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Annual Meeting of Members, October 3, 1988, Los Angeles, California

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ANNUAL MEETING OF MEMBERS
of
AMERICAN INSTITUTE
of
CERTIFIED PUBLIC ACCOUNTANTS

held

October 3, 1988
8:00 o'clock A.M.
The Westin Bonaventure
Los Angeles, California

Roy Allen & Associates, Inc.
200 Park Avenue, Suite 303 East
New York, New York 10166
(212) 840-1167

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P R O C E E D I N G S

CHAIRMAN STRAIT: Good morning.

To start the meeting we would like to ask you to rise, and the colors will be presented by the UCLA Air Force ROTC Color Guard.

(Opening ceremonies were conducted.)

CHAIRMAN STRAIT: This is a historic meeting because it marks the close of our centennial year.

On behalf of our Board of Directors I welcome you and would like to introduce to Stu Kart, Chairman of the Host Committee, to give us the California Society's official welcome.

Stu.

MR. KART: Thank you, Marvin, and good morning everybody and welcome to California.

I hope -- we tried to show you what a welcome was last night and hope you all enjoyed it.

We are planning on having a lot of fun here and doing a lot of serious work as well.

Nobody has made any serious complaints except I heard one and it came from Marvin itself. You see, we are giving away a very attractive spouse gift,

which is a picture frame. And in that frame, to make it more attractive, is a picture of a beautiful young woman. Marvin thought that his picture should be there instead.

(Laughter.)

MR. KART: We will do the best we can. Again, a very, very warm welcome to you all.

(Applause.)

CHAIRMAN STRAIT: Thank you, Stu. Like I say, just another pretty face.

(Laughter.)

CHAIRMAN STRAIT: We are indeed fortunate to have a number of distinguished visitors with us from abroad.

Our guests are from Australia, Canada, England, New Mexico, the Netherlands, Scotland and South Africa.

(Laughter.)

CHAIRMAN STRAIT: Mexico.

(Laughter.)

CHAIRMAN STRAIT: I'm starting the meeting off right.

We have some people here from New Mexico.

It is indeed a personal pleasure to bid

1
2 them welcome on behalf of our Institute. I regret that
3 our schedule does not permit hearing from each of them
4 individually because I know from personal experience,
5 having seen them on their feet and listening to what they
6 have to say, they would all indeed be interested -- you
7 would all be indeed interested in hearing their message.

8 And I do encourage you, if you get an
9 opportunity, to visit with these individuals. I've had
10 that opportunity now throughout the year and it is
11 clearly one of the highlights of being Chairman.

12 I would like to introduce them to you and
13 ask you to hold your applause until the last one is
14 introduced. And when I do introduce them, I would like
15 them to stand, and please remain standing until they are
16 all introduced.

17 The first, from Australia, Ken Rennie,
18 who is President of the Institute of Chartered
19 Accountants in Australia.

20 Ken.

21 Ken was also a very gracious host to us
22 when we were there. It's nice to see him here in the
23 United States.

24 From Canada, David Bonham, President of
25 the Canadian Institute of Chartered Accountants, and Ken

1
2 Fincham, the Executive Director of the Canadian Institute
3 of Chartered Accountants.

4 And David and Ken also were very gracious
5 hosts to us when we met with them in Newfoundland just
6 about a month ago.

7 From England Philip Couse, Vice President
8 of the Institute of Chartered Accountants in England and
9 Wales.

10 From Mexico, Eduardo Argil, Vice
11 President of the Mexican Institute.

12 Good to have you, Eduardo.

13 From South Africa, John Edwards,
14 President of the South African Institute of Chartered
15 Accountants.

16 From the Netherlands, Gerard
17 Kuttschreuter, President of The Netherlands Institute.

18 And I guess Henk was not able to make it;
19 is that right, Gerard?

20 MR. KUTTSCHREUTER: He's sick.

21 CHAIRMAN STRAIT: Oh, I see. I'm sorry
22 to hear that.

23 From Scotland, Frank Kidd, President of
24 the Institute of Chartered Accountants of Scotland, and
25 Eric Tait, the Institute's Secretary.

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2 We have three guests, although they do
3 not represent their native countries, but in a sense they
4 represent the world of accountancy.

5 Richard Wilkes, President of the
6 International Federation of Chartered Accountants, known
7 as IFAC, and we will hear from Richard later.

8 Bob Sempier, Executive Director of IFAC.

9 And Morris Kanne, Chairman of the IFAC
10 Education Committee. Morris is from Israel and Richard is
11 from England and Bob is a member of IFAC but he is from
12 the United States.

13 Ladies and gentlemen, this is an
14 impressive group of individuals and I ask you to help me
15 welcome them.

16 (Applause.)

17 CHAIRMAN STRAIT: There is also a
18 special group of members whose presence I would like to
19 acknowledge, those who are attending this annual meeting
20 for the first time. The meeting is held in various parts
21 of the country to make it possible for members who are
22 unable to travel long distances to attend when the
23 location is convenient for them.

24 Members attending their first AICPA
25 Annual Meeting have been given a blue ribbon attached to

1
2 their badges. We urge them to wear that ribbon. We urge
3 all of you that have been attending these meetings to
4 make a special effort to see that these first-time
5 attendees are welcomed.

6 If you spot one of the blue ribbons,
7 please take the time to say hello.

8 Let me be the first to welcome all those
9 with the blue ribbons, all of those first attendees. It
10 is a delight to have you and we hope that you will enjoy
11 meeting, enjoy the opportunity to visit with your
12 colleagues in the profession.

13 Again, this year we have our national
14 accounting exposition. It is called "Accountants World."
15 This show responds to requests from many members who have
16 gone to such shows on a state level. Exhibitor response
17 has been very good and, in fact, excellent. And I hope
18 that each of you and your spouse will stop by to see
19 them.

20 You can see from material in your program
21 that the range of exhibits is vast and all related to
22 accounting.

23 Our program has been arranged to allow
24 you ample time to visit the show. One such period will be
25 after this meeting and prior to lunch. That's right out

1
2 where -- as a matter of fact, the cocktails will be right
3 in front of that, as I understand it.

4 You will find that there is a significant
5 saving of time when you update yourself here rather than
6 to take time out from your busy schedules at home.

7 The success or failure of this show is
8 measured by traffic flow. Please be sure to stop by and
9 give the exhibitors a visit and your views.

10 We want, as always, to be responsive to
11 your needs. In that connection you will find in your
12 registration material an evaluation form for this
13 meeting. It has been folded so that you can fit it inside
14 your program. Please keep it with you during the meetings
15 and note your evaluations while they are fresh in your
16 mind.

17 The evaluations are important. Please
18 fill it out and return it to us. We can only respond
19 to your views if we know what they are.

20 As usual, we have a number of AICPA staff
21 present with us this morning. Many of them will be
22 staffing the AICPA both in the Accountants World. They
23 are here to tell you about the many facets of the
24 Institute's operation and its broad range of member
25 services.

1
2 Not a person here, and I especially
3 include myself, could recite all of the services
4 available to you from the Institute. Please stop by and
5 learn how much you can get from your dues dollar.

6 I also encourage you when you see
7 Institute staff to stop by and talk to them. I would like
8 just for this group here to introduce the President of
9 the Institute, Mr. Phil Chenok, and the Secretary/General
10 Counsel, Don Schneeman, and mention that it has been sort
11 of a team effort this year with these individuals and I
12 personally thank them for their help and support this
13 year. They are very competent professionals and I've
14 appreciated it.

15 (Applause.)

16 CHAIRMAN STRAIT: A copy of the Annual
17 Joint Message from the Chairman and the President,
18 together with the audited financial statements for the
19 year just ended have been given to each registrant and
20 additional copies are available at the registration desk.
21 They will also appear in the Journal of Accountancy
22 which, of course, is mailed to all members.

23 There are ongoing efforts to make our
24 program more interesting. We have decided this year to
25 invite an outstanding leader of the business community to

1 address us as part of our members meeting.

