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AMERICAN INSTITUTE OF CERTIFIED PUBLIC
ACCOUNTANTS

ANNUAL BUSINESS MEETING

Monday, October 7, 1985
8:00 o'clock A.M.

Sheraton Waikiki - Honolulu, Hawaii

FINK & CARNEY
COMPUTERIZED REPORTING SERVICES
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P R O C E E D I N G S

THE CHAIRMAN: Welcome to the 98th Annual Meeting of the AICPA.

To start us off this morning, we have the color guard.

(Formal opening ceremonies were performed.)

THE CHAIRMAN: Let's give them a big hand.
(Applause.)

THE CHAIRMAN: I would like to invite Carole Gibbs, who is the Chairperson of the Annual Meeting Hospitality Committee, to come up here and give us the official welcome.

Carole, we thank you in advance for what you have done.

MS. CAROLE GIBBS: Aloha.

THE MEMBERS: Aloha.

MS. CAROLE GIBBS: You do it so much better than you did last year when I asked you to.

When we took you out to Sea Life Park last night, you were really malihini's, newcomers to the Island. And I was so proud of you when you came back.

You were just as silly as Hawaiian people and you looked like you had a wonderful time.

(Applause.)

MS. CAROLE GIBBS: We are so proud and happy that you are here. We are looking forward to the rest of the meeting as being one of the best that you have ever attended and we know it is one of our most exciting events.

Thank you so much for coming.

(Applause.)

THE CHAIRMAN: Thank you, Carole.

You will note that I did not greet you in a traditional Hawaiian manner because that honor belongs to another, a man who in his ancestry and career refutes the famous Rudyard Kipling.

For in George R. Ariyoshi East and West truly meet.

Governor Ariyoshi is the first American of Japanese ancestry to be elected governor of a state.

He was born in Honolulu, grew up in the city and began his political career when he was elected to the Territorial House of Representatives in 1954.

In 1958, he was elected to the Territorial

Senate which became the State Senate when Hawaii gained statehood.

While in the Senate he served as Chairman of the Ways and Means Committee as majority leader and majority floor leader.

In 1970, Mr. Ariyoshi was elected Lieutenant Governor. He assumed the office of Acting Governor in 1973 and was elected to his first full-term as Governor of the State a year later.

Since then, he has been reelected to two more four-year terms.

To welcome you all to Hawaii, in the traditional manner, it is my great honor to introduce The Honorable George R. Ariyoshi, Governor of Hawaii.

(Applause.)

GOVERNOR ARIYOSHI: It is such a great pleasure for me to welcome you all to Hawaii this week especially because this week I've proclaimed Hawaii CPA Week.

(Laughter and applause.)

GOVERNOR ARIYOSHI: I want you to know that I did because of my great respect to all of the Certified Public Accountants in our community who

contribute so generously of their time and many things beyond their professional call.

But especially because all of the CPAs in our community make it possible for us to do the things we need to do particularly in the financial area. And sometimes the best way to appreciate anything is to wonder what would happen if we didn't have the services of those that you ponder over.

I just wonder what kind of community we would have here if we didn't have any CPAs, if we didn't have any standards of measurement, the accounting systems, the auditing systems; and not only have these systems but have them in ways in which people can more or less rely that the same standards are being applied in those analyses.

I wonder how people would be able to invest in the stocks and bonds in our community, how they could make assessment of the health and well-being of various companies, public institutions, were it not for the standards that have been adopted by all of the CPAs in our country.

I wonder how it may be possible for business leaders in our community to be able to make

those hard business decisions, to be able to determine how well the company is doing or is not doing, had it not been for the CPAs that provide the very valuable and very necessary financial data and information with which business and public decision-makers are able to operate.

In my state I try to keep Hawaii, the State of Hawaii, a very viable state. We have looked at the dollars coming in and the dollars going on. And I am very proud to say in the years that I have been Governor of this state we have not had a tax increase, but each year we have been able to maintain a surplus to make it possible for us to tide ourselves over.

I wonder about how I would have been able to do that were it not for the fact that we have people who follow the normal accounting and auditing standards, and that we have CPAs that come in, audit and give me information that makes it possible for me make those very hard decisions.

And so I am very, very grateful to the CPAs in our community who make it possible for our community to function efficiently.

I'm very grateful to the American Institute of Certified Public Accountants for the

establishment of those standards and the enforcement of those standards that you establish and make it possible for all individuals wh have any stake -- and that includes everybody -- in the business well-being of our community.

So it is in that sense that I extend welcome to all of you for your presence here in Hawaii and your willingness here to learn a little bit more about what is going on in your profession.

I'm a lawyer by training. I understand the need for continuing education. There are changes that are taking place in my profession as there are in yours. It is very important for you to be abreast of those changes that are taking place.

As you come together in this fashion, you confer with one another to learn from one other, to learn from these speakers that you will be having here. Each of you will go home better individuals, better CPAs, and the community to which you return and our nation will be better off because of your desire to become better individuals.

From that perspective I want to extend our very deepest gratitude to all of you for taking the time

out to attend a conference such as this.

I want you to know also that you come to a place -- Carole was up here. She said aloha and you responded in that fashion.

Hawaii is a very special place. I am very pleased with the way in which the Good Lord has blessed us in the physical setting in which we find ourselves.

We are also very pleased about the fact that in this state of ours we have no majority, that every group is a minority.

