

Spring 1990

Woman CPA Volume 52, Number 2, Spring 1990

American Woman's Society of Certified Public Accountants

American Society of Women Accountants

Follow this and additional works at: <https://egrove.olemiss.edu/wcpa>



Part of the [Accounting Commons](#), and the [Women's Studies Commons](#)

Recommended Citation

American Woman's Society of Certified Public Accountants and American Society of Women Accountants (1990) "Woman CPA Volume 52, Number 2, Spring 1990," *Woman C.P.A.*: Vol. 52 : Iss. 2 , Article 10.
Available at: <https://egrove.olemiss.edu/wcpa/vol52/iss2/10>

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in Woman C.P.A. by an authorized editor of eGrove. For more information, please contact egrove@olemiss.edu.

The Woman CPA

~~BJS~~

SPRING 1990

VOLUME 52

NUMBER 2

Governmental Auditing

Governmental Accounting

Expert Systems



You Know Our Library. Now See The Books.

As any Certified Public Accountant knows, the American Institute of Certified Public Accountants maintains the most comprehensive accounting library in the country.

However, here's a fact that's worth thinking about. The AICPA employs 100+ CPAs, involved in challenging assignments that impact the future of the accounting profession...as well as their own future.

Let's talk about yours.

As an organization that pioneers

new trends in the accounting profession, we can offer CPAs the unique advantage of being at the pulse of the industry as well as the opportunity to become involved in such areas as Quality Review, CPE, Ethics, and Examinations.

If you are a Certified Public Accountant with 5 years experience, and are ready to research new opportunities at the AICPA, send your resume and cover letter to, Recruiting Administrator, Human Resources,

AICPA

**American Institute of
Certified Public Accountants**

1211 Avenue Of The Americas
New York, NY 10036

An equal opportunity employer

EDITOR:

Betty Brown, Ph.D., CPA, CMA, CIA
School of Business
University of Louisville
Louisville, KY 40292

ASSOCIATE EDITOR, MANUSCRIPTS:

Janet L. Colbert, Ph.D., CPA, CIA
School of Accountancy
308 Tichenor Hall
Auburn University, AL 38649-3501

TREASURER:

Jo Ann Dooley

DEPARTMENT EDITORS:

Yvonne O. Braune, Karen Hooks, Elise G. Jancura, Roland L. Madison, Cherie J. O'Neil, Amy A. Ripepi, Jewell L. Shane.

EDITORIAL BOARD:

Ann S. Bradburd, Joan D Bruno, Maria L. Bullen, Mary Burnet, Carole Cheatham, Ann W. Davis, Donald L. Dehaven, Ruth H. Doumlele, Marie E. Dubke, Nancy J. Foran, Marlyn Mackey Gillis, Mary Greenawalt, Rita Hull, Carol Inberg, Patricia Luele, Charles Johnson, Marilynne T. Keyser, Lisa C. Martin, Trini U. Melcher, Ann B. Moody, Lillian C. Parrish, Beverley Patterson, Lucia Peek, Jeffrey Phillips, Linda Plunkett, Ann B. Pushkin, William Radig, Colleen Regan, David Sayers, Lydia Scheifer, Gladys R. Shaw, Jean Souther, Wanda G. Spruill, William L. Stephens, James Thompson, Deborah H. Turner, LaFerria Tuner, Penny Wardlow, Linda M. Williams, Debbie H. Young, Mary Douglas Wells.

BUSINESS MANAGER:

Lynette K. Sarther, CPA
P.O. Box 39295
Cincinnati, OH 45239
Phone: 513-385-3998

THE WOMAN CPA

EXECUTIVE COMMITTEE

Peggy Dodd, Chairman; Sue Brookman, Betty Brown, Denise Coburn, Janet Colbert, Jo Ann Dooley, Lynette Sarther.

THE WOMAN CPA (ISSN 0043-7271), published quarterly and copyrighted 1988 by THE WOMAN CPA, 3998 Ridgedale Drive, Cincinnati, Ohio 45247. THE WOMAN CPA is a joint venture of the American Woman's Society of Certified Public Accountants, 111 E. Wacker Drive, Suite 600, Chicago, Illinois 60601, and the American Society of Women Accountants, 35 East Wacker Drive, Suite 1036, Chicago, Illinois 60601. Subscription rates per year — members \$3.40; all others \$8.00; outside the United States \$15.00 (orders for foreign mail will not be accepted other than by airmail printed matter rates); single copies \$2.00 (domestic). Second class postage paid at Cincinnati, Ohio.

POSTMASTER: Send address changes to THE WOMAN CPA, 6600 Clough Pike, Cincinnati, OH 45244.

Change of address notices must be sent to Circulation Department giving both old and new addresses and zip code numbers. Please allow four weeks' notice.