2
3 Marshall Loeb is one of America's
4 foremost financial journalists. I certainly can't think
5 of any journalist more qualified to speak on the world we
6 live in than Mr. Loeb, the managing editor of Fortune
7 magazine.

8 Prior to his appointment at Fortune in
9 1986, he was managing editor of Money magazine. And under
10 Marshall Loeb's leadership Money became the nation's
11 fastest growing major magazine with circulation
12 increasing from 825,000 in 1980 to 1.4 million in 1984.

13 Money won the National Magazine Award for
14 general excellence in 1986.

15 Mr. Loeb enjoyed a lengthy career at Time
16 as economics editor and columnist, and during twenty-four
17 years there he wrote or edited about a hundred and thirty
18 cover stories and many more major articles and essays.

19 Winner of every major award in economic
20 and financial journalism, Mr. Loeb is a frequent
21 commentator on ABC television and has a daily radio
22 program which is broadcast on more than two hundred and
23 twenty-five CBS Radio Network stations in the U.S. and
24 abroad.

25 He is the author of Marshall Loeb's Money

1
2 Guide and co-author with William Safire of Plunging Into
3 Politics.

4 This morning the topic of Mr. Loeb's
5 discussion will be "Preparing for the '90s - a Look at
6 the Economy."

7 Ladies and gentlemen, it is my distinct
8 pleasure to present to you Marshall Loeb.

9 (Applause.)

10 (Address by Marshall Loeb.)

11 CHAIRMAN STRAIT: Marshall Loeb, I think
12 you can tell by that reception that it was well received
13 and we thank you a lot.

14 We do have some questions that, if you
15 have any, hold them up and somebody will pick them. There
16 are several back there.

17 We will give a few minutes to attempt to
18 answer these.

19 MR. MARSHALL LOEB: Well, I'm happy to
20 answer any verbal questions if you want to use the mikes,
21 or if you have any comment or criticism or anything like
22 that.

23 (Question period with Marshall Loeb.)

24 (Applause.)

25 CHAIRMAN STRAIT: Thank you all.

1
2 That was very well done and we thank you
3 much. You obviously touched many hot buttons from this
4 audience's point of view and a sincere thank you.

5 I must confess to you that maybe the time
6 of my retirement as your Chairman is about appropriate
7 for this week or maybe right now.

8 I think everything is depreciating all at
9 the same time.

10 I forgot to introduce one of our very
11 important foreign visitors.

12 I would like to now.

13 Elizabeth Alexander, could you please
14 stand?

15 (Applause.)

16 CHAIRMAN STRAIT: Elizabeth is President
17 of the Australian Society of Accountants and we, of
18 course, welcome you and we thank you.

19 You got your own private applause, so
20 maybe it's all worthwhile.

21 As you know, we have substantially
22 augmented our public relations capabilities at the
23 Institute and have used more video presentations.

24 Our communicators have transformed our
25 annual report into a visual presentation, and we have put

1
2 that on film which we would like to show you at this
3 time.

4 If the engineers could proceed to dim the
5 lights, we will start with that.

6 (A video presentation was viewed by the
7 assembled.)

8 CHAIRMAN STRAIT: I assume that applause
9 sends a message to our public relations communications
10 department and I needn't say more. We thank you.

11 I now and again -- what I was trying to
12 say when I was interrupted was that we do have a very
13 full program today. And we made a decision that maybe you
14 might just take a minute and stretch, but that we will
15 continue the meeting so that we can get done in time for
16 our lunch.

17 So if we could just take a minute and
18 stretch in-place, why we will continue.

19 (There was a brief recess in the
20 proceedings.)

21 CHAIRMAN STRAIT: The AICPA governing
22 Council met just on Saturday so we thought -- I thought
23 I would give you a report on actions taken at that
24 meeting.

25 We received a Report on the

1
2 implementation of the recommendations of the National
3 Commission on Fraudulent Reporting which is also better
4 known as the Treadway Commission.

5 The Sponsoring Organizations of that
6 study, of which the AICPA was one, has appointed
7 representatives to follow actions taken as a result of
8 the issuance of the Report.

9 My predecessor in office as the Board
10 Chairman here at the AICPA, Mike Cook, was the Chairman
11 of that committee and he reported to the Council on the
12 overall positive response by the profession, industry and
13 the government in following the recommendations of the
14 Treadway Report.

15 Council also approved a balance budget
16 for the forthcoming year, and along with a policy that
17 smaller but more frequent dues increases is more likely
18 in years subsequent.

19 President Chenok presented the Strategic
20 Plan approved by the Board to implement our mission
21 statement. The Plan will change as needs change and
22 different responses are called for.

23 In Phil's words it's intended to be a
24 evergreen document."

25 The Council designated the Quality Review

1
2 Executive Committee as a senior technical committee. This
3 group will be developing standards for the AICPA Quality
4 Review Program for members.

5 As a matter of fact, the draft of those
6 standards should be issued very shortly, I understand
7 within perhaps the next week for comment. And the comment
8 period will go to the end of the year.

9 We urge all of you to look for that
10 report and please send your comments into the Committee.
11 They have been working diligently and hard since their
12 first meeting in April of this year and still have quite
13 a bit of work to do. But they're vitally interested in
14 what you have to say.

15 Council also decided that members in
16 practice overseas with foreign firms will not have to
17 meet the practice monitoring requirements.

18 Council received a status report on our
19 dealings with the Federal Trade Commission. We are still
20 waiting for the Commission to begin the process for
21 public comment on the proposed Order relating to
22 commissions and contingent fees.

23 Council met in individual discussion
24 groups to develop input to the Board of Directors on the
25 two remaining issues in the FTC investigation. These are

1
2 rules limiting practice to proprietorships, partnerships
3 or professional corporations owned solely by CPAs.

4 The Board will consider the input from
5 Council and frame a position.

6 Further to the FTC pronouncement, the FTC
7 agreement, we have been prohibited publicizing a great
8 deal on that until the Commission itself -- this was
9 worked with the staff -- the Commission itself sets the
10 item on their agenda so they can go to the public comment
11 period.

12 I will in a few minutes ask our attorney,
13 Lou Craco, to come up here to the podium to discuss the
14 process and the approximate timetable as best he knows
15 it.

16 Finally, Council discussed whether the
17 membership ought not to be asked again to consider
18 requiring that members affiliate with firms having SEC
19 clients only if the firm is a member of the SEC Practice
20 Section.

21 I think it's fair to say that Council was
22 strongly in favor of the requirement but would demand a
23 comprehensive communication program so that members fully
24 understood the issues before being asked to vote.

25 That is a brief wrap-up of Council's

1 meeting.

2
3 I must say the AICPA is indeed fortunate
4 in having such a dedicated representative group as its
5 governing body.

6 At this time then, Lou Craco, would you
7 come to the podium and just take a few minutes just to
8 discuss --

9 A MEMBER: He is expected to be here a
10 little later.

11 CHAIRMAN STRAIT: I'm sorry.
12 He'll be here in a few minutes. We will
13 move along.

14 We did this year invite the two
15 candidates to be at this meeting. Neither candidate was
16 able to accept.

17 However, we did receive a letter from
18 Vice President Bush and because of the nature of it we
19 thought we would read it to you.

20 It is addressed to me as Chairman of the
21 Board.

22 "I was honored and pleased to receive
23 your kind invitation to address the AICPA 101st annual
24 meeting in Los Angeles. Even though I cannot personally
25 be with you, I want to share some thoughts that I would

1
2 have presented had my schedule permitted me to attend.

3 "To begin with, I know this has been a
4 special year for the profession, and I applaud the
5 outcome of your membership vote to restructure
6 professional standards. This was a significant step for
7 CPAs and a tribute to your leadership.

8 "In my experience in business and in
9 government service, I have worked with many CPAs and know
10 the contribution that your profession makes to our
11 nation's economy. As a presidential candidate, I rely on
12 CPAs to help me comply with the federal election laws. I
13 am proud that my campaign treasurer, Stan Huckaby, is an
14 active AICPA member. As a taxpayer, I well appreciate the
15 role of the CPA as a tax adviser to individuals and
16 businesses.