Out of this kind of setting we have been able to perpetuate the many cultures of the groups that have come to Hawaii. Some came many, many years ago, some more recently. But each group that came brought with them a part of the place from which they came: the music, the language, the culture, the arts and the food of the places from which they came.

Hawaii has remained a very diverse state. Sometimes we talk about diversity because we are talking about people being different. Diversity has a tendency sometimes to separate people.

But in Hawaii that diversity has been a unifying factor. We are able to look at someone else who

is a little different, who may speak a little differently, who has a different background, we have the opportunity to be exposed to someone else's background. And I truly believe that because of that each of us is a little broader individual, a little better individual for having been exposed to someone else.

It is in that kind of setting, that special spirit, that we are very proud exists here in our community, aloha spirit, and it is a spirit.

Many people ask me about this word "aloha." They say, "What does it really mean?" because you hear us say "aloha" when we greet a person, we say "aloha" when we say goodbye to a person.

We always say "aloha" is not a word. "Aloha" is a feeling and a spirit.

You think about all the warm, kind, generous, affectionate and compassionate thoughts and you feel this towards someone else, that is why we say "aloha" in our community.

It is in that spirit that I'm sure Carole this morning said "aloha" to all of you.

I also want you to know Hawaii is a part of the United States. But we are a very different kind

of state also. We are very international in our outlook. We are the only islands totally surrounded by water and as a result, our perspective and how we look at things may be a little different.

One of the things that we feel very strongly about is the ocean that surrounds us. That ocean that separates us from large land masses can operate in some instances as a disadvantage. It makes it difficult for us to do some things here in Hawaii that can take place in other parts of the community, other parts of the world, other parts of the United States.

But the ocean also is a very important resource to all of us. I'm a very strong ocean person. I feel very strongly about what the ocean is today and what it will mean to mankind in the future.

And we have spent as a nation a great deal of money exploring space. I have no qualms about that. I think those decisions are very important.

But we have not spent the same amount of dollars or even a little portion of that amount of dollars to explore that ocean which makes up seventy-one percent of this planet earth.

Yet we know that that ocean in the

not-too-distant future will provide a tremendous benefit for all of the people, not just the people of Hawaii, not just the people of the United States, but all the peoples of the world.

We know at some point in the not-too-distant future we are going to get energy from the ocean.

I remember on August 2, 1979 when we were able to demonstrate for the first time ever that we could get energy from the ocean taking a process, deep ocean water and surface water, the temperature difference, and generating electricity from it.

And I remember sending a wire to then President Carter saying to him that the ocean energy effort on August 2, 1979 is like the Wright Brothers flying the first aircraft.

The Wright Brothers didn't fly an aircraft that went great distances. The plane didn't have very much lift capacity. What the Wright Brothers proved was a concept. They proved that an aircraft could fly.

And over the years we have had great changes in that industry that made it possible for airplanes to bring all of you to Hawaii in vast numbers,

long distances.

And I truly believe that we are going to find through that process ways in which we can derive tremendous energy from that project.

The by-products also -- and right now we have on the Island of Hawaii abalone and kelp; kelp that grows eighteen to twenty-four inches every single day and abalone that matures three times faster than abalone in any other part of the world.

We are involved in producing microalgae called spirulina. It's a nutrition supplement. It used to be produced in Mexico but because of the pollution problems, the FDA stopped it from bringing it into the United States. They looked around and came to Hawaii.

Essentially use that process, that energy process, that deep ocean water, very rich in nutrients, very pure and produces that microalgae.

We have a shrimp farm out here using the very highest technology.

And we believe that the ocean is going to provide many, many other opportunities.

We have the Magnanese Crust that will be mined before the turn of the century to produce a

tremendous amount of nickel, copper and cobalt. And all the people who are experts in the field tell me we are going to have to go to the ocean because we do not have land-based resources.

So there are many things that the ocean will do for us.

I wanted this morning to point that out to you because I feel so strongly about the ocean and I feel that the ocean will provide tremendous economic benefits for all of us. But it is also a very fragile environment. We need to be sure at this stage that we do it in ways that we do not destroy a very valuable resource.

I mention this to you this morning to do a little lobbying because I feel very strongly that the things that will happen in the ocean are not going to happen until people really understand the tremendous benefits that the ocean will provide.

I hope that, as you spend your time here, that as you swim the ocean and get some benefit, recreational benefit, you will also remember the great potential that that ocean has for all of mankind.

And we must also look towards what is on

this planet earth in order to provide the benefits for all mankind.

I mentioned aloha. I told you what it was. I want you to know that the people of Hawaii feel very grateful about your being here.

In the context which I explained to you, I want to extend to you on behalf of all of Hawaii's people, our very warm and very fondest aloha. It's nice to have you with us. I hope you have a nice day.

(Applause.)

THE CHAIRMAN: The Governor has given us a very nice plaque proclaiming this CPA Week, and so has the Mayor of Honolulu. So we have plenty of publicity about the fact that we are here.

On the other hand, those of you who have been out spending your Travelers Cheques have probably contributed to that publicity already.

(Laughter.)

THE CHAIRMAN: We also are fortunate to have some other guests with us today from a number of countries other than the United States.

Our schedule and our program won't permit hearing from them, but I would like to introduce them to

you so you can see who they are, and hopefully those of you who would like to talk to them about various things will have that opportunity while they are here.

