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**TOUCHE ROSS
REPORT ON PROGRESS
& PERSPECTIVES 1980**

As the 1980's begin, Touche Ross can look back with pride on a decade of unparalleled growth and achievement. The years from 1970 to 1980 were always challenging, sometimes turbulent. They were also immensely satisfying, for during this short time Touche Ross partners and staff have continued to build a professional firm that now ranks among the world's best...

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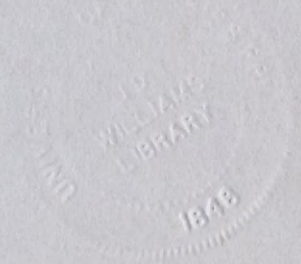
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LETTER FROM THE MANAGING DIRECTOR

As the 1980's begin, Touche Ross can look back with pride on a decade of unparalleled growth and achievement. The years from 1970 to 1980 were always challenging, sometimes turbulent. They were also immensely satisfying, for during this short time Touche Ross partners and staff have continued to build a professional firm that now ranks among the world's best.

The operating results for fiscal 1979 extended the pattern of growth, with worldwide net services reaching an all-time high of \$514,620,000, an increase of \$66,993,000 or 15 percent over 1978. Net earnings also grew by 16.7 percent, from \$111,534,000 in 1978 to \$130,123,000 in 1979. Coming after 1978, a year which saw a jump in net services of 27.7 percent—one of the sharpest increases in our history—this year's growth was especially satisfying.

Throughout the world, we strengthened our ability to serve. In the United Kingdom, Touche Ross merged with the well-known firm of Mann Judd, while in Luxembourg, the country's most distinguished accounting firm, Fiduciaire Générale de Luxembourg, joined Touche Ross International as a member firm. With these new additions, the number of Touche Ross offices grew to 333 in 80 countries and on August 31, 1979, our international staff totaled 16,600, including 1,615 partners. Because planning remains the cornerstone of our management philosophy, a strategic planning group issued a comprehensive internal report on the mission of Touche Ross International in the 1980's. To ensure that clients continued to receive service of uniformly high quality from every office, the firm codified the Audit Process and embarked on a program of special training in its application. And in Paris, we launched a new management consulting practice.

In the United States, the firm underwent its second peer review, this time to satisfy the conditions for membership in the SEC Practice Section of the AICPA's Division of Firms. The report of our auditors, Price Waterhouse & Co., concluded both that our quality control systems were appropriate and that our professionals complied with them in all substantive respects. As a result of such quality service, our U.S. practice continued to grow. With the initiation of a new program of Private Companies Advisory Services, we intensified our efforts to serve privately held businesses, long an important and recognized area of specialization

for the firm. Our relatively new Actuarial and Benefits Consulting practice grew significantly. Our tax departments increased their chargeable hours by 17.7 percent in 1979, and our management advisory services practice made an important contribution to the firm's overall performance. Through programs of continuing education we prepared our people to deal with a rapidly changing professional environment, and we recruited 985 young professionals, including more women—303—and more holders of advanced degrees—259—than ever before.

Last year, for the first time in our history, we published full financial statements for the U.S. firm. As a privately held organization, Touche Ross was not required by law to issue financial information to the public. Yet, we felt that the growing and legitimate public interest in the affairs of the larger U.S. accounting firms would be served best by such disclosure. This year, because of the worldwide scope of our practice, we are expanding our disclosure and are issuing financial statements for Touche Ross International operations. The fact that we are doing so at the beginning of a new decade seems fitting, for we believe that despite world uncertainties, some of the greatest opportunities for service and growth will lie in the international field.

Traditionally, the start of a decade calls for some form of stock taking or prediction. The internal study carried out last year by Touche Ross International's strategic planning group was one important form of self-analysis. This year, however, we also wished to look beyond the immediate concerns of both our firm and the accounting profession, focusing on the larger environment in which international business will operate in the new decade. Part of this examination took place in Geneva, Switzerland, at a conference sponsored by TR in cooperation with the Centre D'Études Industrielles, one of the world's most distinguished centers for advanced education and research in international management. The business, political and academic leaders taking part in the conference were asked specifically to consider the challenges international business will face during the 1980's.

Their discussion covered such matters as the world political situation, the need for leadership in both politics and business, the relations between multinational business and the developing nations, the allocation of resources, growth, and the obligations of multinational business to society. Because of the discussion's relevance, we wish to share it with our clients and friends, and we are thus issuing an edited transcript as a companion to this year's *Report on Progress and Perspectives*.

Several issues raised at the conference have special relevance for Touche Ross International. The participants agreed, for example, that we live in a period of rapid and accelerating change, a point that has been stressed in *Progress and Perspectives* before. How can business cope with change? Doing so will require strategic planning, but the participants cautioned against "rigid 5-10-15-year plans" and monolithic management structures. For the 1980's, a combination of solid values and flexibility will be the key to success, and by monitoring change, business may be able to adapt quickly to rapid and unexpected shifts in events.

The participants also stressed that the world has entered an era in which scarcity of natural resources has become a fact of life. As one business leader said, the energy crisis has put all the world's

nations "in the same boat." Thus, the old ideas about unlimited growth in consumption are no longer valid. No one attending the conference recommended a policy of no growth; instead, as one participant noted, "we should be renewing our energy for a new kind of growth," a qualitative growth in which "best" replaces "bigger" as the ultimate goal.

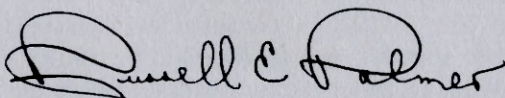
For the first time in history, another panelist noted, there is a growing popular awareness of both the needs of society and the technological innovations necessary to meet them. The challenge facing business is two-fold: implementing necessary technical innovations and helping shape the public's expectations to the realities of the next decades. "Only by adapting, by renewing itself through innovation can business continue to survive," a panelist warned.

In looking at the history of the past decades, the participants singled out two related developments that will also influence the course of business in the future: the continuing rise of nationalism and the political domination by the nation-state. In contrast to these divisive tendencies stands international business, which since World War II has served as a unifying force.

The enterprises that will prosper in this fragmented, nationalistic world are, according to the participants, the "true multinationals"—enterprises which are owned and managed by citizens of the countries in which they operate. For such organizations, decentralization will be an important element of success. So too is a management structure that recognizes cultural diversity, and in the 1980's only the flexible, decentralized, and culturally diverse multinational enterprises will be able to identify with the real needs of the societies they serve.

A number of similar points were made in a recent, independent study of the Big Eight accounting firms. According to the study, a federated structure, true multinational management, and the ability to adapt to local conditions—characteristics of TRI—will offer major advantages to an accounting firm that operates worldwide. Both this study and the discussion in Geneva thus suggest that Touche Ross International stands in a unique position to take advantage of the next decade's opportunities. The remainder of this year's *Report on Progress and Perspectives* will demonstrate our capacity to serve our clients in the 1980's.

"Whatever happens, the world will be different," said one of the conference participants. I believe that Touche Ross is ready for this new world and whatever it may bring. The philosopher Alfred North Whitehead once said that, "Only the adventurous can understand the greatness of the past." I like to think that only the adventurous will be able to shape the future. My partners and I look forward to the next decade with purpose, enthusiasm, excitement—and a sense of adventure.



