experience, while 31 percent have over 20 years.

Respondents are employed in a variety of job functions. Sixty-two percent of the respondents are employed in public accounting as either partners or sole practitioners. Twenty-five percent of the respondents are employed in industry as either presidents, CEOs, CFOs, financial officers, or other officers. Of the remaining respondents, 2 percent are employed in education, 6 percent in government, and 5 percent in other areas.

TABLE 1

DEMOGRAPHICS
(Percentage Distributions)

Region

Northeast	21
Midwest	21
South	37
West	21

Years as a CPA

Under 6 years	10
6-10 years	21
11-20 years	38
Over 20 years	31
Median	15 years

Primary Job Function

Public Accounting	62
Industry	25
Education	2
Government	6
Other	5

II. Business and Economics

General Business Conditions

Responses to general business conditions in the country in the 1980s overall, were very positive. One in five respondents rated general business conditions in the 1980s as excellent and another 62 percent rated them as good, compared to only 18 percent who rated them as fair or poor. Moreover, respondents to the survey are generally upbeat about current general business conditions in the U.S. Six percent of the respondents rate current general business conditions as excellent and 63 percent rate them as good. On the other hand, only 28 percent of the respondents rate current general business conditions as fair and three 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 -- 72 percent of the 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 one-year outlook is more mixed. The proportion of respondents who expect that current conditions will hold-up over the next year drops to 45 percent and the proportion who expect that conditions will get worse jumps from 22 percent to 38 percent. The outlook for the 1990s overall is more optimistic as 28 percent of the respondents expect conditions in that decade to be about the same as they are now, 39 percent expect

conditions to be even better, and 24 percent expect conditions to be worse.

A comparison of the November 1989 Poll results with those from the previous Polls 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>General Business Conditions in the 1980s Overall:</u>				
November 1989 Poll	20	62	16	2
November 1988 Poll	n/a	n/a	n/a	n/a
April 1988 Poll	n/a	n/a	n/a	n/a
 <u>Current General Business Conditions:</u>				
November 1989 Poll	6	63	28	3
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 1989 Poll -				
6 months from now	5	72	22	1
1 year from	15	45	38	2
In the 1990's overall	39	28	24	9
November 1988 Poll -				
6 months from now	5	80	15	*
1 year from	13	44	42	1
In the 1990's overall	n/a	n/a	n/a	n/a
April 1988 Poll -				
6 months from now	12	78	9	1
1 year from	16	33	48	3
In the 1990's overall	n/a	n/a	n/a	n/a

* Under 0.5%

n/a: not asked

Business and Economic Indicators

The outlook of respondents in the November 1989 Poll regarding business and economic indicators basically mirrors their 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 72% of the respondents expect the inflation rate of consumer prices to be about the same 6 months from now, whereas 19% 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 45% while the proportion who expect it to be higher increases sharply to 42%. Moreover, very few respondents expect lower inflation either over the shorter-term or the longer-term.
- o 65% of the respondents anticipate that the unemployment rate will be the same over the shorter-term, while 26% 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 45%.
- o The shorter-term outlook for interest rates is fairly optimistic. Only 12% of the respondents think that interest rates will move higher over the next 6 months compared to 45% who anticipate stable rates and 42% who anticipate lower rates. The outlook of respondents over the longer-term is somewhat less optimistic as the proportion of respondents who expect higher rates 1 year from now grows to 29%. However, the proportion of respondents expecting lower rates in a year remains stable at 42%.
- o Neither the shorter- or longer-term outlook for consumer spending is particularly favorable. While 58% of the respondents anticipate that consumer spending 6 months from now will be about the same, 31% think it will be lower and only 8% think it will be higher. The proportion of respondents who expect lower consumer spending 1 year from now increases to 41%.
- o Respondents expect the level of capital expenditures to be about the same over the shorter-term, while one in three

expect it to drop. The outlook worsens slightly over the longer-term as the proportion of respondents who expect capital expenditures to drop 1 year from now rises to 43%.