And I will do this in alphabetical order of their country.

From Australia we have William Small, the Deputy President of the Institute of Chartered Accountants in Australia, and also Victor Prosser, the Institute's Executive Director.

And from Canada we have John MacDonald, who is the President of The Canadian Institute this year. And with him is Ken Fincham, Executive Director of the Canadian Institute.

From England I would like you to meet Mr. Brian Jenkins, who is President this year of the Institute of Chartered Accountants in England and Wales and John Warne, who is the Institute's Secretary.

From Japan we have Hiroshi Kawakita, who is just immediate past president of the Japanese Institute and Mitsumo Sumida, who is the Institute's Executive Director.

And we are just going to hear something from them a little bit later about the forthcoming

International Congress.

From Mexico we have Francisco Alcola. He is President of the Mexican Institute.

From the Netherlands we have Gerrit Bod, who is President of the Netherlands Institut.

From New Zealand we have Rex Anderson, who is President of the New Zealand Society of Accountants and Ross MacDonald, the Society's Executive Director.

And from South Africa we have Leon Bartel, who is President of the South African Institute.

We also have two more guests who, while from the U.S., really represent the world scene of accounting, and that is Bob May, who is the President of the International Federation of Accountants, or IFAC, and Bob Sempier, who is Executive Director of IFAC.

Let's give them all a warm welcome.

(Applause.)

THE CHAIRMAN: We thank all of you for making a very long, we hope very pleasant, journey to Hawaii.

There is also another special group of members whose presence I would like to acknowledge this morning; and that is, those who are attending their

annual AICPA meeting.

As you know, we move the annual meeting to various parts of the country to make it possible for members who are unable to commit to travel the long distances to attend to come when the location is near their own area.

Therefore, many people from Hawaii are with us for the first time.

But we have many other members who took this opportunity to visit these lovely islands to come to this first meeting.

And the members who are attending their first meeting have been given a small red pennant for their badges. We urge them to wear it all the time so that those of us who have been to previous meetings can make a special effort to say hello.

So that those of you who see somebody with a red badge, please say hello.

It is not probably necessary for me to outline the two-day program since you have it in your registration kits. I would just like to remind the members that all the sessions are recommened for CPE credit under either voluntary or required CPA programs

at their state level except maybe today's luncheon.

Those who seek credits should observe the requirement that they attend the sessions from start to finish and then complete the attendance form, a copy of which should be returned to the Institute's CPE Division at the end of the meeting.

I should note though that we have introduced a few changes in our usual program which we hope will make the meeting more meaningful to you.

A number of the members had suggested that the update technical standards sessions be replaced with deeper treatment of the subject matter. So you will see from your program that we have scheduled "mini-conferences" for all non-plenary session events. This format was endorsed by the members last year. And as we have for the past several years' meetings, President Phil Chenok will conduct a panel of a number of our Senior Committee Chairmen who will give us the latest word on developments in their respective areas.

Again this year we have our national accounting exposition which we have called "Accountants' World." This show responds to requests from many members who have gone to such shows at a state level. Exhibitor

response has been very good in spite of the fact that it is quite costly for them to transport their exhibits to the Islands. Therefore, I hope, because they have come such a long way, that each of you along with your spouse will stop by and see them.

As you can see from the material in your program, the range of exhibits is vast and all related to your practice.

Our program has been arranged to allow you ample time to visit the show. You will find that there is a tremendous saving in time when you update yourself here rather than to take time from your busy schedules at the office. The success or failure of the show is measured by traffic flow or lack of it. Please be sure to stop by and give us your views on whether you want us to continue this type of a show.

We want, as always, to be responsive to your needs. In that connection, you will find in your registration material an evaluation form for this meeting. It has been folded so that it will fit into your program. Please keep it with you during the meeting and note your evaluations while they are fresh in your mind. Please fill it out and return it to us. We can

only respond to your views if you will give us your input.

Now we have a number of AICPA officers and staff present, of course, at this meeting, and many of them will be staffing the AICPA booth at "Accountants' World."

They are here to tell you about the many facets of the Institute's operation and its broad range of member service. I don't think anybody here -- and I would certainly include me among those -- can possibly recite all of the services that the Institute has for its members.

So I do encourage you to stop by the AICPA booth and see what you can get and maybe what you haven't been taking advantage of for your dues' dollars.

As I told the Council at our meeting here on Saturday, our staff is one of the tremendous resources to the membership, and I hope you will have an opportunity while you are here to get to know some of them better.

We hope you like the new format we have, but we will also look forward to your comments.

Now, in your registration package you have

a copy of an annual message from both the Chairman and the President about the last year along with the audited financial statements, and we will also reprint that in the Journal of Accountancy.

As you probably have noticed during the year, we have increased the amount of public relations' capability of the AICPA and particularly in the area of video.

And in that line our people who are in charge of that area of communication have prepared a video for this morning's session that will highlight some of the things that took place during this last year better than I could do here from this platform.

And so if we can bring the lights down a bit, we will take some time now to watch this presentation about some of the things that occurred that affected our profession this year.

(A video presentation was viewed by the assembled.)

(Applause.)

THE CHAIRMAN: Well, I hope you agree it's better to watch it that way than for somebody to read you thirty minutes of something.

(Applause.)