17 "I admire and thank the many CPAs who
18 give freely of their time and talent in public service at
19 the national and local level. Not only the federal
20 government, but also state and local governments, seek
21 talented and dedicated men and women, and I encourage
22 more CPAs to consider participating in government
23 service.

24 "The American people want a more
25 effective and efficient government, and CPAs are taking

1
2 part in achieving that goal. I share your concern for and
3 indeed I support, the Taxpayer's Bill of Rights. I
4 applaud and support your efforts to bring to the
5 attention of Congress and others the need for improved
6 financial management in the federal government.

7 "I regret that I cannot be with you, but
8 I am certainly with you in spirit. I wish you a very
9 successful and productive annual meeting and look forward
10 to continuing to work with you in the future."

11 And it is signed George Bush.

12 (Applause.)

13 CHAIRMAN STRAIT: As I promised earlier,
14 we would be receiving a report on the international
15 scene. And now I would like to welcome to the podium
16 Richard Wilkes, President of the International Federation
17 of Accountants, that we lovingly call IFAC.

18 Richard.

19 MR. RICHARD WILKES: Mr. Chairman,
20 Ladies and Gentlemen:

21 May I say how much pleasure it gives me
22 to be here with you in Los Angeles, this your 101st
23 annual meeting and to launch your second century.

24 Your generous invitation is much
25 appreciated both by me and my wife and the warm welcome

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that we received.

And I know also that I speak for my fellow guests from overseas in saying thank you.

As a guest speaker, may I make it absolutely clear that in my case I bring no freebies as Marshall Loeb, your opening speaker, did, even though I do come from the land that makes the Jaguars.

(Laughter.)

MR. RICHARD WILKES: I bring you greetings from the Council of the International Federation of Accountants and I am very proud and privileged to have this opportunity of talking to you about the work of IFAC.

IFAC is now just over ten years old. And in its short existence I believe it can claim some success.

The Federation now has a ninety-seven member body in seventy-five countries representing about 1,000,000 professional accountants.

We now have member bodies in all significant countries of the world except China, Russian and the Eastern Bloc countries. But I am very hopeful that at some time in the future, and sooner rather than later, we shall be receiving applications for membership

1 from those areas of the world.

2
3 The Federation's principal objective is
4 the development of a coordinated worldwide accountancy
5 profession with harmonized standards.

6 And it is to meet that objective that the
7 past ten years have been spent in developing standards
8 and guidelines covering many of the aspects of the
9 professional accountant's life.

10 And our work is directed not only to the
11 practicing side of the profession but just as importantly
12 to those in industry and commerce because we, IFAC, must
13 never forget that some fifty percent of that membership
14 of 1,000,000 members work in industry or commerce.

15 Thus, the work of our Financial and
16 Management Accounting Committee has a very real focus
17 because accountants working within business are seeing
18 that their role is changing increasingly from that of
19 storekeeping to one of guiding businesses towards future
20 profitable development.

21 And it is to provide help with that
22 changing role that the FMAC is developing some very
23 helpful practical guidance dealing with matters such as
24 the control of computers, the management of foreign
25 currency risk and strategic planning for their business.

1
2 One other significant area of employment
3 for our members is the public sector. In order to help
4 harmonization in that area we have recently established a
5 Public Sector Committee to develop guidelines appropriate
6 to financial accounting and reporting in the public
7 sector.

8 The International Accounting Standards
9 Committee is very much part of the international
10 accounting profession and it works very closely with the
11 International Federation of Accountants within the
12 framework of a mutual cooperation agreement.

13 The work of the international profession
14 is becoming increasingly important.

15 The reason for this can be summed up in
16 one word: globalization.

17 Marshall Loeb in his address drew
18 attention to the importance that globalization was having
19 on all of our lives. We all know that the world is
20 becoming a smaller place. That is because of developments
21 in telecommunications and transportation. Goods and
22 information now flow around the world so much more
23 easier.

24 In turn, that means that as far as the
25 profession is concerned, there are many more users of

1 financial statements which are being prepared in
2 countries other than their own.

3
4 With these developments international
5 companies now expect to be able to have financial
6 information which they require provided to them on a
7 harmonized basis from whichever part of the globe they
8 conduct their enterprise.

9 Another important development has been
10 the international trading in companies' securities which
11 is now taking place across national boundaries. There are
12 over three thousand companies which now have their
13 securities quoted on more than one national stock
14 exchange.

15 Those, therefore, dealing in securities
16 need to have confidence in the reported financial data by
17 which prices are fixed.

18 Another trend has been the increasing
19 number of international aid agencies of one sort or
20 another, such as the World Bank, that are demanding that
21 the use of funds that they put out by way of loans or
22 grants must be regularly and consistently accounted for.

23 Now, it is all of these various
24 developments that make our work increasingly important.

25 There is a real need for harmonized

standards of financial accounting and reporting. And it is, therefore, encouraging to know that IFAC now has in place a core of both accounting standards and auditing guidelines which provide a broad framework within which that reporting can happen.

What is more encouraging for us is that we are seeing increasingly the regulatory bodies and the aid agencies are making more and more use of our work by requiring compliance with our standards and guidelines as pre-conditions of membership or the receipt of aid.

Although we have done much work already in our first ten years, there is much more to do. And I have painted a background against which that work must proceed.

So what now are the challenges that face the International Federation?

There are a number quite obviously, but I would like to just today focus on the three most important ones as I see them.

Firstly, we need to ensure that the standards and guidelines that we issue are meeting public expectation. Having done that, we must work towards their acceptance by the various bodies and agencies that can use them.

1
2 Secondly, within our own member bodies we
3 must be sure that there is an awareness of our statements
4 and guidelines and that the professional accountants
5 apply them in the work that they do.

6 Lastly, there is the need for us all to
7 raise the standards of our professional work.

8 I'm sure that we all like to think that
9 we operate to high standards. However, as society becomes
10 more sophisticated and knowledgeable, so public
11 expectation rises.

12 We as a profession must ensure that our
13 work is done to the highest possible standards so that
14 the community that we serve can have full confidence in
15 our work.

16 We must, therefore, encourage all
17 professional accountants in whatever their area of
18 activity to be sure that their professional knowledge is
19 right up-to-date and that the work -- their work is
20 conducted in accordance with the highest ethical and
21 performance standards.

22 These three challenges face all
23 professional accountants, not just those in public
24 practice, but including those in the public sector and in
25 industry and commerce.

1
2 The cry for higher standards applies
3 across the whole spectrum of the activities of
4 professional accountants.

5 The first of these challenges, that is,
6 to meet public expectation and to gain acceptance of our
7 work, is the responsibility of IFAC.

8 The other two, namely, to ensure that
9 there is an awareness of our statements and guidelines
10 and the need to raise professional standards, is the role
11 of the individual member bodies of IFAC.

12 I hope that the various initiatives that
13 the Council of IFAC has taken has shown that we are
14 working towards meeting our challenge.

15 May I earnestly urge you, the members of
16 this Institute, to do what you can to work towards
17 meeting the other two challenges.

18 And from the support which your Institute
19 has given IFAC so far, I'm sure that you will not fail
20 us.

21 We have got to where we are now because
22 many members of our profession, be in practice -- be they
23 in practice or working in industry or the public sector,
24 they have given so willingly of their time to serve on
25 our committees.

1
2 Mr. Chairman, your Institute has been one
3 of our strongest supporters.

4 The references in this year's Annual
5 Report demonstrate this. Your members and your staff
6 serving on our committees and task forces have played a
7 most significant role in helping us to get to where we
8 are today.

9 And I would like to take this opportunity
10 to say publicly how grateful we are to your Institute and
11 to those many members who have given so freely of their
12 time to help us in our work.