Russell E. Palmer
Managing Director and
Chief Executive Officer
Touche Ross International

PLANNING FOR THE 1980's

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anagement has no choice but to anticipate the future, to attempt to mold it, and to balance short-range and long-range goals," wrote Peter Drucker in his book, *Management*. With its emphasis on planning—the firm has a full-time director of planning—Touche Ross International recognizes both the importance and the difficulty of anticipating the future and trying to mold it. More than a year ago, as part of the planning process, the TRI Board of Governors commissioned a special Strategic Planning Group to determine how the firm might best accomplish its mission in the next decade. The planning group, composed of representatives from TRI firms, completed its work late in 1978, presenting a formal report to the Board of Governors and the International Committee at meetings held this past June in Athens. The Board has begun work on a draft implementation program—a major step toward meeting the needs of the 1980's.

The report stresses the special character of TRI, a multinational federation of strong, national firms. They are united in their international development by a central leadership that has been charged with serving our joint interests, our partners, and clients. Each TRI firm is managed as an autonomous, national practice, yet the firms are interdependent, sharing technical resources, committed to worldwide standards of quality control, and united in their determination to offer clients a full scope of service wherever they operate. TRI is a true multinational service organization, owned and managed by an international community of professionals. We believe it provides the strongest model for professional service growth in a world that is influenced by conflicting trends: the increasing emphasis on nationalism and the growing internationalization of business.

During 1979, we increased our capacity to serve by implementing other international plans. In the United Kingdom, Touche Ross merged with the Welsh and English practices of Mann Judd, a distinguished accounting firm with a staff of 1,000 and offices in 15 cities. With the addition of Mann Judd's resources, the combined organization of 22 offices and a staff of 2,400, including 148 partners, now ranks among the six

largest chartered accounting firms in the U.K. The merger has strengthened the firm's ability to serve its clients.

According to plan, Fiduciaire Générale de Luxembourg, the foremost accounting firm in that country, advanced from a correspondent relationship into full participation in Touche Ross International as a member firm. Founded in 1950, Fiduciaire Générale now has a staff of 100 and eight partners. Among its clients are forty of the 100 banks operating in Luxembourg, including Banque Générale du Luxembourg, Chase Manhattan, Crédit Suisse, Deutsche Bank, and Compagnie Arabe et Internationale d'Investissement. Other clients include Renault, Société Financière Européenne, and Compagnie Grand-Ducale d'Électricité.

In Canada, to meet the forecasted needs of Quebec, the firm has formed a Quebec practice unit, Charette, Fortier, Hawey & Cie., Touche Ross & Cie., Comptables Agréés. To bring additional consulting technology to our European-based multinational clients, Touche Ross has established a management services practice in Paris. Peugeot recently engaged our professionals there to help streamline the sales and marketing organization of its Talbot division throughout Europe.

And, in Japan, Nobuzo Tohmatsu and Daikichi Awoki, the founders of the Touche Ross Japanese firm, retired this past spring. Both were 83 years of age; both had played key roles in the growth of Tohmatsu Awoki and TRI.

WORLDWIDE ACCOUNTING STANDARDS

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n serving multinational clients, Touche Ross professionals face an astonishing variety of accounting standards, laws, and national customs. The firm therefore supports the efforts of organizations which are exploring ways of harmonizing this costly diversity. The most important international group serving the profession is the International Federation of Accountants (IFAC).

The Federation was founded in 1977 to coordinate the worldwide growth and development of the profession. Working in cooperation with 72 accounting organizations in 55 coun-

tries, IFAC represents more than 700,000 accountants in public and private practice, education and government service. During its first two years, it has embarked on an ambitious 12-point program. Its goals, which recognize the financial and economic interdependence of countries throughout the world, include: developing guidelines for international auditing practices; establishing a worldwide code of professional ethics; determining education requirements for the profession; and developing training programs.

In 1979, IFAC's International Auditing Practices Committee issued an exposure draft of its first proposed international auditing guideline, "Basic Principles Governing an Audit." This guideline sets forth the professional responsibilities that auditors should exercise in carrying out an audit, regardless of their location in the world. The exposure draft, which deals with independence, confidentiality, the auditor's skills and competence, documentation, evidence and reporting, is an important beginning in the search for workable international auditing principles.

Touche Ross professionals are contributing both their time and knowledge to IFAC. This past summer, Managing Director Russell E. Palmer was elected U.S. delegate to the 15-nation Governing Council of the International Federation of Accountants. He represents the 100,000 American professionals. As a member of the Governing Council, Mr. Palmer joins Touche Ross International partners Roberto Dreyfuss, Masayuki Iwanami, and Arthur Mbanefo, Council members for Brazil, Japan, and Nigeria, respectively. Our participation in the IFAC Governing Council underscores the worldwide stature of the firm's partners—other major accounting firms are represented by no more than one delegate each.

TRADITION OF SERVICE

Touche Ross partners also continued the firm's tradition of service in local and national professional organizations and government. In the United States, AICPA committees were chaired by Thomas P. Bintinger (Cost Accounting Standards Board), Gerald A. Polansky (Public Service), and Edward A. Weinstein (Non-profit Organizations Accounting). Russell E. Palmer served both as a member of the AICPA Board of Directors and as chairman of the Institute's Audit Committee.

Peter J. Davidson, national ad-

ministrative partner of our Australian firm, was elected president of the Australian Institute of Chartered Accountants, while Graham C. Edgar, chairman of the New Zealand firm's policy committee, was elected president of the New Zealand Society of Accountants. Alberto T. Lopez, partner in charge of the Argentine firm, was elected to the Council of Economic Sciences, the organization in Argentina responsible for regulating the accounting profession and setting its standards. In the Netherlands, Rob. C. A. Jongstra was elected president of the Nederlands Instituut van Register-Accountants, the Dutch institute of CPAs. David T. S. Law was reelected president of the Institute of Chartered Accountants of Trinidad and Tobago, and in Nigeria, Ike Nwokolo was named chairman of the Enugu and District Society of the Institute of Chartered Accountants of Nigeria.

NEW ENGAGEMENTS

Each year, *Progress and Perspectives* highlights a few of the firm's new engagements. Those chosen for discussion are not necessarily the year's biggest. They may be intrinsically interesting, or, like this year's new engagements in the oil and gas industry, they may indicate new strength in key industries. Engagements may also be chosen because they show continued growth in areas where Touche Ross has traditionally demonstrated leadership.

PUBLIC SECTOR

The public sector remains one of the most important areas of growth for Touche Ross. The firm's Miami office was chosen to audit some \$22 million of CETA (Comprehensive Employment Training Act) grants in Dade County, Florida. This engagement will be carried out in cooperation with a local minority firm. A new audit client of the Pittsburgh office is the Auditor General of the Commonwealth of Pennsylvania. The firm will also carry out both financial and operational reviews. In Boston, the Massachusetts Division of Employment Security has retained Touche Ross to design and implement new systems for paying unemployment insurance claims on-line at various locations in the state. This major assignment re-

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central leadership that has been charged
with serving our joint interests,
our partners, and clients.*

quires the latest in computer technology, including magnetic card reader/writers, distributed minicomputers, data-base technology, and on-line, real-time file updating. In Nashville, Touche Ross will audit both the city and Davidson County. The North Carolina Power Agency # 1, a new audit and MS client of our Atlanta office, is a quasi-governmental body of 19 participating cities in central and western North Carolina. It recently purchased an interest in a nuclear power plant under construction by Duke Power Company. Touche Ross will audit the agency and develop accounting systems, internal controls and a methodology for tracking and auditing Duke Power's monthly billings to the agency. We feel that this is an important engagement, for during the next few years similar agencies will develop throughout the U.S. The firm now audits three such organizations—the others are the Municipal Electric Authority of Georgia and the Texas Municipal Power Agency. The Department of Energy has engaged the Washington office to expand the department's Financial Reporting System to include the coal, nuclear, and other more specialized segments of the energy industry.