THE CHAIRMAN: Just as a closing note to that, I would just mention that as CPAs we tend to be fairly critical of other people and oftentimes very self-critical too. And that's good. The hallmark of a profession is to be able to look at itself and bring forth improvements in what it is doing without the pressures from the outside.

But today we are undergoing a great deal of pressure from the outside. And I think it is just as important, as we've tried to indicate in this film, that there is a lot of good support and good feeling about the profession and we should strive in everything that we do, both in personal, our civic and our professional lives, to take credit for all of the good things that CPAs do do as I think we were just reminded this morning by the Governor.

Moving along further into the business meeting, I have to mention this particular resolution of Council that was passed some time ago dealing with the annual meetings, and I'll quote from it.

"Resolved, that any motion or amendments to motions on which action of the assembly is desired

should be delivered in writing to the Chairman of the meeting. At the very least, it should be delivered in writing when made. Preferably, it should be submitted sufficiently before the meeting so that copies can be made for distribution..." to the members "...prior to or at the meeting.

"However, this general policy will not preclude the making of any motion at any time (so long as it is in order), and so long as it is reduced to writing and delivered to the Chairman when made.

"The assembly or the Chairman can at any time waive the policy favoring the submission of motions in writing."

So we just want to announce that this, like all the other annual meetings, will be conducted pursuant to that policy; that at least as of this point we have not received any copies of proposed motions for the meeting.

The Secretary has told me that we have a quorum here and so, being CPAs, we want to start with the report of the auditor for the year, and we have the partner in charge of the audit from KMG Main Hurdman, John Hessenius here.

And John, would you come up and tell us something about the audit for the year.

MR. JOHN HESSENIUS: Thank you, Ray.

I am pleased to report to you on behalf of KMG Main Hurdman on our report of the financial statements of The Institute for the year just ended.

That report and the statements are included in the annual report, as you just heard, which you have a copy of in your presence now and will be published in the November Journal of Accountancy.

Our opinion is unqualified but includes a consistency comment with respect to a change made in the actuarial method used by the Institute to determine pension costs.

Our examination was conducted in accordance with Generally Accepted Auditing Standards and we were afforded access to all the accounting records we requested.

We met twice during the year with the Audit Committee and discussed with them the scope of our examination, the financial statements, and some comments that we had on internal accounting control.

I'd be pleased to try to answer any

questions you may have with respect to the financial statements or with respect to our audit.

THE CHAIRMAN: Any questions for John?

MR. PAUL BROWNER: My name is Paul Browner from Maryland.

I would like to know what occasioned the fact that there was -- the Institute did not realize that there was a \$2 million drop in sales of CPE and -- until after the year-end? Apparently that is when it first came out and it seems rather odd to me.

And I would like to know also what steps are being taken so that something like that doesn't happen again.

MR. HESSENIUS: Okay.

I think that, since that question is one that is more aimed at the management of the Institute than necessarily the auditor, I think I'll ask Phil Chenok to maybe comment on that.

THE CHAIRMAN: I have been slightly remiss here in not introducing my two colleagues on the platform here.

Phil Chenok, President of the American Institute and Don Schneeman, Secretary and General

Counsel.

MR. CHENOK: I might say that we reported to Council of the Institute on Saturday in some detail as to the financial operations of the Institute and also dealt with the budget.

I don't think it is completely accurate to say that we were taken by surprise as to CPE shortfall.

We were aware earlier in the year that revenue was off. We had anticipated earlier in the year that we would operate at a small loss rather than at the budgeted figure of about \$700,000.

We became aware really of the full magnitude of that shortfall as information late in the year became available and was integrated into our financial statements.

They indicated that sales that we had initially reported with an expectation of a return by state societies of roughly thirty percent of sales were in reality about thirty-five percent of sales, and that information was integrated into the system somewhat later on.

We also became aware of the fact through the last three months of the year, that is, May through

July, that revenue in the current year was reduced.

So the combination of higher returns from state societies and lower revenue late in the year was reflected in the financial statements.

Now, the budget that Council approved on Saturday is based on what we believe is a more realistic expectation of the level of business in CPE giving consideration to increased competition in the marketplace.

Notwithstanding a scaling back of our operations we don't think it is realistic to expect that we will return to breakeven until fiscal 1987.

Under the guidance of Ken Kerin, our new Group Vice President of Operations, and with the aid of the state societies, I'm confident that we will develop the kind of market sensitivity that will preclude a situation like this from repeating itself and that will result in a strong and viable CPE operation in the future.

THE CHAIRMAN: I might also mention that the Chairman of the Audit Committee, Barbara Franklin, who is one of the public members of the Board, gave a report to Council on Saturday noting these things that

Phil just mentioned and committed to the Audit Committee to have an ongoing monitoring role to play in this.

Any other questions for John on the financials?

(No response.)

THE CHAIRMAN: Can I have a motion to receive the report of John, of KMG Main Hurdman?

A MEMBER: So move.

THE CHAIRMAN: Second?

A MEMBER: Second.

THE CHAIRMAN: All in favor say "aye."

(Chorus of "ayes.")

THE CHAIRMAN: Thank you.

I should announce too, John, that the Council did reappoint your firm for the coming year at the meeting on Saturday.

MR. HESSENIUS: I'm very pleased to hear that.

Thank you.

THE CHAIRMAN: Thank you.

We have some awards to both announce and present now.

