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AICPA Handbook

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AICPA Handbook

American Institute of
Certified Public Accountants

A Description of Public Accounting

Accounting is a discipline which provides financial and other information essential to the efficient conduct and evaluation of the activities of any organization. It includes the development and analysis of data, the testing of their validity and relevance, and the interpretation and communication of the resulting information in quantitative terms, or in symbolic or verbal forms.

The Organization

The American Institute of Certified Public Accountants is the national professional society of CPAs devoted to organizing the accounting body of knowledge, conducting research, as well as enforcing the technical and ethical standards of the profession. Its purpose is to guide the profession's development along lines that serve the broadest public interest. Since its origin in 1887 the Institute has grown steadily, increasing its membership at an annual rate of 10 percent. At present, the Institute serves more than 120,000 members in public practice, industry, government, and education.

The chairman of the Institute is elected from the membership for a one-year term, along with a vice chairman, three vice presidents, and a treasurer. Heading the staff is Wallace E. Olson, president. From its headquarters in New York, the Institute conducts national programs on continuing professional education, technical and professional standards, research, state legislation, and other activities. Its Washington office is a two-way informational source, providing CPAs with current information on government programs and furnishing officials in the executive and legislative branches with data and analyses useful in the development of legislation and agency regulations.

Institute programs and policies are determined by a governing Council, consisting of 250 members representing all U.S. jurisdictions. The Council meets twice a year.

One hundred and sixty boards, committees, and task forces comprising more than a thousand volunteer CPAs carry on Institute activities, supported by a full-time staff of over four hundred. In the course of a typical year, the Institute sponsors 650 meetings, ranging from an annual meeting attended by more than 3,000 members and guests to small committee sessions. The Institute also answers more than 90,000 phone calls, receives over 700,000 pieces of mail, greets more than 25,000 visitors, and has yearly sales of publications amounting to nearly \$3 million. Annually, the Institute issues to members and the public 40 million items of information—periodicals, courses, books, brochures, technical pieces, and other materials.

Objectives

The main objectives of the Institute are (1) to provide the accounting profession in the U.S. with a broad series of programs designed to maintain and improve the quality of its services, (2) to promote and maintain high professional standards of practice, and (3) to enable the profession to make its most effective contribution with other organizations active in accounting and related fields.

Technical Services

Major emphasis is placed on developing technical guidance for CPAs. Professional standards established by the AICPA tell the public what can be expected of CPAs. The staff member in charge of technical activities at the New York headquarters is Douglas R. Carmichael, Managing Director, Technical Services. Technical activities under his direction include:

The accounting standards division, consisting of an executive committee, subcommittees, task forces, and staff, presents the Institute's position on current accounting matters to the Financial Accounting Standards Board, the Securities and Exchange Commission, the Cost Accounting Standards Board, the New York Stock Exchange, and other groups concerned with accounting and financial reporting. Before the establishment of the FASB in 1973 as the private sector authority on accounting standards, the Institute's Accounting Principles Board carried out this function and, with its predecessor committee, issued some ninety pronouncements on accounting practice over a period of thirty-five years. The division now issues Statements of Position on accounting matters which serve as guidelines until formal pronouncements are put forth by the FASB.

The auditing standards division is the Institute's policy-setting body on auditing matters. Consisting of an executive committee, subcommittees, task forces, and staff, it issues Statements on Auditing Standards, Auditing Interpretations and Industry Audit Guides. Institute pronouncements on auditing have provided authoritative guidance for independent auditors since 1939, when the first statement on audit-

ing was issued. Since then more than sixty auditing pronouncements have been issued. The Institute's Code of Ethics requires adherence by the membership to generally accepted auditing standards, recognizes Statements on Auditing Standards as interpretations of the basic auditing standards, and requires that members be prepared to justify any departure from them.

The management advisory services division, with an executive committee, subcommittees, task forces, and staff, provides assistance to members engaged in MAS practice—the task of helping management solve operating and policy problems. It issues guidelines and standards on what are considered to be the best professional practices and publishes technical studies on a variety of specialized subjects.

The technical research division conducts research in accounting, auditing, and financial reporting. It also provides a continuing consultation service for members inquiring about technical matters.

Practice Services

The computer services division develops standards and techniques for the auditing of computer-based financial systems. It monitors developments in data processing and provides information to the members about the impact of EDP on auditing, client services, and the internal management of accounting firms. Libraries of time-sharing programs are made available to members through the facilities of two international data-processing service organizations. The division also develops training materials on EDP topics. Every year, the division sponsors a four-day computer conference in a major city. In addition, it is responsible for the Institute's internal computer processing.

The international practice division implements and coordinates the Institute's increasing commitment to the development of international accounting and auditing standards. It maintains cooperative relations with professional accounting bodies in other countries and represents the Institute on the ten-nation International Accounting Standards Committee, which formulates worldwide standards for financial reporting.