Internationally, the firm has been engaged in two major consulting operations in the East Malaysian State of Sabah. The projects are multidisciplinary efforts bringing together accountants, engineers, computer specialists, and economists from Touche Ross offices in Kota Kinabalu, Kuala Lumpur, London, and Wellington. In the first, the firm is reviewing the structure, functions, organization, and operational procedures of all the main statutory authorities in the state. The second focuses directly on one of these authorities, the Sabah Electric Board, and will review organization, personnel administration, stores, and accounting and information procedures.

RETAILING

Retailing continues to be one of Touche Ross' major industries. Late in 1978, Food Fair Inc., with annual sales of approximately \$2.5 billion, filed for Chapter XI protection—the largest filing in the history of American retailing. Through the combined efforts of Touche Ross professionals in Miami, Philadelphia, and New York, the firm was engaged as management consultants. As the efforts to reorganize Food Fair progressed, the initial engagement has expanded several times.

In Japan, Tohmatsu Awoki was appointed auditors for Nagasakiya, one of the leading chain stores in the country. Nagasakiya special-

izes in textile merchandising, and its 85 domestic stores, along with its subsidiaries in São Paulo and Singapore, generate more than \$1 billion in annual sales. The Japanese firm now serves three of Japan's "Big 10 superstores," Daiei, Inc., Jusco, and Nagasakiya.

In another consulting project, Brascan Ltd., a Canadian investment company, engaged the New York office to analyze F.W. Woolworth Co. in preparation for what was one of the largest tender offers in financial history. The engagement drew on the services of six partners and 25 members of the New York audit, tax, and MS staffs during the hectic three-week period preceding Brascan's announcement.

MANUFACTURING, OIL AND GAS

The Newark office now audits Yates Industries, Inc., a multinational New York Stock Exchange company, producing more than 50 percent of the copper foil used in the electronics industry. Although Yates is headquartered in New Jersey, its subsidiaries in Luxembourg, Switzerland, the U.K., and a joint venture in Japan account for two-thirds of the company's operations. Touche Ross was chosen for this engagement, in part, because of the firm's international capability—as exemplified in the work carried out by our new Luxembourg office, which had audited the company's subsidiaries there and in Switzerland.

Los Angeles has a new American Stock Exchange client, Silvercrest Industries, Inc., a manufacturer of mobile and modular homes, with annual sales volume approaching \$100 million. The Tulsa office was named auditor of the Deutsche Group, a billion dollar corporation engaged primarily in oil and gas trading and production in both the international and domestic markets. An audit engagement for the Philadelphia office with Seaview, an oil refinery headquartered there, grew out of a firm-wide cooperative effort. The engagement began more than a year ago with a special tax assignment, which was followed by a management consulting project, staffed by consultants from offices in Kansas City, Denver and Houston.

BANKING AND FINANCE

The Panama office has been appointed auditors for the Banco do Brasil in Panama. In Spain, Touche Ross will audit CAM, the

largest confederated savings bank in the nation, with 2.5 million depositors and 323 branches. Touche Ross is auditing New Zealand Bankcard Associates Ltd., a joint venture established by the Australia and New Zealand Banking Group (ANZ), the Bank of New South Wales and the Commercial Bank of Australia. The new company will offer credit card facilities to New Zealand customers of the three banks. In addition to the audit, Touche Ross will provide tax and other advisory services. The Houston office is conducting an audit and asset inventory of Surety Savings and Loan Association of Houston. Touche Ross Australia was engaged to audit the Banque Nationale de Paris, one of the two foreign banks licensed to operate in Australia; BNP, one of the largest French banks, has offices in more than 70 countries.

INSURANCE

The Detroit office has been engaged to audit Auto-Owners Insurance Company, a mutual casualty and life insurance company—the largest domestic insurance company in Michigan. And in Seattle, Touche Ross is the new auditor for Unigard Mutual Insurance Company, one of the largest property casualty companies in the country. In a cooperative effort with Montreal, the Boston office will audit the Saval Group, Inc., which is composed of American Universal Insurance Company, the Canadian Universal Insurance Company Limited, and three insurance brokers.

A COMMITMENT TO SERVICE

Accounting firms are service organizations. Providing service is a complex task, however, demanding a strong sense of the current business climate and an ability to anticipate the needs of clients during the coming years. During 1979, Touche Ross continued to evaluate its long-standing commitment to high-quality service. The results of our review, which are described below, represent both new directions in client service and traditional practices. They place the firm in a strong position to meet the challenges of the next decade.

MANAGEMENT SERVICES

An area of special interest to society, business, and the accounting profession is management services or consulting. Many of the new engagements discussed above involve consulting work, and our independent professionals are assigned to perform such varied services as developing and implementing EDP systems, studying the operational procedures of governmental agencies and recommending improvements, and aiding distressed businesses. Indeed, Touche Ross has developed a unique competence in helping organizations bring about sustained productivity and profitability.

Providing these services requires professionals with an intimate knowledge of planning and managing resources, people who can solve complex problems, using the most sophisticated tools available.

One reason for the strength of our firm's consulting group is our ability to attract talented young professionals. In the U.S., for example, Touche Ross recruited more young consultants in 1979 from major graduate schools than ever before—14 from Harvard and 9 from Stanford.

The firm's worldwide consulting activities are increasing. In recent years, our U.S.-based consultants have worked for clients in Belgium, Japan, Mexico, New Zealand, Sweden, and the Virgin Islands. Touche Ross International, with more than 800 consultants, serves a growing roster of clients from around the world.

SERVING PRIVATELY HELD CLIENTS

Privately held clients have long formed a substantial portion of the Touche Ross practice. For eleven years, the U.S. firm has served its non-public clients through a program called "Integrated Services." In 1979, the importance of its privately held clients was reemphasized when we initiated a new and intensive service program directed specifically to their needs. The pro-

Each Touche Ross International firm is managed as an autonomous, national practice, yet the firms are interdependent, sharing technical resources, committed to worldwide standards of quality control, and united in their determination to offer clients a full scope of service wherever they operate.

gram is now called "Private Companies Advisory Services." Russel F. Viehweg has been appointed National Director, and he is aided by a national practice committee.

To a large degree, the formal establishment of a practice group specializing in privately held clients parallels the formation of the AICPA's Private Practice Section of its Division of Firms. Both the Touche Ross program and the AICPA's Private Practice Section recognize that the needs of closely held enterprises differ from those of publicly held companies.

A major factor in determining the service needs of private clients is the level of in-house financial expertise available to them. They can turn to their external accountants for aid in profit planning, financial control, inventory management, cost accounting, LIFO inventory tax planning, operations improvement, strategic planning, and capital investment, and other areas where they may not maintain in-house specialists. Touche Ross can offer these services. Our professionals work directly with their clients, and while our service is highly personal, it is backed by our international resources and experience.