First, we have the awards for achievement

in the Uniform CPA Examination.

The award winners have been recognized in the annual meeting program and were presented with their awards at a special breakfast this morning.

So at this point I would ask that the winners stand as their names are called, and after I complete them, you can indicate your appreciation and recognition of them.

First, it's Riva Dale Mirvis, who is winner of the Sells Gold Medal for the highest grade in the November '84 exam.

And Marc Stuart Brenner, winner of the Sells gold medal for the May '85 exam.

And we have Barbard Steward, who is winner of the Sells silver medal for the second highest in November '84.

And Arthur David Gunther, winner of the silver medal for the May '85.

The Sells bronze medal has been awarded to a candidate achieving the third highest grade total. And the winner for November 1984 is Mary Beth Heskin and the winner of the May 1985 is Russell D. Wass.

Congratulations. You've made a very

significant start in your profession.

(Applause.)

THE CHAIRMAN: Included in your registration packet is a booklet entitled "The Public Service Award Program for Certified Public Accountants."

The AICPA Public Service Committee established this program several years ago to give recognition to CPAs who have attained a high level of public service and to inform the public that CPAs participate in and contribute, contribute significantly, to their communities.

This year twenty-eight CPAs were honored by their respective state societies for distinguished public service. They serve their communities in many ways, from establishing a home for the aged to being a volunteer firefighter, to serving on the City Council.

They will be recognized at a separate reception for them we've planned during the meeting. The AICPA applauds their accomplishments and encourages all members to be active, more active, in public service.

The AICPA has also received an award for that program and I would like to call Ed Weinstein up here this morning, who is Chairman of the Public Service

Committee, to tell us about it.

Ed, welcome.

MR. ED WEINSTEIN: Ray, as you are aware, there are many thousands of CPAs who are serving our country in many different ways and it is a shame that we can only honor twenty-eight.

As you saw in the film presentation, in May 1985 the President's Council on Private Sector Initiatives honored our Institute.

The President's Council presented us with a banner inscribed "We can, we care."

It awarded this banner because of that Public Service Award program which you mentioned and also because of the financial management seminar for non-profit organizations which we have been presenting for several years.

And I have the banner here.

(Display of banner and applause.)

THE CHAIRMAN: Thanks Ed, and thanks to you and your Committee and all the CPAs throughout the United States who are giving of their own time on these very worthy causes.

The Gold Medal is the highest honor

bestowed by the American Institute to a member whose influence on the profession as a whole is distinguished when compared with other contemporary leaders.

It was in 1944 that the Institute established the Gold Medal for Distinguished Service to the profession and we have some members in attendance today who have previously received that high recognition.

I might just ask them to stand when I call their names.

We have Lee Layton from 1975.

We have Lou Kessler from 1975.

And Mike Chetkovich from 1982.

Thank you for being here today.

(Applause.)

THE CHAIRMAN: The Chairman of the Awards Committee for this year, Sam Derieux, is unable to be with us to make the Committee's award due to a back problem and his doctors strongly advised him against taking the long flight to Hawaii.

We are glad really that Sam did take his doctor's advice. He should take a professional's advice.

So Sam has asked Mike Chetkovich, who is,

as you know, as I just said, a former winner of the award and a former Chairman of the AICPA Board of Directors, to make the presentation.

So, Mike, can we call upon your good offices to make the award this morning.

Mike Chetkovich.

MR. MIKE CHETKOVICH: Thank you, Ray.

It is a honor to be asked and a privilege to present the AICPA Gold Medal for Distinguished Service, as Ray has said, the highest award the Institute can bestow on one of its own.

The selection is made by the Committee on Awards. There is no requirement that the award be given in any particular year nor does the Committee limit itself to one honoree.

Hence, there have been years when no award was given and others when more than one member was so honored.

Ray has explained Sam Derieux's inability to be here. Sam has expressed to me his great disappointment. It's a disappointment that you and I should share because Sam has a unique way of doing things like this and we miss his not being here.

Although I took no part in the selection process and I am here only because of Sam's incapacity, I am delighted to present the medal to Rholan Larson.

The Committee did very well.

I will not take the time to recite all that Rholan has done for the Institute and the profession much as I would like to. It would take too long and, in fact, I've been directed not to.

It is a proud and impressive record.

In all the life of the Institute, which now nears one hundred years, there are very few that might match him in terms of scope and achievement.

It has been my personal privilege to serve with Rholan on the Board of the Institute and to observe first-hand the superb professional and leadership qualities which are reflected in that record of service.

More importantly, I got to know the man and to appreciate the outstanding personal qualities which attract our respect and affection; integrity, humility, warmth and a great sense of humor.

The citation which accompanies the medal summarizes the Committee's reasons for selecting Rholan for this award.

Before reading it, I would like to recognize a person who has had much to do with bringing this moment about and who should share in it.

I refer to Rholan's staunchest supporter, ablest assistant, supervisor and most constructive critic and a level-headed, Ruth Larson.

Ruth, would you stand?

(Applause.)

MR. MIKE CHETKOVICH: And I hope you recognize that the Rholan Larson I describe here is the man you have breakfast with every morning.

Now, Rholan, if you would join me here I will read the citation.

The citation reads as follows:

"All CPAs have the opportunity to serve their profession by becoming active in this organization. Of the many who do, few rise to positions of leadership where they influence significantly the present and future actions of their peers and their profession.