13 Finally, Mr. Chairman, may I repeat my
14 thanks for your invitation to be here with you today and
15 for this opportunity to speak about the work of IFAC.

16 (Applause.)

17 CHAIRMAN STRAIT: Thank you very much,
18 Richard. We appreciate your good efforts and that of IFAC
19 and we certainly will continue to be a part of it.

20 It is my pleasure now to introduce the
21 winners of the several awards for achievement in the
22 uniform CPA exam.

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

I would ask that the winners stand as their names are called and remain standing until all are introduced and then we can properly recognize them together.

First of all, we have Susan Francis of Montana, winner of the Sells Gold Medal Award for the highest grade total on the November 1987 exam.

(Applause.)

CHAIRMAN STRAIT: We are also privileged to have Eung-Rae Cho of California, winner of the Sells Gold Medal for the highest grade total on the 1988 exam.

(Applause.)

CHAIRMAN STRAIT: William Paul Cariato is the winner of the Sells Silver Medal Award for the second highest grade total on the November 1987 exam.

(Applause.)

CHAIRMAN STRAIT: Gregory Wiese of Iowa has won the Sells Silver Medal for the May 1988 exam.

(Applause.)

CHAIRMAN STRAIT: The Sells Bronze Medal has been awarded to a candidate achieving the third highest grade total.

The winners for the November 1987 exam were Dennis Delony of California --

(Applause.)

CHAIRMAN STRAIT: -- and Sheldon King of New York.

(Applause.)

CHAIRMAN STRAIT: And the winner for the May 1988 exam was Kathleen Y.C. Man of Hong Kong.

(Applause.)

CHAIRMAN STRAIT: We congratulate you all for a significant achievement. We certainly welcome you into our profession and wish you well in your professional careers.

Thank you.

(Applause.)

CHAIRMAN STRAIT: Included in your registration packet is the 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 to their communities.

This year forty-two CPAs were honored by their respective State Societies for distinguished service. They serve their communities in many ways, from

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2 serving as mayor to establish scholarship funds, to
3 raising funds for the creation of a library.

4 They will be recognized at a separate
5 reception for them that we have planned during this
6 meeting.

7 The AICPA applauds their accomplishments
8 and encourages all members to become active in public
9 service.

10 Now, it is a special privilege for me to
11 introduce our next speaker.

12 Bill Kanaga is a former Chairman of this
13 Institute and has, in fact, had the privilege of
14 conducting an Annual Meeting of this Institute not too
15 many years ago.

16 Most recently he addressed us as the
17 Chairman of last year's centennial celebration.

18 Well now I'm pleased to introduce him to
19 you in a new role, one to which he brings the talents of
20 a CPA for the first time. Bill is the current Chairman of
21 the United States Chamber of Commerce.

22 And we have asked him to talk to us about
23 what the Chamber is up to.

24 Just a few other comments about Bill.

25 As many of you I'm sure know, he is now a

1
2 retired managing partner of Arthur Young and Company and
3 he also is a graduate of the University of Kansas. Since
4 we are from a neighboring state, Bill, they don't do much
5 in football, but I understand they have a pretty good
6 basketball team.

7 Bill, could you come up, please.

8 (Applause.)

9 MR. WILLIAM KANAGA: Unfortunately they
10 didn't take the Kansas basketball team to the Olympics.

11 (Laughter.)

12 MR. WILLIAM KANAGA: And they had Danny
13 Manning on the bench when they needed a little leadership
14 on the floor.

15 Other than that, I have no comments.

16 We, in fact, had a great time in Korea
17 and enjoyed the first week of those Olympics as part of
18 my job as the Chairman of the U.S. Chamber of Commerce.

19 In case you don't see the relationship
20 between the two, I'll have to talk to you about what this
21 chairmanship involves.

22 And I would like to bring you the
23 greetings from the U.S. Chamber, a fellow business
24 organization of the American Institute.

25 My assignment there this year is a

1
2 challenging one but I can assure you it's a rewarding one
3 and it has it's fun side to it too.

4 Before I share with you what I'm doing
5 this year at the Chamber, let me just give you a vignette
6 of what the Chamber itself is.

7 We have a membership of some 180,000
8 business organizations here in this country. We also have
9 some sixty American Chambers outside of the United States
10 across the world.

11 We are the largest federation of business
12 organizations in the U.S., probably in the world.

13 We have a number of functions. In one
14 area it's the dissemination of information on the
15 business world.

16 We have a publication called Nation's
17 Business with a publication list of some 1,000,000 per
18 month, focused on a different area than our friend from
19 Fortune this morning.

20 Our focus is basically on the needs of
21 the business world and how we can achieve them,
22 particularly in Washington with our friends up on the
23 Hill and the regulators in the Executive Branch.

24 We have a major investment in the
25 television world. We have probably the finest television

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2 studio in Washington. It is used continuously not only by
3 the President and members of the Executive Branch, but we
4 had some three hundred and fifty members of Congress,
5 Senate and House, use those facilities.

6 In this recent Congress we have
7 continuous use by outsiders and, in fact, the networks.
8 Some of the commentators that come out of Washington use
9 the TV studios.

10 It gives us a great opportunity for
11 interchange with those people. They are captive when we
12 get them on the scene. When you get a senator and you
13 have a few things you want to tell him, you get him there
14 a little early while making him up for the program and
15 tell him what the true facts are on legislation before
16 the Congress.

17 A third area of major concern is
18 influencing legislation.

19 We had a major role in the trade bill
20 that went through this Congress, or should I say two
21 trade bills; one general trade bill, and the second one,
22 the proposed trade pact with Canada. We had a major hand,
23 I think it's safe to say maybe "the" major hand, in
24 getting out many of the disagreeable pieces of that trade
25 act to render it in our opinion a non-protectionist piece

1 of legislation.

2
3 We were faced in this recent Congress
4 with about ten pieces of what I would delicately refer to
5 as anti-business legislation in the labor arena.

6 Mr. Loeb referred to some of them this
7 morning. I won't go through that laundry list of Teddy
8 Kennedy's, but we have successfully, at least to this
9 point -- we have a few days left in this Congress --
10 successfully fought the business fight to keep those,
11 with one exception, one significant exception, from being
12 passed. And that was the sixty-day plant closing piece
13 which really became embroiled in the trade legislation
14 and became a political -- a presidential political issue
15 rather than an issue on its own merits.

16 We have a key hand in electing friends of
17 business to Congress, and I myself will be spending time
18 in this next month going out to support some of those
19 individuals, particularly in the Senate, running for open
20 seats in the Senate, to give them the full support of the
21 business community including in their own home states.

22 We have a committee operation that is
23 quite significant; a number of committees that each take
24 a separate part of the business community's concerns,
25 whether it's education, as Mr. Loeb was referring to, and

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we have a major effort in the education area, trade, tax, economic policy and so on. And those have membership from across the United States and across the business spectre, both big and small business.

We have a small business council which represents almost ninety percent of that membership of ours and is a significant factor as the morning paper attests. And I think there is an article in The Wall Street Journal this morning on the significance of the small business community in resisting much of that labor legislation that the Democrats tried to get out of committee during the last two years.

Internationally, I mentioned there are sixty American Chambers and we are on constant call dealing with media and the Congress.

And much of what we do is getting the business viewpoint before both of those important segments of our national life.

As far as I'm personally concerned, I have three significant initiatives in this one year, aside from what I call all the issues of maintaining these activities I've just referred to.

The first initiative is an international one, to get out across the world, to tell the U.S. point

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2 of view, to deal with our American Chamber and support
3 their activities to meet with foreign government
4 officials and to deal with the media and the business
5 community in those countries. And that's what I'm just
6 coming off, a four-week trip in the Far East, meetings in
7 Japan, the Philippines, Singapore, Hong Kong and Korea.

8 The message, first of all, to those
9 communities is that the U.S. is not in decline, that we
10 are not a slumbering giant.