The essential component of the new program is the people who are committed to making it work. Serving private clients requires special talents—imagination, technical versatility, an ability to identify with the client's concerns, staying power, and strong entrepreneurial sense. Working with private companies requires generalists rather than specialists—people who can bring a breadth of experience to each engagement.

TAX

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peration Taxwedge," the U.S. firm's national tax program, shares the dedication to comprehensive service that guides our program of Private Companies Advisory Services. Now more than a year old, Taxwedge is based on the premise that all business decisions can have tax consequences. Thus, it expands our efforts in tax consulting and planning to complement the firm's traditional compliance activities—helping clients prepare and file tax returns.

Taxwedge is largely responsible for a year of extraordinary growth. During 1979, chargeable hours increased by 17.7 percent over 1978. Chargeable dollars grew by 20.2 percent,

and the percentage of firm net services represented by tax practice was up from 16.36 percent in 1978 to 18.03 percent in 1979.

Taxwedge has resulted in a number of changes in the operation of our tax practice. To meet the demand for technically qualified tax specialists, more experienced tax professionals were recruited than ever before. Last year, the U.S. firm hired 87 experienced tax people and 128 college recruits. Much of the responsibility for compliance work is now being shifted to fully trained tax technicians, thus allowing the firm's tax professionals to devote more time to consulting and planning. In a very real sense, this change frees our professionals to develop in ways that benefit them and the firm.

A key component of Taxwedge is an ambitious training program, called "Tax Passport." Developed and introduced during the past year and a half, Tax Passport is a sophisticated self-study course, based on the principle that the individual, with the firm's support, is responsible for his or her own professional growth.

Tax Passport is a two-part package, consisting of the "Passport," a detailed, loose-leaf guide to the information that young tax professionals must know at the various stages of their careers. It serves as a guide to mastering a complex body of changing knowledge. The second part, a "Training Catalog," is a source book, listing essential readings, Touche Ross training programs, AICPA and state society programs, and tax training programs available through other professional groups. The catalog is constantly updated.

One reason for Tax Passport's success is the special teaching relationship it establishes. Every young consultant enrolled in the program is assigned a more experienced tax professional to help in planning and reviewing his or her training objectives. The advisor acts as a personal educational coach and counselor, and as the students advance, they, in turn, begin to act as advisors to less advanced consultants.

AUDITING AND ACCOUNTING

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major portion of Touche Ross International's business is auditing, and our international clients can only judge the firm by the quality of the audit service they receive.

To insure a uniformly high level of service in any of the 80 countries covered by Touche Ross, the firm has recently reissued its comprehensive professional standards manual. The manual, used by all TR offices in handling international engagements, covers matters ranging from independence to the application of the Touche Ross Audit Process.

TRACE

In the United States, informing clients about developments in the regulatory climate and providing advice on their compliance with laws and government directives are responsibilities of the U.S. firm's National Accounting and Auditing staff.

One of the most important developments in 1979 was the release of the U.S. Securities and Exchange Commission's proposed rule, "Statement of Management Reporting on Internal Accounting Control." This document has raised a storm of criticism—the *Wall Street Journal* calls it "the most radical disclosure rule that the agency has ever advanced." If put into effect, the rule would require all companies registered with the SEC to report their compliance with the accounting provisions of the Foreign Corrupt Practices Act (FCPA). At first glance, this request seems to present little difficulty, for companies are already required to comply with this broad law. What has generated the criticism is the SEC's request for management to represent that its systems of internal control provide reasonable assurances that the broad objectives of the FCPA are met "without regard to materiality of amount." In this instance, the SEC is applying new disclosure to an existing law, and to assure the reliability of the disclosure, it then wants the auditor to attest that the disclosure is reasonable.

There are many objections to this proposal. It may be unconstitutional, for example, because it could force self-incrimination. The most telling criticism centers on potential costs. By eliminating materiality as a criterion, the rule would require auditors to examine *every* internal control system, regardless of its importance to the financial statement. The result will be drastically higher costs for both client and the public.

Touche Ross believes that the proposed rule is unwarranted, impracticable, costly to an extreme, lacking in conceptual foundation, and—because the FCPA already requires management to maintain internal control systems—the statement of compliance is redundant.

The firm has looked beyond the controversy—and, to help business people understand the importance of internal controls, has issued a new guide, *Controlling Assets and Transactions*. This book, a sequel to last year's study of the FCPA, *The New Management Imperative*, outlines how companies can review and improve their internal accounting controls through TRACE, the Touche Ross Accounting Control Evaluation program. This new program, the most substantive offered to management by any Big 8 firm, offers an efficient method for gathering information about controlling assets and transactions.

HANDBOOK OF ACCOUNTING AND AUDITING

For more than a year, Touche Ross professionals, outside experts and academics have been cooperating on an ambitious project, the *Handbook of Accounting and Auditing*, scheduled for publication in 1980 by Warren Gorham & Lamont. As its title suggests, the 49-chapter book will serve as a comprehensive guide for the practicing accountant. This complex undertaking has been coordinated from the firm's standpoint by Robert S. Kay, the U.S. firm's National Director of Professional Standards, Accounting and Auditing. He shares general editorial responsibility with Managing Director Russell E. Palmer and Professor John C. Burton, Graduate School of Business, Columbia University, and former Chief Accountant of the Securities and Exchange Commission.

ACTUARIAL AND BENEFITS CONSULTING

Touche Ross continued to build its Actuarial and Benefits Consulting function, the new "fourth function" which was added in 1978 to the U.S. firm's traditional auditing and accounting, tax and management services functions. Early in the year, for example, a new department was established in Chicago, strengthening our ability to offer ABC services on a regional basis. In both New York and Minneapolis, the firm's existing ABC departments increased their professional staffs to handle an influx of new engagements.

NEW SERVICE PROGRAMS

Two important service programs made news during the year. In the first, the U.S. firm offered a new program to a potentially important body of clients.

For years, U.S. accounting firms followed American investment overseas, serving U.S. clients wherever their business had taken them. In recent years, the United States has become especially attractive for overseas investors. Recognizing that the needs of overseas clients are different from those of the firm's domestic clients, the U.S. firm has established a new program called "Inbound Investment." It is designed to help foreign investors deal with the wide range of problems they may face in the United States.

An overseas investor may need assistance, for example, in working out compensation programs; in planning how to comply with federal, state and local taxes, and with foreign tax treaties; and in reconciling the differences between the generally accepted accounting principles followed in the U.S. and abroad. Through Inbound Investment, Touche Ross provides this assistance, helping the foreign investor meet his objectives within the U.S. business environment. Because of the firm's worldwide experience, we can relate U.S. customs and practice to those followed in the client's home country.

One of the program's real advantages results from our worldwide network of firms. Through Touche Ross International, we can begin working with potential investors before they leave home, helping them through all stages of planning, establishing contacts with subsidiaries of U.S. banks, commercial attachés, and the U.S. embassies. Once the investor is established in the U.S., Touche Ross can provide a full scope of professional services in the firm's offices throughout the country.

In another area, Touche Ross has instituted a major program that recognizes the importance of the U.S. firm's clients in the energy industry. The program, based in Houston, Texas, is under the direction of a new National Services Director, Richard M. Pollard. It will focus on the opportunities offered by this industry for practice

development and client services. It joins other firm industry programs, such as health care, agribusiness, retailing and insurance.