"Rholan Larson is such a leader. He exemplifies the many traits we expect of a true professional; honesty, candor, dignity, independence,

scholarship, dedication to client and the public and a genuine concern for his fellow human beings.

"Like many CPA practitioners he started his own firm early in his career. Under his direction the firm has grown to be among the largest and most respected in the region it serves.

"He served as president of the state CPA society in 1970 and, as such, a member of the AICPA Council. He has been involved continuously in AICPA activities since that time rising to the chairmanship of many of the committees and boards on which he served.

"He was elected Chairman of the AICPA Board of Directors in 1982 and made the quest for quality and service to client and the public the theme of his incumbency.

"He continues in service to the profession as President of the Financial Accounting Foundation, the parent body of the Financial Accounting Standards Board.

"For service that is distinguished when compared to his contemporaries, with admiration for his professional attainments, his leadership and dedication to quality and with affection for his human qualities, AICPA awards to Rholan E. Larson its Gold Medal for

Distinguished Service."

And Rholan, I am delighted to have this opportunity to present the medal. It couldn't happen to a finer, more deserving person.

And I hope you will savor this moment because, while it is inadequate in truly expressing our appreciation for all you have done, I can assure you it's a whole-hearted and enthusiastic effort and one in which I am delighted to join.

(Applause.)

MR. RHOLAN LARSON: Thank you very much.

Thank you, Mike, for those words which were all too generous and too kind.

When Sam Derieux called me last May and informed me that the Committee had selected me to receive this award, I was actually speechless.

Now, some of my friends say that couldn't happen to me. But if Sam were here, he would attest to the fact that I was really unable to respond.

There are so many capable people deserving of the honor that it is truly a humbling experience.

I know that's the thing to say, but the reason that it is the thing to say is that it is so

true.

I clearly understand that anyone accepting this award is doing so only as a representative of many capable people who contribute to our profession in so many ways.

And it is in that spirit and with the deepest gratitude that I accept this honor.

I'm glad Mike took a moment to recognize Ruth. As everyone knows, a wife is someone to love, to enjoy and to care for. We recently celebrated our fortieth wedding anniversary. And I have to tell you that Ruth's tolerance and support over those forty years have been essential in everything I do.

And I know many of you out there have spouses about whom you would say the same thing. A spouse is an integral part of our entire life and career.

While thinking about what I might say at this moment, I asked Ruth if she had any thoughts left over from the many times she has patiently looked attentive while listening to some of my warmed-over remarks.

I was encouraged when she said, "Yes, I

do."

And then she quickly followed it by saying, "Just make it short."

(Laughter.)

MR. RHOLAN LARSON: But I have noticed that most Gold Medal winners rarely have an opportunity to speak before the profession again. So I want to leave you with --

(Laughter.)

MR. RHOLAN LARSON: So I thought I should leave you with at least a couple of thoughts about the profession as I view it.

I really like the theme of this annual meeting -- I assume you do too -- "Pride in our Profession."

I have pride in this profession not because I've had an opportunity to serve in some significant leadership roles.

I'm proud of the profession not because it has developed to a prestigious elevated status.

But I'm proud of this profession and I love it because it provides an opportunity for capable professionals to find a satisfying, challenging career

while making a most significant contribution to the free enterprise system of our great country, which is the very best in the world.

And I was really delighted this morning when our meeting started with the posting of the colors and the playing of our national anthem. I think it is a great way to start an annual meeting.

Our free enterprise system simply cannot function as we know it without the foundation stone of an accounting profession committed to putting the public interest ahead of its own. That is the hallmark of a profession, putting the interest of others ahead of our own.

We have earned the designation as a profession and we earned our reputation as a well-respected profession.

Probably everyone here would agree that the accounting profession is in the midst of the greatest period of change we have ever known. We, of course, are not alone.

Recently I was visiting a banker acquaintance of mine who was reminiscing about the days before deregulation of that industry.

He said something like this: "In most of my years as a banker I went to work, I opened the door, I opened the mail and I made money."

But he observed that the banking industry is in the midst of traumatic change and that it is difficult now for management to react.

Furthermore, he noted that change is taking place in the businesses of virtually every customer of his bank and that it is, therefore, necessary for bankers to understand the changes in their businesses also.

I couldn't help but think how similar that is to our profession.

Changing times seemingly present insurmountable obstacles, but changing times also present unlimited opportunities.

Just two weeks ago I was in a planning session for some of the leaders of the profession in Minnesota. One of the participants there, a past president of our society, startled me when he said, "While travelling to this session today, I was thinking about our profession and its future. And for the first time I asked myself whether, knowing what I know now, I

would enter this profession again."

That from a leader of our profession.

Opportunities or obstacles.

Let me tell you that without question, knowing what I know now, I would enter this profession again. I think it's really an exciting time. I think it is filled with opportunities.

But I am concerned about some of the obstacles and the necessity for us to deal with them quickly and effectively.

We can't spend much time planning for our future that is already here. We must grapple with those problems now.

It is the responsibility of the AICPA to be sensitive to current and developing issues, to appoint committees and task forces and to study and recommend, to develop standards and sometimes to set limitations for members to differentiate us from CPAs who are not members as well as from other accountants.

The leadership of the Institute does a superb job, I believe, in carrying out this mission.