11 Much of what Mr. Loeb said this morning I
12 can only reiterate. And I would say that, for the
13 purposes of talking to those business communities, I like
14 to tell them that we have added since 1982 17,000,000
15 jobs here in the United States which is more than the
16 rest of the industrialized world put together, that is,
17 Europe, Japan and all the rest of the industrialized
18 world. We have added more jobs. They are in the highest
19 paying categories of the Department of Commerce
20 statistics which is in direct contrast with ten years ago
21 when they were in the lowest paying and when we could say
22 that they were short-term and youth-paying jobs.

23 We have, as he said, improved our
24 productivity since 1982. We were three-and-a-half percent
25 last year. We've averaged four-and-a-half percent since

1 '62 which is twice the prior two decades.

2
3 And the research and development, we have
4 increased our spending since 1980 by seventy percent.
5 And we are now at a higher level of R & D, the sales,
6 than either Japan or Germany.

7 We are in the seventy-first consecutive
8 month of economic growth which is, in fact, the longest
9 sustained period of economic growth in the history of the
10 country.

11 We have a net after tax income
12 improvement. And for those of you who read that article,
13 the cover article in Fortune magazine this morning which
14 I did while I was listening to him, the net after tax
15 income, after tax -- and those figures as I kept them are
16 before taxes in the Fortune area -- is up twenty-one
17 percent since 1982.

18 Our employment is at a fifteen-year low
19 and we have inflation down from the double digit area,
20 eleven/twelve/thirteen percent at the beginning of this
21 decade, down to the area of four percent. As a matter of
22 fact, our figures are more optimistic than his, more
23 optimistic on growth next year.

24 We think we will be in the
25 three-and-a-half/four percent area next year with

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2 inflation down about a percent under what he said here
3 this morning.

4 Of course, a lot of those things can
5 change. But we think that Fortune hasn't taken into
6 account the price of energy and some other factors. We
7 think interest rates will come down. We think the Federal
8 Reserve made a statement, it went up a half-percent in
9 July, and they will rectify that mistake in the next
10 three or four months.

11 The second part of my message in the
12 international is the trade bill; that it is not
13 protectionist, that it is not a barrier to trade with the
14 world and, in fact, is going to force open markets in
15 some areas of the world which are currently
16 protectionist, not close the market of the United States.

17 I can assure you I got no resounding
18 applause in Japan or Korea. I met with a number of
19 people, ministers in the Japanese government. They are
20 all concerned about our trade bill.

21 And I reiterated with each and every one
22 of them that the level of adverse reaction in our mind,
23 in the United States, was in direct relationship to the
24 protectionism in the markets of Japan and Korea. Hong
25 Kong and Singapore solved the problem with the trade

1
2 bill. They can handle it. They didn't see that it would
3 affect them in the least because they, in fact, are not
4 protectionist.

5 I ran no popularity contest in either
6 country, but I can tell you I told them that if we did
7 not see in the United States dramatic improvement in our
8 trade deficit, particularly with Japan, that I thought
9 that the next trade bill that was enacted by the United
10 States would be substantially stronger and less to their
11 liking.

12 The second and third initiatives that I
13 have are really focused on the United States.

14 First of all, I want to carry the same
15 message across the U.S. about the strength of the United
16 States business community and economy as we deregulate
17 and lower tax rates, that we are doing well here as the
18 world's biggest market, but that one thing we have to do
19 is to think world.

20 Both of our speakers here this morning,
21 Mr. Loeb and Mr. Wilkes, said it in different ways, that
22 is, the globalization of the world economy.

23 And the United States in much of the
24 trade that we conduct doesn't consider the trade of the
25 world as part of the economy of the organization.

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2 Everybody has to think world. And if
3 anybody has a world-class product and he doesn't want to
4 go in the world, I am convinced that in the long term the
5 world will eat him for lunch because unless you are
6 competing in Europe, in Japan, in Singapore, in Hong
7 Kong, with your product against the product of your
8 competitors, you won't be able to long sustain your
9 market here in the United States.

10 And that's a repetitive message that I'm
11 carrying every time I make a speech to a Chamber of
12 Commerce here in this country.

13 The second initiative is one that is near
14 and dear to my heart and I believe near and dear to your
15 hearts, that is, the concern that I have about business
16 ethics.

17 We see in the press a litany -- I
18 shouldn't say just the press, in the media stories -- a
19 litany of misconduct. I don't want to go through that
20 long list or the details of it, but we see it in a
21 continuous fashion, whether it's insider trading, whether
22 it's the failures of banks or savings and loans, defense
23 procurement, government bond traders. I don't need to
24 tell you about fraud in financial statements. It is a
25 sickening litany.

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2 And right before I left in August I gave
3 a speech and picked up the morning paper. On the front
4 page of the morning paper were five prominent stories --
5 in fact, they occupied about eighty percent of the front
6 page -- of business misconduct.

7 And it sends a message to the public.

8 It shouldn't be surprising to us that in
9 recent surveys most -- the public believes that most
10 businessmen are crooks. That's a hell of a note. And I
11 think it's something that the responsibility of each and
12 every one of us to correct.

13 Every businessman has a responsibility.
14 We talked about -- we've been talking about the Treadway
15 Commission Report and the thrust, the prime thrust, of
16 that report is that the chief executive of every
17 organization, every business organization, has the key
18 responsibility. He has to set the tone. He has to
19 establish the policies. They have to be in writing. They
20 have to be communicated and made to come alive in the
21 organization. And then the chief executive himself has to
22 live up to them because if he doesn't, his organization
23 won't.

24 He can further reinforce the importance
25 of his concern with ethics and high standards of conduct

1
2 by his participation in the community. And we heard just
3 a moment ago about the awards that the AICPA gives for
4 recognition for public service.

5 But it is clear that unless we are active
6 and supportive of the youth of our community, youth and
7 the life of our community, whether it's Boys Scouts or
8 schools, whether it is the churches or synagogues, or
9 whether it's all the civic organizations in our
10 community, if we are not supportive of them, there will
11 be, I can assure you, a deterioration in the standards of
12 conduct of our community and of the community of the
13 future.

14 I believe that everyone in this room is
15 supportive of that commitment because I think it's not
16 only important to us as individuals, but it is clearly to
17 us an absolute necessity in the profession that we have
18 been called to.

19 We've got a job to do. We've got a great
20 future in this country. I mean I like that word that Loeb
21 selected this morning, that is, we have a dazzling future
22 in this country. But it's up to each and everyone of us
23 to make sure that it comes off.

24 Thanks so much.

25 Thank you, Marvin, for your kind words.

(Applause.)

CHAIRMAN STRAIT: Bill, we thank you and we are indeed proud of you as one of the leaders of our profession now a leader in the business world.

It was good to hear your words.

Now, for truly one of the highlights of each Annual Meeting is the time at the meeting when we present the Gold Medal Award.

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 as compared with other contemporary leaders.

It was in 1944 that the Institute established the Gold Medal for distinguished service to the profession and several members who have achieved this honor are in attendance.

We would like to recognize those members at this time, ask them to stand and remain standing, ask you to hold your applause until we have introduced them all.

Sam Derrieux,

Stan Scott,

Mike Chetkovich,

Rholan Larson,

1
2 Bob Ellyson,
3 John Meinert,
4 and Bob Mellin.

5 I think I have introduced them all. We
6 tried to identify those who are here today.

7 Could we please give them a round of
8 applause.

9 (Applause.)

10 CHAIRMAN STRAIT: Rholan Larson,
11 Chairman of the Awards Committee, and a former Chairman
12 of the AICPA Board of Directors, and as you just heard,
13 the 1985 recipient of the Gold Medal Award, will make the
14 presentation of this year's award.

15 MR. LARSON: Thank you, Marvin.

16 I would like to note that I think this is
17 the first meeting at which there have been two Gold Medal
18 Awards presented to someone from Montana.

19 As you heard just a short time ago, Susan
20 Francis was the Sells Gold Medal Award winner, and now
21 the award which I have the privilege of presenting.