EDUCATION PROGRAMS

In a professional practice, education and professional development form the basis of continuity—a "link to the past and a bridge to the future." These words, from a new publication, *Your Professional Development at Touche Ross*, underscore the firm's traditional philosophy of continuing professional education. During 1979, what had long been a firm policy also became a professional requirement in the U.S.

Starting then, CPA firms belonging to the AICPA's Division of Firms were required to report their activities in continuing education. Under membership rules, each professional of each member firm must complete 40 hours of qualifying continuing education each year—or a total of 120 hours every three years. This requirement recognizes the necessity of continuing education in a professional environment subject to constant change. Through continuing education, individual professionals can maintain and improve their knowledge and competence.

The number of hours spent by Touche Ross professionals in formal continuing education courses during 1979 exceeded 400,000 in the U.S., alone. These hours include time spent in national training courses, local office training and training outside the firm.

We believe that the training of a professional does not—and should not—occur at a single time or in one way. Thus, the firm's educational programs include such varied forms as directed self study (Tax Passport, discussed earlier, is an example), on-the-job training, regional meetings and seminars, and outside programs such as college courses or seminars that deal with special subjects. (*Your Professional Development at Touche Ross* lists these educational resources.)

AID TO EDUCATION

"The ability of a learned profession to fulfill its responsibilities is inextricably tied to the strength of its educational base," stated the Cohen Commission's final report. Throughout its

history, Touche Ross has demonstrated a strong commitment to strengthening the "educational base" of the accounting profession. For the fifth consecutive year, the Touche Ross Foundation, in cooperation with the American Accounting Association, sponsored the Robert Trueblood Memorial Seminars, the premier seminars for professors of accounting, which have been attended by more than 450 professors. Touche Ross professionals also continued to contribute their time by teaching in a number of colleges and universities. In the U.S. tax department alone, between 50 and 60 staff members hold adjunct teaching positions. The Foundation continued its support of the *Journal of Accounting Research*; it also distributed to schools of business such publications as "Case Studies in Computer Control and Auditing," and the "Proceedings of the Symposium on Graduate Tax Education."

One of the Foundation's most far-reaching activities is the program of Aid to Accounting Education. In its third year, the program awarded grants to nine educational institutions. While the grants support a wide variety of activities, their goal is preparing students to enter the accounting profession.

Among this year's grants were: a professional development grant to the University of Georgia to help bridge what the Cohen Commission has called "the schism between academic and practicing accountants." Georgia State University will develop a model for "internationalizing" the accounting curriculum at both the undergraduate and graduate levels. The University will test the model, sharing the results with other schools interested in adapting their accounting curriculum to meet the needs of an international business community. The University of Massachusetts will hold a second EDP Audit Symposium, designed to keep accounting faculty up-to-date on the audit of EDP systems—the proceedings will again be distributed to professors, business leaders, and foreign governments. And Ohio State University will develop a new course on management advisory services.

COMMUNICATIONS

The dissemination of knowledge is one of the important, if often unrecognized, responsibilities of an accounting firm. During 1979, Touche Ross' regular publications served

as vehicles for sharing its collective experience and knowledge with a wide and varied audience of educators, clients, friends, and press. *In Perspective*, for example, addresses specific developments in accounting, and this year it analyzed a matter of major importance, the SEC's proposed new rule, "Statement of Management Reporting in Internal Accounting Control." *Tempo*, the U.S. firm's general interest magazine, concentrated on government and money.

DIRECTORS' SEMINARS

As a special service to corporate directors, the firm held two directors' seminars during the year. Given in cooperation with members of the faculty from Columbia University's Graduate School of Business, the seminars attracted more than 140 directors of major corporations throughout the United States.

The March seminar specifically addressed the role of the financially oriented director, while the September seminar dealt more broadly with the continuing evolution of the corporate board. At both seminars, distinguished speakers from a variety of disciplines focused on such issues as the director's responsibility for budgets, acquisitions, tenders, and financial structure; the changes in audit and nominating committees; the selection and training of board members; strategic planning; legal liability; and the problems of international ownership and operations.

Because of the strong interest in the directors' seminars, the firm has scheduled two more for 1980. One of these, to be held in Geneva, Switzerland, will be devoted to the challenges facing the directors of multinational corporations. It will be sponsored jointly by Touche Ross International and the Centre D'Études Industrielles.

ADVERTISING

Since the AICPA revised its code of ethics to allow advertising by accountants, some major accounting firms have launched advertising campaigns. We applaud the freedom resulting from this change, but after careful study, Touche Ross has decided at this time against advertising.

Our decision is based, in part, on the realization that advertising is unlikely to influence potential clients in their choice of an accounting firm—any more than it will influence a corporation in its search for corporate counsel or a victim of heart disease in choosing a heart

*Touche Ross International
is a true multinational service organization,
owned and managed by an international
community of professionals.*

surgeon. In accounting and the other professions, clients are attracted by a reputation for service and professional excellence.

There is another reason for our decision. We do not believe our clients wish to see their fees used for advertising. Thus, we will use our resources to maintain high professional standards, to carry out essential research, to initiate the new services our clients require, and to continue our long tradition of service to both the profession and the business community.

TOUCHE ROSS NEW PERSPECTIVES AWARDS

In last year's issue of *Progress and Perspectives*, Touche Ross announced the establishment of a new program of awards for excellence. The Touche Ross New Perspectives Awards, which recognize the importance of innovative problem solving, are presented to firms, institutions and individuals demonstrating boldness, courage and creativity in attacking the problems facing mankind.

The 1980 award winners are:

- Philip Morris, Inc.
- General Electric Company
- Arjay Miller
- Dayton Hudson Corporation
- The Johns Hopkins Hospital
- WGBH-TV, Boston
- American Electric Power Company, Inc.
- McDonald's Corporation
- The University of Miami Law and Economics Center

Full information about these award winners will be presented in *Tempo*, the Touche Ross publication distributed to friends and clients of the firm.

LEGAL

Throughout most of the 1970's the accounting profession has labored under the dual burden of aggressive, often predatory, litigation from disappointed investors, and an attitude among many judges that considered large damage recoveries against auditors to be a socially healthy means of spreading the investor's risk. The

result was a sharp proliferation in the number and virulence of claims against auditors.

The past year has produced several decisions suggesting a change in the judicial climate and an increasing appreciation for the legitimate interests of the accounting profession.

For example, the U.S. Supreme Court has declared in the case of *Redington vs. Touche Ross & Co.* that the courts should not permit the recovery of civil damage judgments against auditors where Congress had not intended such powers, specifically rejecting claims on behalf of the customers of a defunct broker-dealer. That decision has been hailed as a landmark case in the Court's more restrictive approach to "implied rights of action," and is expected to offer protection from litigation to the professions and the business community in many other areas. In addition, a court of appeals has declared, in a case involving another Big Eight firm, that Congress has not intended the accounting profession to become an arm of the SEC and that the courts should not engraft such a responsibility through enforcement proceedings brought by the Commission.

While these decisions indicate a shift in judicial thinking that will more appropriately contain and balance the hazards of professional practice in the future, the large accounting firms continue to make occasional news when disposing of burdensome litigation maturing under the attitudes of the past decade. Thus, during 1979 Touche Ross resolved all of its pending disagreements with the SEC and concluded all but a few of the lawsuits inherited from the late '60's and early '70's. Some of those matters were concluded with complete vindications, others by settlement, but none had a material effect on the firm's financial condition.