- o Respondents are decidedly pessimistic in both their shorter- and longer-term outlook for the federal budget deficit. Indeed, 62% of the respondents expect the federal budget deficit to be higher 6 months from now and a slightly greater 68% expect it to be higher 1 year from now. This result is consistent with another finding of the survey in which 38% of the respondents cited the federal budget deficit as the single most significant factor that will affect the U.S. economy in 1990.
- o Expectations about the stock market are mixed over the shorter-term - 22% of the respondents expect the market to be higher, 43% expect it to be about the same and nearly 3 in 10 expect it to be lower 6 months from now. The longer-term outlook is also mixed as about 1 out of every 3 respondents expect the stock market will be higher, almost 3 in 10 expect it to be about the same, and 1 in 3 expect it to be lower 1 year from now.

As shown in Table 3, the list of business/economic indicators included in the November 1989 Poll was also covered in the November 1988 Poll. Four of the indicators - consumer price inflation, unemployment, interest rates, and capital expenditures - were also included in the April 1988 Poll. A comparison of Poll results shows that respondents in the most recent Poll are somewhat more optimistic in their outlook on inflation and interest rates but are somewhat less optimistic in their outlook for the federal budget deficit and unemployment when compared to respondents in the previous Polls.

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 1989 Poll -				
6 months from now	19	72	8	1
1 year from now	42	45	12	1
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 1989 Poll -				
6 months from now	26	65	7	2
1 year from now	45	42	11	2
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 1989 Poll -				
6 months from now	12	45	42	1
1 year from now	29	28	42	1
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

TABLE 3
(Cont'd.)

	<u>Higher</u>	<u>About the Same</u>	<u>Lower</u>	<u>Don't Know/ No Opinion</u>
<u>Consumer spending:</u>				
November 1989 Poll -				
6 months from now	8	58	31	3
1 year from now	15	41	41	3
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>Capital expenditures:</u>				
November 1989 Poll -				
6 months from now	9	53	33	5
1 year from now	17	34	43	6
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
<u>Federal budget deficit:</u>				
November 1989 Poll -				
6 months from now	62	32	5	1
1 year from now	68	21	9	2
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

TABLE 3
(Cont'd.)

	<u>Higher</u>	<u>About the Same</u>	<u>Lower</u>	<u>Don't Know/ No Opinion</u>
<u>Stock market:</u>				
November 1989 Poll -				
6 months from now	22	43	29	6
1 year from now	33	28	33	6
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

Globalization

Respondents were asked to indicate if they think that globalization will cause general business conditions in the country to be better, worse, or about the same during the 1990s and to indicate the single most important implication of globalization for the U.S. economy during that decade.

Responses were quite mixed regarding whether globalization - the internationalization of business - will cause general business conditions in the U.S. to be better, worse, or about the same during the 1990s. While 34 percent of those responding felt that globalization will result in better business conditions in the U.S. during the 1990s, nearly as many - 28 percent - felt globalization will result in worse business conditions. Twenty-seven percent were more neutral, indicating that globalization will leave general business conditions in the U.S. during the 1990s about the same.

Respondents listed quite a few implications of globalization for the U.S. economy during the 1990s. Topping the list was increased competition which was mentioned by 17 percent of the respondents. Thirteen percent of the respondents cited a lower trade deficit (4 percent a higher trade deficit). Another 9 percent listed greater global awareness, 8 percent listed increased product quality and productivity, and 8 percent a change in the mix of jobs and output.

TABLE 4

GLOBALIZATION*

Q: On balance, do you think that globalization - the internationalization of business - will cause general business conditions in the country to be better, worse, or about the same during the 1990s?

(Percentage Distributions)

<u>Better</u>	<u>About the Same</u>	<u>Worse</u>	<u>Don't Know/No Opinion</u>
34	27	28	11

Q: What do you see as the single most important implication of globalization for the U.S. economy during the 1990s?

<u>Implication</u>	<u>November 1989 Poll</u> (Percent of Responses)
Increased competition	17
Lower/higher trade deficit	13/4
Greater global awareness	9
Increased product quality and productivity	8
Change in mix of jobs and output	8
Free trade	5
Change in standard of living	5
Increased foreign ownership of property and business	5
Erosion of U.S. financial dominance	5
Labor costs	4
Political implications	3
European Common Market	3
Other implications	<u>11</u>
	100%

* Questions asked on November 1989 Poll only.

II. Federal Financial Management

Federal Financial Management

Respondents were asked to answer a series of questions regarding federal financial management. The results indicate that a solid majority of respondents feel that information currently provided on the federal government's financial conditions and results of its operations are inadequate and that it is important that certain fundamental changes be made in the system of financial reporting and auditing of the U.S. government.