22 There are many different opportunities
23 for service within our profession, but there is probably
24 none that is more ideal than serving as Chairman of the
25 Awards Committee.

1
2 First, and not most importantly, I want
3 to mention that the time commitment is not too excessive.
4 That helps.

5 (Laughter.)

6 MR. LARSON: It is true that that
7 position does not have a lot of visibility or gain much
8 publicity because our deliberations are confidential.

9 But there is no more satisfying task that
10 I have found than in presenting the Gold Medal Award to a
11 deserving recipient.

12 Today I am honored to be presenting this
13 award to George Anderson.

14 I had the privilege of serving as Vice
15 Chairman of the Institute when George served as its
16 Chairman. Ruth and I came to know George and Norma as
17 good friends, as warm, caring people, people with great
18 basic values that spontaneously generate trust and
19 friendship.

20 Our mouth was always there in the
21 background of supporting, helping and encouraging George
22 when he needed it.

23 But beyond that personal friendship, I
24 came to know George as a professional whose record can
25 only be defined as one of distinguished service, one that

1
2 no one could argue made a great impact on this
3 profession.

4 I wanted to just briefly mention the
5 significance of the Gold Medal. Marv already mentioned
6 that it was inaugurated in 1944 and that it is designed
7 and intended to be for those whose service and
8 contribution to the profession are distinguished when
9 compared to their contemporaries.

10 Each year since 1944 the Awards Committee
11 has met to consider candidates. The Gold Medal, as Marv
12 said, it's the highest honor the AICPA bestows on any of
13 its members.

14 Although there is an expectation that the
15 medal will be awarded every year, there is no
16 requirement that this be done.

17 Now, when the committee met this year,
18 George's name easily surfaced.

19 Some of you may not have linked one of
20 the searching questions which was raised at the
21 Democratic National Convention with the work of our
22 committee, when the distinguished Senator from
23 Massachusetts asked the question: "Where was George?"

24 I want to tell you he was not original
25 because in our committee we had thought of that long

1 before the Democrats ever had.

2
3 And we looked at the question and we
4 found that George seemed to have been everywhere.

5 A former Chairman of the AICPA, George's
6 activities with the Institute have included leadership of
7 the State Legislation Committee and the Task Force on the
8 Application of the AICPA Code of Ethics to members and
9 industry and government.

10 He also served on the Special Committee
11 on Bylaws, the State Society Relations Committee,
12 Professional Ethics Executive Committee and the Board of
13 Examiners.

14 However, in my opinion George Anderson's
15 greatest contribution by far to the profession was when
16 he served as the Chairman of the AICPA Standards of
17 Professional Conduct for Certified Public Accountants
18 Special Committee, a committee with a long name but one
19 we came to know as the Anderson Committee.

20 Under his leadership the committee was
21 instrumental in researching and developing the Plan to
22 Restructure Professional Standards, a plan which has
23 ushered in a new era for the AICPA and the accounting
24 profession.

25 In addition to his Institute service,

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George has been an excellent ambassador for the profession.

He has served as Chairman of both the Montana delegation to the White House Conference on Small Business and the Governor's Committee on Fiscal Control.

He was also treasurer of the National Governors Conference.

And then in 1982 President Reagan named George to his Private Sector Survey on Efficiency and Control, a panel of business and professional leaders appointed to suggest ways in which we might cut government operating costs.

Therefore, it is my privilege to present the Gold Medal Award to George Anderson.

And, George, I would like to ask you now to join me at the podium.

(Standing ovation and applause.)

MR. LARSON: Thank you.

George, I think that is an indication that the words that I said were all true for you.

At this time I would like to read the words that are inscribed on the scroll that we will giving George, and then present the Gold Medal to George.

And then we will ask him for a few

1 remarks.

2
3 These are the words on the scroll. You
4 may like to take a look at it. It's very handsome and
5 something that will mount very well on your wall.

6 "George Anderson's service to his
7 profession and the community on a local, state and
8 national level spans a professional lifetime.

9 "Rising to the presidency of the Montana
10 State Society at an early age, he began his AICPA
11 involvement as Montana's designated Council Member in
12 1959 and continued as an elected Member of Council until
13 his election to the AICPA's Board of Directors in 1966.

14 "After intense committee service
15 following his Board term he was elected as Chairman of
16 the Board of Directors for the 1981-'82 year.

17 "During his term as Board Chairman George
18 initiated the Future Issues Commission which resulted in
19 the development and adoption of the AICPA Mission
20 Statement. That project formed the foundation of the
21 Strategic Plan to guide us in our mission of serving the
22 public interest.

23 "But perhaps his greatest achievement was
24 to head the study which developed the Plan to Restructure
25 Professional Standards, a design assuring the highest

1
2 quality of service by AICPA members in response to
3 changing needs of the public and the profession.

4 "The Plan identified heightened
5 membership requirements relating to a restructured Code
6 of Professional Conduct, Quality Review, Continuing
7 Professional Education and greater educational standards
8 for entering members.

9 "On July 16, 1988 the Plan was adopted
10 overwhelmingly in the largest member participation ballot
11 in AICPA history.

12 "George accomplished all of this through
13 low-keyed, persistent and effective leadership. His
14 contributions will affect our profession throughout its
15 second century.

16 "With pleasure and affection the AICPA
17 proudly awards its highest honor, the Gold Medal for
18 Distinguished Service, to George David Anderson."

19 George, I would like to add my very warm
20 personal congratulations.

21 MR. ANDERSON: Thank you.

22 (Applause.)

23 MR. ANDERSON: Thank you very much,
24 Rholan.

25 One thing I wanted to look and make sure

1
2 that the Medal was there. There was an insistence last
3 night -- he didn't put it around my neck. There was an
4 insistence last night that I take some various blood
5 tests and the like.

6 Apparently I passed those without any
7 trouble.

8 (Laughter.)

9 MR. ANDERSON: I think it is also
10 interesting, and I congratulate Francis on her Gold
11 Medal. I'm sure she studied much harder and had a much
12 more difficult examination than I did to receive mine.

13 You know, there is really no more
14 humbling experience than being honored by your peers. You
15 realize that, although you have worked hard, it's been a
16 labor of love, and that most of what has been
17 accomplished is the result of cooperation and really
18 help from others.

19 The honor you bestow upon me today with
20 the presentation of this medal is really the result of
21 activities of many others that I have worked and lived
22 with over the past years.

23 Today I would like to cover three things.

24 I would like to thank and introduce some
25 important people in my life.

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I would like to make an admonishment to the members of this, a great profession.

And, finally, I would like to make a suggestion as to a long-term program which I believe would improve the ability to monitor and educate our members.

My thanks must first go out to all of the members of the AICPA and especially those who voted to change and strengthen the standards of professional conduct. Without the overwhelming support which was shown by that vote our profession would be suspect of not believing in its main principles.

You showed great insight into the problems that faced the profession when you demonstrated to the public that CPAs are willing to accept restriction of their rights in order to assure that quality work will be the product of their efforts.

Naturally my thanks must go to the members of the Standards of Professional Conduct Committee. It was a hard-working committee, contained some of the finest minds in our profession. Their labors were not in vain as the acceptance of it has proven.

My thanks also go to the staff of the AICPA, the Board of Directors, the Members of Council,

1
2 for the support they gave to the Committee over the
3 period it labored.

4 The recent acceptance by Council of the
5 changes in the ethics rules on contingent fees and
6 commissions strengthens and accepts the thinking behind
7 the Committee's report.

8 I must thank all of the people with whom
9 I have had the pleasure of serving on boards and
10 committees within the AICPA over the past thirty years.

11 I feel I have learned much more than I
12 have contributed in this process.

13 Now, up to this point I have mentioned no
14 names because I could not possibly list all of them and
15 not leave out some of the most important ones.

16 However, this next group I wish to thank
17 I would like to introduce to you today.

18 They are my family without whom none of
19 the work that I have done could have been accomplished.
20 Their cooperation was essential.