PEER REVIEW

Peer Review, long supported by Touche Ross as one of the most important elements of the accounting profession's self-regulatory initiative, is a requirement for membership in the SEC Practice Section of the AICPA's Division of Firms. This past summer, Touche Ross underwent its mandatory membership peer review. The review, carried out by Price Waterhouse & Co., was the firm's second—the first, a voluntary peer re-

view, was carried out in 1977. Completing this job took seven months and 5,600 hours of Price Waterhouse partner and manager time—a comparable amount of time was expended by Touche Ross partners and staff.

In carrying out the review, Price Waterhouse selected nine Touche Ross U.S. offices and the Executive Office, located in New York, and examined them in depth for their compliance with the firm's quality control standards. The offices chosen account for 33 percent of the U.S. firm's total chargeable auditing and accounting hours and 35 percent of the total personnel. Of the clients selected for review, 57 percent were SEC-registered companies. Included also was a representative sample of clients brought into Touche Ross by our merger with J.K. Lasser & Co.

Touche Ross professionals can take considerable pride in the overall health of their firm. The findings consist of a letter of recommendations and a short-form report. While the letter of recommendations does contain useful suggestions for improvement, the contents confirm the excellence of our practice. The report concludes by noting, "In our opinion, the system of quality control for the accounting and auditing practice of Touche Ross & Co. for the year ended March 31, 1979, was appropriately comprehensive and suitably designed for the firm, was adequately documented and communicated to professional personnel and was being complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards and the membership requirements of the Section."

THE PROFESSIONAL CLIMATE

F

or the accounting profession in the U.S., 1979 was a quiet year, a relatively calm period of consolidation and progress. The AICPA's Division of Firms, SEC Practice Section continued to recruit members. The Financial Accounting Standards Board moved forward with its work, and its status report, issued in the spring, underscored the magnitude of the task it has undertaken. The Public Oversight Board of the SEC Practice Section issued a major report on scope of services by

CPA firms. And a number of firms, including Touche Ross, underwent peer review.

All in all, 1979 was a fitting end to an often turbulent decade. In the U.S., Congress focused most of its attention elsewhere, and for the time being, the threat of regulatory legislation receded. In its second annual report to Congress on the profession, the SEC stated that the profession had continued to make progress: "nothing has happened in the past year which is inconsistent with the Commission's continued support for the profession's program . . ." of self-regulation. And even the press seemed to have lost some of its recent interest in accounting.

One perennial issue did assume new importance at the year's end—the question of auditor independence and nonaudit services. The Public Oversight Board's report on scope of services dealt with this matter fairly and realistically. In its interpretive release, ASR 264, the SEC requested the accounting profession to exercise special caution when performing nonaudit services for publicly held audit clients. The Commission concluded that independence is an attitude that cannot be mandated by rule; it is a goal to be addressed by individual accountants as they go about their daily business.

We believe that our approach to the related issues of scope of service and independence is entirely appropriate. Touche Ross follows the AICPA's MAS professional standards, supplemented by the firm's own policies. ASR 264 thus requires no basic change in our practice.

Still, ASR 264 has itself created some uncertainties, which the profession, the Public Oversight Board, and the SEC must work together to resolve. For our part, we have expressed our views on ASR 264 directly to the SEC. At the same time, we are working through the appropriate professional organizations to clarify and resolve the issues on a profession-wide basis.

As we look back on the past decade, then, none of us should be misled by the recent period of relative calm. Many challenges remain; much work—even struggle—lies ahead. Instead, we should use this time to rededicate ourselves to pressing forward with the profession's ambitious program of reform. Our doing so is more than a challenge; it is one of the major opportunities of the coming decade.

We are committed to making a positive contribution to our clients and to society through the excellence of the independent accounting, auditing, tax, and consulting services we provide. We seek to be a vital force, providing information for the evaluation and management of business, government, and social institutions. Working always with integrity, we seek to lead in the innovative expansion of the professional disciplines in which we serve.

We seek and support people of the highest personal qualities and with a diversity of talents and interests. We strive to provide an attractive environment, an opportunity for continuing personal development, and competitive economic rewards. We especially seek all who are interested in innovative services.

We strive to be a developing enterprise—to extend and expand our services—and yet to remain one cohesive firm, growing nationally and internationally as our members realize their potential.

With confident, conscientious leadership, and in full awareness of the high personal qualities and professional competence of our members, we reach out to realize an ever greater professional commitment. Among professionals we expect, therefore, to be both distinguishable and distinguished.

TOUCHE ROSS OBJECTIVES

REVIEW OF OPERATIONS TOUCHE ROSS INTERNATIONAL

FINANCIAL HIGHLIGHTS

The results of operations for the past year reflect clearly a continued growth trend representing an increased recognition by our worldwide clientele of the services we provide.

Net worldwide services for 1979 were \$514,620,000, an all-time high representing an increase of \$66,993,000 or 15.0% over 1978. Worldwide net earnings available to active partners

similarly increased from \$111,534,000 in 1978 to \$130,123,000 in 1979, or 16.7%. However, as explained in Note 1 to the combined financial statements, earnings available to active partners cannot be equated to information reported on a per-share basis for a commercial enterprise.

Our working capital position increased \$7,118,000 to \$114,803,000, and our total partners' capital of \$149,169,000 at August 31, 1979 shows an increase of \$15,583,000 over 1978. Our improved financial position reflects the responsible management of our operations throughout the world and enables us to provide our client services in a most professional manner. For example, on August 31, 1979, the U.S. firm had no short- or long-term debt—a posture that may be unique among U.S. accounting firms.

TOUCHE ROSS INTERNATIONAL COMBINED STATEMENT OF FINANCIAL POSITION (Unaudited)

(Thousands of U.S. Dollars)
August 31,

ASSETS	1979	1978
Current Assets:		
Cash	\$ 17,444	\$ 19,489
Short-term investments	2,992	10,085
Client receivables and unbilled services—Notes 1 and 3	150,157	127,775
Other current assets	15,746	12,813
	186,339	170,162
Leasehold Improvements—Note 1	15,917	11,614
Furniture and equipment at cost, less accumulated depreciation of \$20,154 in 1979 and \$16,082 in 1978—Note 1	28,179	21,249
Other Assets	19,767	15,838
Total Assets	<u>\$250,202</u>	<u>\$218,863</u>
LIABILITIES AND PARTNERS' CAPITAL		
Current Liabilities:		
Bank loans and short-term borrowing	\$ 13,702	\$ 12,291
Accounts payable and accrued liabilities	50,697	44,286
Other current liabilities	7,137	5,900
	71,536	62,477
Long-term debt	12,674	9,397
Other long-term liabilities, principally amounts due retired partners	16,823	13,403
Partners' capital—Notes 1 and 8		
Paid-in capital	56,071	49,309
Undistributed earnings	93,098	84,277
	149,169	133,586
Total Liabilities and Partners' Capital	<u>\$250,202</u>	<u>\$218,863</u>

See Notes to Combined Financial Statements

TOUCHE ROSS INTERNATIONAL
COMBINED STATEMENT OF EARNINGS AND CHANGES IN CAPITAL
(Unaudited)