- o Over three out of every four respondents disagreed - one-half of them strongly - that "the information and data currently provided on the federal government's financial conditions and results of its operations are adequate." Only 2 percent of the respondents strongly agreed with this statement.
- o Nearly three-quarters of the respondents deemed it very important that the U.S. government "establish a uniform system of financial accounting and reporting principles and standards that would be used consistently throughout the federal government." Another 20 percent of the respondents deemed establishing such a system as moderately important.
- o Fifty-nine percent of the respondents considered it very important that the U.S. government "issue annual financial statements for the entire federal government and each of its departments." Another 28 percent considered this step moderately important.
- o The statement "establish the independent position of CFO of the U.S. who would be responsible for reporting annually on the fiscal and financial management of the U.S." also drew a high level of support - 53 and 29 percent of the respondents considered such a move as very and moderately important, respectively.
- o Finally, to "require annual independent audits of the financial statements for the entire federal government and each of its departments" was considered very important by 42 percent of the respondents and moderately important by another 29 percent.

TABLE 5

FEDERAL FINANCIAL MANAGEMENT*
(Percentage Distributions)

Q: Would you agree or disagree that the information and data currently provided on the federal government's financial conditions and results of its operations are adequate?

<u>Strongly Agree</u>	<u>Moderately Agree</u>	<u>Moderately Disagree</u>	<u>Strongly Disagree</u>	<u>Don't Know/ No Opinion</u>
2	14	27	50	7

Q: Please indicate how important you feel it is that the U.S. government do the following:

	<u>Very Important</u>	<u>Moderately Important</u>	<u>Not Particularly Important</u>	<u>Not at All Important</u>
Establish a uniform system of financial accounting and reporting principles and standards that would be used consistently throughout the federal government.	74	20	5	1
Issue annual financial statements for the entire federal government and each of its departments (i.e. Dept. of Commerce, Interior, etc.)	59	28	10	3
Establish the independent position of CFO of the United States who would be responsible for reporting annually on the fiscal and financial management of the U.S.	53	29	14	4
Require annual independent audits of the financial statements for the entire federal government and each of its departments.	42	29	21	8

* Questions asked on November 1989 Poll only.

IV. Future Social and Economic Issues

Future Factors Affecting the Economy

Respondents were also asked to indicate the most significant factor that will affect the U.S. economy in 1990. Easily placing at the top of the list was the federal budget deficit - 38 percent of the 738 responses to this question. The trade deficit was a somewhat distant second, with 10 percent of the respondents mentioning that factor.

In the April 1988 Poll, respondents were asked to indicate the most significant factor that will affect the economy in 1988. Similarly, in the November 1988 Poll, respondents were asked to indicate the most significant factor that will affect the economy in 1989. A comparison of the November 1989 Poll with the previous two Polls reveals both similarities and differences in results. If one ignores the presidential election response in the April 1988 Poll, then the federal budget deficit was the most frequently cited future factor that will affect the economy in all three Polls. The trade deficit and interest rates were the second or third most frequently mentioned factors that will affect the economy in all three Polls, if the presidential election response in the April 1988 Poll is again excluded. Although virtually unmentioned in the last two Polls, it is not surprising that 8 percent of the respondents mentioned tax law

changes in the April 1988 Poll given the Poll's proximity in time to the Tax Reform Act of 1986. Finally, changes in the workforce have only recently emerged as a significant future factor that will affect the economy, according to Poll results.

TABLE 6

FUTURE FACTORS AFFECTING THE ECONOMY
(Percent of Responses)

<u>Factor</u>	<u>November 1989 Poll</u>	<u>November 1988 Poll</u>	<u>April 1988 Poll</u>
Federal budget deficit	38	64	19
Trade deficit	10	5	13
Interest rates	8	10	9
Changes in workforce	7	*	*
Government regulation	6	*	*
Foreign investment in the U.S.	4	*	*
Sociological issues (eg health, aging, drugs, education)	4	*	*
Inflation	3	2	4
Globalization	3	*	*
Price of oil	2	2	7
Consumer confidence/spending	2	1	2
Foreign exchange rate of the dollar	*	2	5
Tax law changes	*	*	8
Presidential election	n/a	3	23
Other factors	<u>13</u>	<u>11</u>	<u>10</u>
	100%	100%	100%

* Under 0.5%

n/a: not applicable