21 I'm happy to say that all of our children
22 are here and I would like to ask them to stand as I
23 introduce them.

24 First is our daughter, Debbie Farley.
25 They are over in this area.

Our son, Nick, and his wife, Margaret.

And our son, David.

And, of course, the most important person who ever came into my life, my wife, Norma. Without her encouragement -- I'm sorry -- without her encouragement, counsel and support little would have been accomplished in my life.

(Applause.)

MR. ANDERSON: I guess Don Schneeman put it best when he called to congratulate me upon having been nominated Chairman/Vice Chairman Elect of the AICPA.

He said: you know, the Nominating Committee was supportive of you but what they really thought was what a wonderful first lady Norma would be.

(Laughter.)

MR. ANDERSON: Now, I said I had an admonishment for the profession.

The standards of professional conduct of our profession are of extreme importance. If we desire to remain a profession and to improve its status, we must consider our standards the minimal acceptable behavior for a CPA.

We must keep in mind the necessity to place the public interest above our own economic

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2 interests if we wish to retain the name Certified Public
3 Accountants.

4 Many of our sister professions and
5 businesses in general are being criticized for their
6 inability to live up to standards of conduct that advance
7 the public interest.

8 The Harris Poll results were gratifying
9 but they are also scary. To live up to the reputation we
10 enjoy according to that poll necessitates going much
11 beyond minimum standards of behavior.

12 There must be a constant striving to
13 improve those standards and to demonstrate that the
14 designation CPA does carry with it a desire and
15 dedication towards excellence in professional conduct.

16 Our profession will continue to expand
17 because it is an important one.

18 There is and will continue to be a high
19 degree of reliance upon our work.

20 We must do everything possible to
21 preserve and retain that reliance.

22 This can be accomplished only if we are
23 willing to strengthen our standards and to monitor our
24 own profession. Failure to do so will result in a loss of
25 confidence by the public and a resultant loss in

professional status.

We must be willing to give up personal gain in order to increase the status of our profession as a whole.

Now, I have listened in the past to recipients of the Gold Medal Award make their acceptance speeches. Many of them have made suggestions of actions or programs that might be followed to strengthen the profession.

This recipient is no exception.

I've strongly felt that the development of a national CPA certificate would strengthen the profession.

At the present time there are fifty-four jurisdictions that may issue CPA certificates. Therefore, there is only one uniform requirement to obtain the certificate, that is, the passage of the uniform CPA examination.

All other pre-requisites are determined by the issuing jurisdiction whose requirements run the gamut from very lenient to very strict.

The Model Accountancy Bill supported by NASBA and the AICPA is a help towards uniformity.

State legislatures, being what they are,

1
2 never passed the bill without making changes.

3 Although I am supportive of a national
4 certificate, I would not like to see that certificate
5 issued by the federal government nor an agency thereof.

6 We have been able to avoid federal
7 control to this point and hopefully the profession will
8 continue to do so in the future.

9 I suggest that a national uniform
10 certificate could be issued by the AICPA which could be
11 recognized in all the fifty-four jurisdictions.

12 At the present time the AICPA prepares
13 and grades the examination. In conjunction with NASBA an
14 agency exists which actually administers the giving of
15 the exam in certain jurisdictions on a contract basis.

16 Of course, the jurisdiction the exam is
17 given in actually issues the certificate.

18 Would it be possible for the AICPA to
19 determine the qualifications of candidates for the
20 examination, prepare the examination, administer the
21 taking of the examination, grade it, and finally issue a
22 certificate to the successful candidates?

23 This would assure that the
24 qualifications to obtain the certificate were uniform
25 throughout the fifty-four jurisdictions as the

1
2 certificate would then be issued by the American
3 Institute.

4 If the candidate wished to practice or
5 hold out to be a CPA in a particular jurisdiction, it
6 would be up to that jurisdiction's Board of Accountancy
7 to determine the qualifications for licensing to practice
8 or to hold out.

9 The candidate would submit his
10 certificate from the AICPA as proof of having met the
11 educational and other requirements to sit for the exam
12 and as a proof of passing the examination.

13 The jurisdiction in which the CPA wishes
14 to practice or hold out as a CPA would then determine
15 what further pre-requisites should be imposed to issue a
16 license in that jurisdiction.

17 They could impose residency requirements
18 where applicable, experience requirements, continuing
19 education requirements and others that they might feel
20 necessary to meet the requirements to practice or to hold
21 out in their jurisdiction.

22 The advantages of such a system are
23 obvious. It would cause uniformity in qualifying to sit
24 for the examination especially in the area of education.

25 It would also bring much more uniformity

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to the monitoring of the profession and would alleviate jurisdictional problems.

There are many problems and hurdles that would have to be surmounted before such a program could be instituted. It will take a great deal of study and time to design and work out the problems that might arise.

You know, it took nearly fifty years to get the uniform exam accepted in all jurisdictions.

Therefore, it might take considerable time to get a program such as this accepted. I think it would be worthwhile.

What I have suggested sounds difficult and somewhat revolutionary. But what the profession has accomplished in the past, however, has been no less revolutionary.

I have not covered the plan in detail and certainly that would need to be dealt with to identify the pitfalls and the problems.

It is not an easy concept to understand nor accept. But it could be a positive force in solving many of the professional problems as to jurisdictional differences and uniform treatment of CPAs.

I said that recipients of the Gold Medal

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2 usually suggest programs that are not easy of
3 accomplishment.

4 As I said too, I am no exception.

5 As most of you know, I am in the process
6 of retiring. Norma doesn't seem to think so.

7 I hope, however, to continue working with
8 the AICPA and with the profession in the years to come.

9 Again, I thank you for the great honor
10 you have bestowed upon me.

11 I would like to leave you with some words
12 that were given me by an old Indian chief in Montana that
13 says, as you continue on the path of life, may that trail
14 rise up to meet you, may the wind always be at your back,
15 may the sun shine warm upon your face and the snowfall
16 soft on the hills around you and may your God hold you in
17 the hollow of his hand.

18 Thank you very much.

19 (Standing ovation and applause.)

20 CHAIRMAN STRAIT: That was just
21 excellent, George.

22 I do have an emergency announcement.

23 Margaret Roberts is to call your office.
24 And if you could meet Marilyn Stoddard right over by the
25 exit, she can take you to the phone.

George, that was -- he's busy getting his picture taken.

George, we are all very proud of you.

And I have just a personal warm feeling. I have known George for a lot of years, certainly more than I care to remember. He's been a mentor and he's coming from a rural practice and certainly has been a role model.

So I am very proud of you, George.

We also on the agenda have a report from our auditors. This year J.H. Cohn & Company have completed their second year as our independent auditors.

I'm pleased to introduce Eli Hoffman and Gerald Tuch who will present the auditor's report.

MR. HOFFMAN: Thank you, Mr. Chairman.

On behalf of J.H. Cohn & Company, we are very pleased to be here today as the auditors of the AICPA.

And I will turn the program over to my partner, Gerald Tuch, who is the audit partner in charge of the AICPA for the year ended July 31, 1988.

MR. TUCH: Thank you, Eli.

We have audited the financial statements of the American Institute of Certified Public

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2 Accountants, the American Institute of Certified Public
3 Accountants Foundation, the AICPA Benevolent Fund, Inc.,
4 and the Accounting Research Association, Inc. as of July
5 31, 1988 and for the year then ended.

6 Our audits were conducted in accordance
7 with Generally Accepted Auditing Standards. There were no
8 scope limitations.

9 We expressed our opinion as to the
10 fairness of the presentation of the financial statements
11 of each of the above-named organizations as of and for
12 the year ended July 31, 1988 in accordance with Generally
13 Accepted Accounting Principles.

14 Thank you.

15 (Applause.)

16 CHAIRMAN STRAIT: Are there any
17 questions of the auditors?

18 (No response.)

19 CHAIRMAN STRAIT: Just being an auditor
20 for a group of CPAs has some problems with it.

21 (Laughter.)