	(Thousands of U.S. Dollars)	
	August 31,	
	<u>1979</u>	<u>1978</u>
NET SERVICES	\$514,620	\$447,627
COSTS AND EXPENSES:		
Compensation:		
Professional staff	190,138	168,241
Administration and other	35,774	<u>31,148</u>
	225,912	199,389
Employee benefits program—Note 4	28,090	23,633
Occupancy, including amortization and depreciation of \$6,985 in 1979 and \$5,029 in 1978	33,415	27,843
Other costs and expenses	<u>88,118</u>	<u>77,434</u>
Total Costs and Expenses	<u>375,535</u>	<u>328,299</u>
 NET EARNINGS	 139,085	 119,328
PAYMENTS TO NON-ACTIVE PARTNERS	<u>8,962</u>	<u>7,794</u>
NET EARNINGS—ACTIVE PARTNERS	130,123	111,534
 CAPITAL		
Beginning of year	133,586	116,418
Paid in	6,762	6,722
Distribution of earnings	<u>(121,302)</u>	<u>(101,088)</u>
End of year	<u>\$149,169</u>	<u>\$133,586</u>

See Notes to Combined Financial Statements

TOUCHE ROSS INTERNATIONAL
COMBINED STATEMENT OF CHANGES IN CASH AND SHORT-TERM INVESTMENTS
(Unaudited)

	(Thousands of U.S. Dollars)	
	August 31,	
	<u>1979</u>	<u>1978</u>
<u>SOURCE OF FUNDS</u>		
Net earnings—active partners	\$130,123	\$111,534
Add back depreciation and amortization	<u>6,985</u>	<u>5,029</u>
Total from operations	137,108	116,563
Increase in current liabilities	9,059	4,415
Increase in long-term liabilities	6,697	5,698
Increase in partners' paid-in capital	<u>6,762</u>	<u>6,722</u>
	<u>159,626</u>	<u>133,398</u>
 <u>APPLICATION OF FUNDS</u>		
Distribution of earnings to active partners—Note 1	121,302	101,088
Net increase in other current and noncurrent assets	6,862	2,731
Furniture, equipment and leasehold improvements acquired	18,218	13,401
Increase in client receivables and unbilled services	<u>22,382</u>	<u>7,001</u>
	<u>168,764</u>	<u>124,221</u>
<u>INCREASE/(DECREASE) IN CASH AND SHORT-TERM INVESTMENTS</u>	<u>\$ (9,138)</u>	<u>\$ 9,177</u>

See Notes to Combined Financial Statements

Touche Ross International
Notes to Combined Financial Statements
Two Years Ended August 31, 1979
(Unaudited)

Note 1

ACCOUNTING AND REPORTING POLICIES

The accompanying financial statements combine the accounts of the member firms of Touche Ross International and their operations. The member firms are individual legal entities, organized according to the laws of their respective countries.

The firms maintain their accounting records according to the laws of their various countries and the requirements of their partnership agreements. Generally, the accounting records are maintained on a cash basis. The accompanying financial statements have been prepared on the accrual basis, combining the adjusted financial statements of each member firm, as of the end of its most recent fiscal year.

Fees for professional services are recognized at the time the services are rendered, at estimated collectible amounts.

Inasmuch as the firms generally practice as partnerships, income taxes are not normally assessed against them, cash earnings of the partnerships being reported on the partners' personal income tax returns. Accordingly, there is no charge for income tax to net earnings.

However, where the firms are assessed income taxes directly, the liability for those taxes has been reflected in the statement of financial position.

"Partners" as used in these financial statements refers to the partners and principals of the firms, and equivalent corporate officers in those situations where the member firm practices in corporate style. Net earnings for active partners represents the results of operations for the year which are available for the partners. Partners' earnings are not comparable to the compensation arrangements of corporate executives of a commercial enterprise. Earnings distributed represent compensation, return on capital invested, and funds made available for retirement.

The cost of furniture and equipment is depreciated over the estimated useful lives of the assets, which generally range from five to ten years. Leasehold improvements are normally amortized on a straight-line basis over the estimat-

ed useful life of the improvements or the term of the lease, whichever is shorter.

Note 2

TRANSLATION OF FINANCIAL STATEMENTS

The combined financial statements of member firms have been translated into U.S. dollars at the respective exchange rates in effect at the end of each firm's year. Non-monetary assets are not material in relation to the financial statements as a whole. Translation gains in 1979 of \$1,426,000 and losses in 1978 of \$193,000 have been included in income. If 1978 net services had been translated at 1979 rates the combined net services for 1978 would have been \$456,601,000.

Note 3

CLIENT RECEIVABLES AND UNBILLED SERVICES

Client receivables and unbilled services consist of:

	(Thousands of U.S. Dollars)	
	August 31,	
	1979	1978
Client receivables less collection allowances of \$8,471, and \$8,785.	\$ 87,835	\$ 74,283
Unbilled services at estimated collectible amounts	62,322	53,492
	\$150,157	\$127,775

Note 4

PENSIONS

The member firms provide a variety of pension and retirement plans for their employees and partners.

Generally, retired partners receive benefits based upon prior compensation levels, from their respective firms. A portion of these benefits is funded under the individual firms' retirement plans.

For the U.S. firm, a portion of the partner retirement benefits is unfunded. These

benefits are vested at age 60, death or disability, but annual payments thereunder are subject to overall limitations relative to annual cash earnings. The aggregate commitment for vested rights under the unfunded plan approximates U.S. \$79,900,000, at August 31, 1979. Payments for 1979 under this plan amounted to \$7,300,000 and were substantially within the overall payment limitation.

Note 5
SHORT- AND LONG-TERM DEBT

Many of the firms maintain lines of credit with banking institutions. Compensating balances are generally required to be maintained and range from 10% to 20% of the outstanding balances. The aggregate line of credit approximates \$45,000,000 and in 1979 peak aggregate borrowings approximated that amount.

Note 6
LEASE COMMITMENTS

Some of the firms, and primarily the U.S. firm, are committed for rentals under non-cancellable operating leases for office space. The commitments of the U.S. firm are as follows:

	(Thousands of Dollars)	
	Gross Commitment	Net of Sublease Rentals
1980	\$ 14,307	\$ 13,164
1981	13,524	12,419
1982	12,782	11,834
1983	11,683	10,852
1984	10,652	9,893
1985-1994	<u>59,330</u>	<u>57,682</u>
	<u>\$122,278</u>	<u>\$115,844</u>

The gross commitment is based on current rentals, which are subject to certain escalation clauses.

Note 7
LITIGATION

Lawsuits and claims are pending against certain of the firms which, consistent with the current experience of other large accounting firms, aggregate to substantial amounts. However, in that Touche Ross International professional services are protected by a unified professional in-

demnity insurance program, the firms and their legal counsel believe that any net liability will not be material in relation to the firms' financial position.

Note 8
PARTNERS' CAPITAL

Paid-in capital represents capital loans and permanent capital contributed by the partners in accordance with the partnership agreements. Generally, it is withdrawable only upon the retirement of the partners.

A substantial portion of the undistributed earnings represents 1979 cash basis earnings which are to be distributed during the following fiscal year. The remaining undistributed earnings represent the cumulative excess of net earnings on the accrual basis over the cash basis, and accumulated undistributed cash earnings from prior years. Amounts so retained provide working capital for the firms.

Note 9
SUBSEQUENT EVENTS

Effective September 1, 1979, Touche Ross & Co., U.K., merged with the Mann Judd practices in England and Wales. These combined financial statements do not give effect to such merger.