The financial and practice management division develops and distributes programs, information, published documents and consultative reviews on administrative and technical aspects of accounting practice. These include studies and programs to meet the professional needs of CPAs in industry, finance, and government. An information retrieval group administers an electronic information retrieval system, which provides access to data on many thousands of corporate financial statements and to accounting literature. With computer terminals located throughout the U.S., the system is a cooperative effort on the part of a number of CPA firms, the FASB, and the SEC. Non-participating firms can use the system through the Institute's facilities. A series of financial report surveys on matters of current interest also is produced by the retrieval system.

Professional Regulation and Review

The professional ethics division interprets and administers the Institute's Code of Professional Ethics, which defines members' responsibilities with regard to independence, integrity and objectivity, competence, adherence to technical standards, and responsibilities to clients, colleagues, and the public. It investigates complaints and, if justified, disciplines members administratively or summons them before the profession's Joint Trial Board, which has the power to acquit, admonish, suspend or expel a member and, if warranted, to seek revocation of his right to practice.

Quality and practice reviews are arranged through special Institute services. The quality review programs are designed to assist firms of all sizes to maintain standards of practice through peer reviews of their professional work and administrative procedures. An Institute service group assists a practice review committee in evaluating reports and financial standards that appear to deviate from professional standards.

Professional Education and Qualification

The uniform CPA examination, prepared by the Institute and used by each state, together with

the advisory grading service, is the qualifying test for CPA candidates. The rigorous 2½-day examination is given in May and November at ninety-one locations in all the fifty states, the District of Columbia, Puerto Rico, the Virgin Islands and Guam. More than 75,000 candidates now take the exam each year.

Continuing professional education is carried out by a staff division, guided by an executive committee. The division prepares and conducts courses on professional subjects and assists state societies in using these courses and in implementing their own programs. More than 60,000 persons currently participate in approximately 2,000 seminars, training programs or courses held each year.

The education division encourages the improvement of educational standards for CPAs through a close liaison with colleges and universities. It develops Institute educational policy, prepares forms for accounting personnel testing, and promotes interest in accounting careers.

Member Services

The publications division administers the Institute's periodicals and other publications. The *Journal of Accountancy*, which first appeared in 1905, has become the leading American monthly journal in the field, with more than 200,000 subscribers, among whom are practitioners, business managers, government officials, and educators, including all members of the Institute. The *Tax Adviser*, a professional journal published for practitioners specializing in tax practice, reports on current developments in taxation and rulings, and carries articles by leading tax practitioners. The *CPA Letter* provides members and subscribers with a semimonthly alert on accounting developments and Institute policies and activities. Over forty technical books and pamphlets are published each year, running into hundreds of thousands of copies.

The AICPA library has the country's most comprehensive collection of published materials on accounting and related topics. It contains more than 15,000 volumes and 43,000 other documents,

maintains a reading room, an extensive mail circulation service, and answers 40,000 inquiries a year.

Washington Office

Federal government relations is handled by a special staff in Washington. Congressional committees and agencies of the federal government such as the SEC and the Department of Labor frequently consult the Institute on accounting and auditing issues.

The federal government division makes the profession's services available to the various agencies in such ways as assisting with revisions to agency audit guides and commenting on regulatory proposals, as well as submitting testimony on national legislative issues.

The federal tax division, the Institute's policy-setting body on tax matters, works primarily with the Treasury Department, the Internal Revenue Service and tax-writing committees of Congress to present the views of the accounting profession in the area of federal tax law and regulation. The division issues Statements on Responsibilities in Tax Practice to guide practitioners on everyday tax problems and publishes a series of tax studies to keep tax practitioners abreast of changes.

The federal legislative affairs division, established in mid-1976, monitors information and events. Through this division, members are apprised of agency actions and legislation affecting the profession. A weekly *Washington Report* on current developments in the nation's capital is available to the members on a subscription basis.

Public and State Society Relations

The public and state society relations division disseminates information related to the profession through all media and coordinates program activities of the AICPA and the autonomous state societies. The division prepares articles, films, booklets, taped radio and TV materials to help public understanding of accountancy. The division also serves as a central

agency for those seeking information about the profession, or assistance in developing a broad range of programs related to the goals of the profession itself.

Member Relations

The division on member relations, also established in mid-1976, serves as a focal point of activities aimed primarily at member relations and communications with them. It also supervises a program of accounting aid for minority businesses.

A separate program of aid to minorities, supervised by the Institute, promotes the recruitment of minorities into the profession, providing scholarships and other aids from a \$1 million fund established by accounting firms, corporations, individual CPAs and government.

Fall, 1976

Six areas of service CPAs provide

Audit financial statements.

Prepare tax returns and recommend tax savings.

Provide professional advice on management and accounting aspects of business problems.

Prepare financial reports.

Provide assistance in securing loans.

Design accounting systems for your business or personal affairs.

American Institute of CPAs

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