The Special Committee on Standards of Professional Conduct under the capable leadership of

George Anderson is forming recommendations intended to positively impact the future of our profession in this changing environment.

On Saturday George reported to Council, and among other things said the Committee is still discussing the difficult question of appropriate services for CPA firms. A final report of the Committee will address that issue.

But let me say that this profession does not exist in the hallowed halls of the AICPA. It really exists in the offices and in the actions and in the lives of our members and our firms.

Our profession exists within the member in industry who has a responsibility for integrity in management reporting.

It exists within the influence -- within the educator who influences the thought processes of those who are preparing to enter our profession.

It exists in the offices of practicing CPAs confronted daily with the pressures of competition, of commercialism versus professionalism.

The future of our profession, whether we turn obstacles into opportunities, depends primarily on

the decisions and actions of individual members of firms even before new rules of evidence and standards are devised.

The increasing array of services offered by public accounting firms is an opportunity and an obstacle that has the attention of virtually everyone in the profession and of many beyond, including, of course, Congress.

And I believe, as do many of you, that consulting services need not impair the independence of CPA firms.

Furthermore, while a desire to grow is a factor which encourages firms to offer a wide range of services, the more important cause is the demand of the marketplace.

Our clients are seeking solutions to increasingly complex problems and it is natural that they would turn to their CPA firms who are already steeped in the knowledge of their finances and familiar with the management problems that they are facing.

I sense reasonable consensus in this profession on those issues.

But in discussions about setting

parameters, defining appropriate types of services for CPA firms, in discussions that talk about setting some limitations on the types of services we offer, the unanimity abruptly ends.

Some believe anything goes.

Others feel just as strongly that some kind of restrictions are essential.

You know the arguments: Commercialism versus professionalism, loss of objectivity, impairment of independence, and so on.

I believe there must be some limit on the nature of services which are appropriate for a CPA firm.

Well, there are many pros and cons to this complex issue. I ask you to focus on just one thought for a moment.

The thought is this: Should we risk losing our identity by effectively giving up the only franchise we have, the CPA's license to perform audit reviews and compilations in some states? Should we lose that identity and become just consultants? Should we take that risk?

If we think competition between CPA firms is tough, consider the competition between consulting

firms who have no license and, therefore, no built-in ongoing demand from our clients.

Large firms are not as likely to lose their identity as CPA firms even though the percentage of revenues derived from auditing declined significantly.

Publicly-held companies, of course, are required to have certified audits and this ensures, at least for the present, the continued identity of large firms of CPAs and auditors.

But what about firms who primarily or only serve privately-owned companies? Could they lose their identity as CPA firms if they become viewed as consultants or as computer hardware merchants or as salesmen peddling tax shelters?

Can we expect to keep our franchise if firms purporting to be a part of our profession can engage in any activity they choose?

I sometimes wonder if the trend might not be overtaking us more quickly than we realize.

Within the last month a partner in a well-respected, smaller CPA firm told me their audit and review services are down to about five percent of their

gross revenues. And then he quickly added, "I wouldn't care if it went to zero."

I believe it is important that we retain our identity and our franchise.

I think it is important that we retain it for a public that needs independent, objective professionals with our expertise.

It think it's important that we retain our identity for the preservation of our profession.

An expanding array of services is a great opportunity. It can also be a greater obstacle than we believe.

As someone observed at Council meeting on Saturday, the parameters must be defined positively.

But the scope of services issue in my judgment must be addressed.

My concern also continues about the competitive environment and the downside risks of unprofessional, unfair competition. You all heard that before.

I fully understand that competition has its merits in a free enterprise system. It does benefit the consumer, in this case our clients.

But I also know that competition on a purely price-cutting basis can relegate our services to look to some in our profession a branding a commodity.

It can depress our profits to the point where we cannot fund quality, quality which, I believe, is essential to our survival.

If we do not have sufficient funding to achieve excellence, to continue to attract and retain top-notch professionals, quality will deteriorate to unacceptable levels.

A professional puts the interest of others before his own. That includes the public interest, of course.

But it also includes the interest of our profession. Firms need to define acceptable professional conduct for themselves.

We must consider the effect on our profession as well as on the public when deciding how we compete, when deciding how we respond to proposals where we know the decision will be made on the basis of price and price alone, in deciding how we act and talk to a proposal who is obviously a pitting chart.

The effect on the profession must also be

considered by firms when they decide what kind of services they will offer.

Direction from the Anderson Committee and from the Division For Firms is needed.

But let me say it's really up to each one of us.

Recently I heard a well-known speaker talk briefly on the subject of greatness. He concluded that greatness is not what it sometimes appears to be. Greatness, he concluded, is simply putting the needs of others before our own.

I believe that. That's the cornerstone of our profession; putting the needs of others, the public, our clients and our profession, ahead of our own.

But interestingly, those who practice that philosophy also turn out to be winners.

As we make the decisions in the trenches, so-to-speak, let us put professionalism before commercialism, public and the professional interest before personal interest.

I believe our profession is respected because most members do that.

Our standards in profound words and

writings of our leaders proclaim our commitment to that principle. But that's not enough.

This profession is great because its members practice that philosophy.

This profession will be held in high esteem as long as we act with that spirit.

Our profession will be great so long as we refuse to let self-interest trade apparent short-term gains for long-term losses.

Obstacles or opportunities? It's up to us.