Offices around the World

Abu-Dhabi

Abu-Dhabi
Al-Ain

Argentina

Buenos Aires

Australia

Adelaide
Brisbane
Bundaberg
Canberra
Melbourne
Newcastle
Parramatta
Perth
Surfers Paradise
Sydney
Townsville
Wollongong

Austria

Vienna

Bahamas

Nassau

Bahrain

Manama

Belgium

Antwerp
Brussels

Bermuda

Hamilton

Brazil

Belo Horizonte
Porto Alegre
Rio de Janeiro
Sao Paulo

Brunei

Brunei

Cameroon

Douala
Victoria

Canada

Calgary
Corner Brook
Cornwall
Edmonton
Fredericton
Halifax
Hamilton
Hull
Kelowna
Kingston
Kitchener
Langley
London
Mississauga
Montreal
New Westminster
Ottawa
Quebec
Regina
St. Catharines
Saint John
St. John's
Saskatoon
Sydney
Toronto
Vancouver
Victoria
Windsor
Winnipeg

Cayman Islands

Grand Cayman

Channel Islands

Jersey

Chile

Santiago

Colombia

Bogota

Cyprus

Larnaca
Limassol
Nicosia

Denmark

Aarhus
Ballerup
Copenhagen
Esbjerg
Helsingør
Kolding
Odense

Dominican Republic

Santo Domingo

Dubai

Dubai

Egypt

Cairo

France

Lyon
Paris

Fujeirah

Fujeirah

Germany

Berlin

Bielefeld
Bremen
Düsseldorf
Frankfurt/Main
Hamburg
Hannover
Munich
Nuremberg
Stuttgart

Ghana

Accra

Greece

Athens

Greenland

Godthaab

Guam

Agana

Guatemala

Guatemala City

Guyana

Georgetown

Hong Kong

Hong Kong

Indonesia

Bandung
Jakarta
Medan
Surabaya

Iraq

Baghdad
Basra
Mosul

Ireland

Cork
Dublin
Limerick

Italy

Milan

Ivory Coast

Abidjan

Jamaica

Kingston
Montego Bay

Japan

Fukuoka
Hiroshima
Kobe
Kyoto
Nagoya
Naha (Okinawa)
Osaka
Sapporo
Sendai
Takamatsu
Tokyo

Jordan

Amman

Kenya

Nairobi

Korea

Seoul

Kuwait

Kuwait City

Lebanon

Beirut

Luxembourg

Luxembourg

Malaysia

Alor Setar
Johor Baru
Kota Kinabalu
Kuala Lumpur
Kuala Trengganu

Malta

Kuwait
Kuching
Luabuan
Malacca
Miri

Penang

Sandakan
Tawau

Mauritius

Port Louis

Mexico

Mexico City
Monterrey

Morocco

Casablanca

Netherlands

Alkmaar

Almelo

Amersfoort
Amsterdam
Arnhem
Beverwijk
Breda
Driebergen
Eindhoven
Enschede
Gouda
Groeningen

Haarlem
Heerlen
Hilversum
Leeuwarden
Lelystad
Middelburg
Nijmegen
Rijswijk
Rotterdam
s Hertogenbosch
Terneuzen
The Hague
Tilburg
Zwolle

Netherlands Antilles

Curaçao

New Zealand

Auckland
Christchurch
New Plymouth
Wanganui
Wellington

Nigeria

Benin City
Enugu
Kano
Lagos
Owerri
Port Harcourt
Warri

Norway

Oslo
Sandefjord

Oman

Matrah-Muscat

Panama

Panama

Papua New Guinea

Lae
Mount Hagen
Port Moresby
Rabaul

Peru

Lima

Philippines

Bacolod
Davao
Makati
Manila

Puerto Rico

San Juan

Qatar

Doha

Ras El-Khaimah

Ras El-Khaimah

Saudi Arabia

Dammam
Jeddah
Riyadh

Sharjah

Sharjah

Singapore

Singapore

South Africa

Cape Town
Durban
Empangeni
Johannesburg
Pietermaritzburg
Port Elizabeth
Pretoria

Spain

Barcelona
Madrid

Suriname

Paramaribo

Swaziland

Mbabane

Sweden

Stockholm

Switzerland

Geneva
Zurich

Syria

Damascus

Thailand

Bangkok

Trinidad and Tobago

Port of Spain

Turkey

Adana
Istanbul
Izmir

United Kingdom

Belfast
Birmingham
Bristol
Burnley

Cardiff
Chepstow
Dartford
Edinburgh
Glasgow
Leeds
Leicester
Liverpool
London
Lutterworth
Manchester
Newcastle upon Tyne
Newport
Plymouth
Shrewsbury
Stoke-on-Trent
Swansea
Wolverhampton

United States of America

Akron, Ohio
Albuquerque, New Mexico
Anchorage, Alaska
Atlanta, Georgia
Austin, Texas
Baltimore, Maryland
Birmingham, Alabama
Boise, Idaho
Boston, Massachusetts
Buffalo, New York
Canton, Ohio
Charlotte, North Carolina
Chicago, Illinois
Cincinnati, Ohio
Cleveland, Ohio
Colorado Springs, Colorado
Columbus, Ohio
Corpus Christi, Texas
Dallas, Texas
Dayton, Ohio
Denver, Colorado
Detroit, Michigan
Elizabethtown, Kentucky
Fresno, California
Grand Rapids, Michigan
Harrisburg, Pennsylvania
Honolulu, Hawaii
Houston, Texas
Jackson, Mississippi
Jacksonville, Florida
Kansas City, Missouri
Lansing, Michigan
Lincoln, Nebraska
London, Kentucky
Los Angeles, California
Louisville, Kentucky
Melville, New York
Memphis, Tennessee
Miami, Florida
Milwaukee, Wisconsin
Minneapolis, Minnesota
Mobile, Alabama
Nashville, Tennessee
Newark, New Jersey
New Orleans, Louisiana
Newport Beach, California
New York, New York
Oakland, California
Oklahoma City, Oklahoma
Omaha, Nebraska
Philadelphia, Pennsylvania
Phoenix, Arizona
Pittsburgh, Pennsylvania
Pocatello, Idaho
Portland, Oregon
Richmond, Virginia
Rochester, New York
Sacramento, California
St. Louis, Missouri
Saint Paul, Minnesota
Salem, Oregon
Salt Lake City, Utah
San Antonio, Texas
San Diego, California
San Francisco, California
San Jose, California
Seattle, Washington
Southfield, Michigan
Stamford, Connecticut
Steubenville, Ohio
Syracuse, New York
Tampa, Florida
Toledo, Ohio
Topeka, Kansas
Tulsa, Oklahoma
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Portfolio Cover: Burk Uzzle/Magnum
REPORT ON PROGRESS AND PERSPECTIVES:
Peter Beard; Werner Bischof/Magnum; Brassai/Marlborough Gallery;
Harry Callahan.

INTERNATIONAL BUSINESS ENTERS THE 80'S. Cover:
Brett Weston; Ian Berry/Magnum; Werner Bischof/Magnum;
George A. Tice/Witkin Gallery; W. Eugene Smith.

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1633 Broadway, New York, New York 10019

Design: Herb Lubalin Associates, Inc.

Printing: Sanders Printing Corp. Printed in U.S.A.