22 CHAIRMAN STRAIT: I should report that
23 the Council at its meeting on Saturday elected J. H. Cohn
24 & Company as its independent auditors for the year
25 1988-1989.

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2 Now, as this Annual Meeting is about to
3 come to a close and just before we go to the open forum,
4 I would like to give you a few comments as the outgoing
5 Chairman.

6 I must tell you it certainly has been a
7 great honor to serve as your Chairman. To be selected by
8 peers is just an unparalleled privilege beyond measure.

9 And also when I think of the Chairmen who
10 have gone before me, such people as George Anderson who
11 was just here, and Bill Kanaga or the many other
12 chairmen, it truly leaves some big shoes to fill and has
13 to be considered a great honor in and of itself. It's a
14 humbling experience and, indeed, I am sincerely grateful.

15 This year when I started, I talked about
16 the challenge which was the future and the dramatic
17 changes coming.

18 I think our talk from Mr. Loeb this
19 morning was certainly on the same subject. And I guess at
20 the close of the year I can probably talk about how our
21 profession has risen to the occasion, and clearly we are
22 ready for the challenge.

23 Obviously, the first thing we would think
24 of when we talk about that is the Plan to Restructure
25 where we had an overwhelming vote approving the Plan

1 raising our own standards voluntarily.

2
3 And I can tell you that I thank you, as
4 the members, for your support and also congratulate you
5 as clearly establishing our profession as a leading edge
6 profession and intending to stay that way.

7 We also this year resolved a
8 long-standing dispute with the FTC in a very successful
9 manner so that the items that are incredibly important to
10 the profession, that is, in fact, our history and our
11 base, the attest function, has been fully protected by
12 that Order.

13 We adopted a Strategic Plan that is
14 completely in line with our Mission Statement and allows
15 the Institute in a very orderly and deliberate fashion to
16 meet the mission that we have agreed upon.

17 We this year have even more established a
18 significant presence in Washington. The PAC now has I
19 guess several times the amount of money annually
20 available to help with our political efforts than it ever
21 had before.

22 We've increased in sophistication. The
23 key person program has worked very well and we've had the
24 opportunity, if I can use that term, to use it
25 particularly in such things as year end conformity and

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2 some other tax bills. And I'm sure this next year that
3 key person program and our sophistication in Washington
4 will serve us well.

5 I can just tell you we can all be very
6 proud of where our profession is at this time.

7 Finally, being Chairman has reinforced a
8 very strong belief in the integrity, ability and
9 character of the people that make up the CPA profession.

10 I can just tell you, having travelled
11 around this country and having talked to so many CPAs,
12 had many of them visit with me, I just can't be impressed
13 enough with the ability and the integrity and the honesty
14 that represents our profession, their desire to do what
15 is right and to do it with class.

16 And I guess I can speak as well as
17 anybody to the fact that we indeed do have a profession
18 that is highly regarded not only within ourselves but
19 also within the public.

20 I have had the opportunity to renew
21 acquaintances with many friends and most importantly I've
22 made many new friends.

23 The profession is made up of some very
24 warm and wonderful people and they certainly have proven
25 that they are willing to accept their responsibility.

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2 Now, looking to the future, you have and
3 I will have the opportunity at lunch tomorrow to
4 introduce the new Chairman, Bob May. I can tell you that
5 he represents great leadership. And it will be a distinct
6 personal pleasure for me to introduce him.

7 Also following behind is a close personal
8 friend of many years, another acknowledged leader, Chuck
9 Kaiser.

10 So they are clearly in a position to keep
11 the profession moving in the direction that has been
12 there for many years.

13 The dramatic change will continue.

14 As a matter of fact, although many people
15 have said this was quite a year, and I guess I would have
16 to agree it's been quite a year, we may look back on it
17 in years to come and say, well, maybe it was more of a
18 routine year.

19 What I am saying is that we have to be
20 prepared for the fact that dramatic change will continue.

21 The future is indeed exciting. As Mr.
22 Loeb said this morning and I think I've mentioned on
23 several occasions, the demand for our abilities and
24 competence is even greater now than it has ever been in
25 the past.

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2 So that if we are able to deliver in a
3 manner that is useful to the changing world, we will, in
4 fact, remain a very significant force in the economy;
5 that it will, in fact, add to where we are and make this
6 profession even more important and more significant.

7 As far as the profession goes, we can
8 only see a bright future. There is a sense of
9 responsibility. There is the competence, the integrity
10 and respect and clearly we now have the leadership.

11 So I tell you again, that it's been a
12 pleasure and I am very proud to have been a leader of the
13 profession at this time, but even more importantly I am
14 proud to see that this kind of growth and this kind of
15 development of our profession to be the profession of the
16 year 2000 and beyond is clearly happening.

17 So now at this point I would like to open
18 the meeting to the open forum.

19 Anyone have any comments or questions or
20 observations, please go to a microphone and I will
21 recognize you.

22 If you would state your name.

23 MR. BENJAMIN BOTWICK: Mr. Chairman, my
24 name is Ben Botwick from New Jersey.

25 On August 15th I wrote to the Institute,

1 Paul Rosenfield, to ask for guidance on a tax matter.

2 I think the easiest way is just to read
3 it. It is a very short letter.

4 "We believe the AICPA should issue a
5 Practice Bulletin regarding a complete liquidation under
6 IRS Code Section 337.

7 "This 1986 Reform Act taxes fifty percent
8 of book income that exceeds taxable income under the
9 alternate minimum tax.

10 "We believe the practitioners (sic) need
11 guidance as to whether or not there is book income on a
12 financial statement once a plan of complete liquidation
13 is adopted.

14 "We believe this matter should be
15 addressed with dispatch, since corporations with assets
16 less than \$5,000,000 must liquidate by December 31, 1988
17 without incurring a tax at the corporate level."

18 I received a response from Paul
19 Rosenfield stating, August 23rd, that the matter was
20 turned over to the Accounting Standards Subcommittee and
21 there would be a meeting of the Board of Directors on
22 September 22nd to take up this matter as to whether or
23 not they were going to issue a guidance bulletin.

24 I have been out of the office for the
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last couple of weeks. I don't know whether I got a response as to the Directors' meeting.

I was just wondering if you, Mr. Chairman, could find out if that matter has been addressed.

Thank you.

CHAIRMAN STRAIT: Okay.

Well, there was no Board of Directors' meeting on the 22nd of September. There may have been a meeting of either Accounting Standards or Auditing Standards. I am not personally aware.

Is there somebody here on the staff who knows if it was addressed.

Yes, Tom.

MR. KELLEY: I don't know, Mr. Chairman, if Paul Rosenfield is here.

But if the gentleman would see me afterwards, I know the Chairman of the Accounting Standards Executive Committee will be running a session this afternoon and we will be very happy to get him his answer.

CHAIRMAN STRAIT: Thank you, Tom.

Other questions or comments?

(No response.)

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2 CHAIRMAN STRAIT: If not, we will close
3 this session.

4 We have an excellent program for the
5 remainder of the meeting.

6 I hope you all attend the sessions and
7 our excellent trade show and benefit from all of it.

8 Most of all, have a good time during the
9 rest of the meeting.

10 (Applause.)

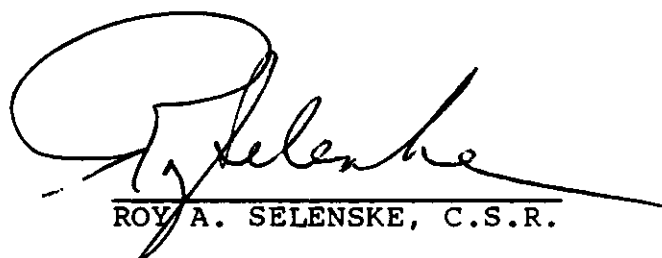
11 (At 11:30 o'clock a.m. the proceedings
12 were concluded.)

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STATE OF NEW YORK)
COUNTY OF NEW YORK) SS.

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 71, 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, 1988.



ROY A. SELENSKE, C.S.R.