In these days of intensified competition -- this last thought may seem old-fashioned. But traditional values have a way of being reborn when some think they have been buried.

This well-known thought was expressed by President Kennedy in his Inaugural Address. You all know it. "Ask not what your country can do for you; ask what you can do for your country."

Now, I know the AICPA exists to serve its members and the public interest. But as members we must act responsibly to preserve the profession or it may not be around to serve us.

And so if we put that paraphrased thought

into action, "Ask not what your profession can do for you; ask what you can do for your profession," if we do that, we will preserve the profession of which we will always be proud.

I again express my appreciation for having been chosen to receive this honor.

I want to remind you again that I'm accepting it on behalf of other leaders; but more importantly, on behalf of the multitude of the many members, the many members, who practice true greatness by putting into proper balance the needs of others as compared to their own.

I thank you.

(Applause.)

THE CHAIRMAN: Thank you very much, Rholan, for those very, very thoughtful remarks.

I think all of us are going to carry those with us for some time and we will have to make sure that Gold Medal winners don't give their farewell address when they receive their award.

We will make that commitment to you.

Is there any other business at this time that should come before this meeting that somebody would

like to bring up.

(No response.)

THE CHAIRMAN: Well, before we take our coffee break, I would like to call up Hiroshi Kawakita to tell us about the 1987 International Conference that is going to be in Tokyo.

Hiroshi, will you come up and join us.

MR. KAWAKITA: Distinguished guests, ladies and gentlemen:

First, I wish to express my gratitude to this assembly for the invitation to attend the 98th Annual Meeting of the American Institute of Certified Public Accountants.

I served as the former President of the Japanese Institute of Certified Public Accountants. I presently officiate as Chairman of the Organizing Committee of JICPA for the 13th World Congress of Accountants to be held in Tokyo in October, 1987.

It gives me a great pleasure to have the opportunity to address this Annual General Meeting of the AICPA about the coming 13th World Congress of Accountants.

Since the First World Congress of

Accountants, which took place in St. Louis, USA, in 1904 and counted about 120 participants from all countries, USA, UK, Canada and the Netherlands, there have been twelve such prestigious World Congresses. This represents an eighty-year old history.

Japan has been an active participant in all its meetings since the Third Congress held in New York in 1929.

The formation of the International Federation of Accountants during the Eleventh World Congress in October 1977 marked the beginning of the international harmony among professional accountants.

Now, we, in Japan, feel very honored for the responsibility bestowed upon us. We are doing our very best to prepare for this Congress in a manner to assume our duty down to its minute detail, an honorable duty which we know will not come our way twice within this century.

IFAC is doing its best also. It has a World Congress Committee. We have had meetings several times in Tokyo.

I can tell you that only very recently in Tokyo, on October 4th and 5th, we had a Committee

meeting where I met with Mr. May, President of IFAC, and Mr. Sempier, Executive Director of IFAC, in order to discuss the arrangement for the World Congress to come.

Let me now say a few words about the 13th World Congress of Accountants itself.

The main theme of the Congress will be the "Role of the Accountants in a Computer Environment." Audio-visual events will take place where you will be able to hear, see and sense.

There are study tours being planned to visit various high-technology installations to expose you to the state-of-the-art technologies in Japan. There will also be business shows held concurrently.

We are presently concentrating our efforts to display as much cultural and traditional Japan as possible, its beauty and its countryside.

We strongly feel that four or five days is not enough to adequately introduce our long tradition and history. Unfortunately, time does not permit me to explain to you at leisure all what we will offer.

We, therefore, have brought with us a fifteen-minute promotion slide show to describe our country.

This show will be presented in the Koko Crater room, 2nd floor, in this hotel between four and six o'clock in the afternoon.

May I encourage you all to attend. Let me stress though that what you will see by slides is not all our country can offer. You must come to Japan and see for yourselves to really feel it and appreciate it.

There will also be numerous evening entertainments, city tours and ladies' programs.

We look forward to seeing you in Tokyo on October 11-15, 1987, which is the best season in Japan.

Thank you for your kind attention.

(Applause.)

THE CHAIRMAN: Thank you, Hiroshi.

We will now take a break. See if you can get back by 10:10, ten minutes after ten.

(At 9:50 o'clock a.m. the proceedings of the Annual General Meeting of the AICPA were concluded.)

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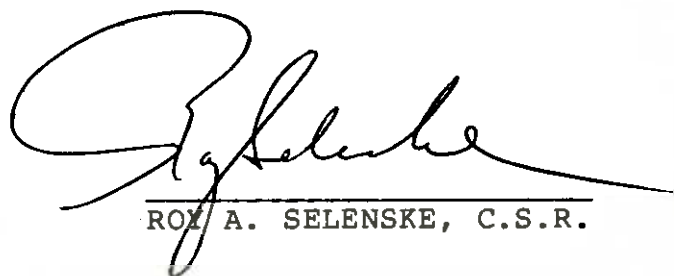
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I, ROY A. SELENSKE, a Certified Shorthand
(Stenotype) Reporter and Notary Public within and
for the State of New York, do hereby certify that
the foregoing Pages 1 through 56, taken at the time
and place aforesaid, is a true and correct
transcription of my shorthand notes.

IN WITNESS WHEREOF, I have hereunto set my
name this 17th day of October, 1985.


ROY A. SELENSKE, C.S.R.