Manuscripts should be addressed to the Associate Editor, Manuscripts. Letters to the Editor, news items and other materials should be sent directly to the business office. Manuscript guidelines available upon request. All manuscripts are reviewed.

Views expressed therein are the authors and do not necessarily represent the policy of either Society. Permission to reprint articles appearing in any issue of THE WOMAN CPA is at the discretion of the Editor.

Requests for information regarding advertising should be sent to the Business Manager.

All remittances for subscriptions should be sent directly to the Business Manager. Checks should be made payable to THE WOMAN CPA.

CIRCULATION DEPARTMENT:

THE WOMAN CPA
P.O. Box 39295
Cincinnati, Ohio 45239

Contents

The Woman CPA

ISSN 0043-7271

SPRING, 1990

VOLUME 52, NUMBER 2

ARTICLES

Governmental Auditing	5
By Lela D. Pumphrey and Karen Sparks	
Governmental Accounting	9
By Larry P. Bailey and Bruce A. Leauby	
L.A. Accountant?	14
By Leonard A. Bacon, Trini U. Melcher and Scott Greene	
In Our Opinion	17
By Mark W. Lehman and James H. Thompson	

DEPARTMENTS

GENDER ISSUES/	
Does Gender Affect Internal Auditors' Performance?	20
By Joseph M. Larkin	
EDP/Expert Systems	25
By Elise G. Jancura	
REVIEWS	30
Marketing Warfare and Bottom-Up Marketing	
By Al Ries & Jack Trout	
Working Up a Storm	
By Jeanne M. Plass and Kathleen V. Hoover-Dempsey	

Editorial Notes

One of the most visible trends we've seen during the past decade is the increasing percentage of professional women in the workplace. In addition, a larger percentage of small businesses are being founded and run by women. Recently, a writer for a national business publication called to ask my opinion about whether or not new businesses started by women are more likely to fail than those headed by men. I didn't know the answer, but I had trouble getting the question out of my mind. Failure is looked upon as a disgrace that is to be feared and avoided at all costs. Perhaps we need to look at the consequences that the fear of failure can bring.

When I went through an undergraduate accounting curriculum in the sixties, there were few women in my business classes. They consistently received very high grades. Now, half the students in my classes are women, and many of them are struggling academically.

When I sat for the CPA Exam in the seventies, those



Suzie Superstar

candidates who passed all parts on the first sitting were called to the front of the room for a special award. Although the men taking the exam far outnumbered the women, six women and one man came forward to collect their awards. You could tell the lone male was uncomfortable by his cross buttoned suit jacket. On the most recent exam, half those sitting were women,

yet only slightly over half of the first time passers were women.

Why has the proportion of women who excel decreased? Do these changes represent a step back for women, or a giant step forward? I believe that we are seeing the results of significant advances for women in the workplace.

In the past, only Suzie Superstar would step forward to pick up the torch. She had to succeed because she represented her entire sex. Only those with exceptional abilities stood a chance of making their marks in this male dominated profession. Now, Amy Average is claiming her right to be a participant. Naturally, since Amy does not have Suzie's outstanding abilities, she is more likely to advance at a slower pace, or even stumble and fall. So, do we encourage Suzie into the profession and discourage Amy because she isn't considered a strong role model for

Amy Average



the young women coming after her?

The December 4, 1989 cover of Time magazine with the theme "Women Face the '90s" carried the statement, "In the '80s they tried to have it all. Now they've just plain had it." Suzie Superstar is the outstanding performer who



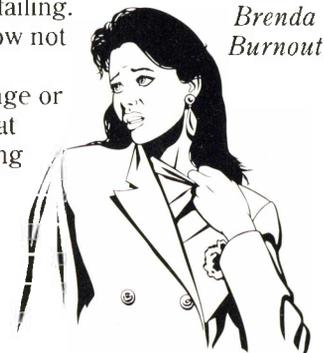
Debbie Desperate

makes it to the partnership level while raising a perfect family without showing signs of stress. From time to time, most of us envy Suzie because we can't be like her. Unfortunately Suzie Superstar is in danger of becoming Brenda Burnout. Often, Amy Average becomes Debbie Desperate if she can't accept the fact that she has different limitations than Suzie.

Do women starting small businesses fail more often than men? How can you avoid failure? Obviously, if an individual has a strong background in management, finance and marketing, an innovative idea or approach, and good business contacts he or she is more likely to succeed. But all of these factors will only increase the likelihood of not failing. I can tell you with certainty how not to fail.

First, never accept a challenge or test your limits. Stick with what you know and don't do anything that you haven't done before. Never go out on a limb unless you have someone waiting nearby to catch you when you fall. Make sure someone is there to bail you out in case you get in trouble. Don't try to be either Suzie Superstar or Amy Average, just be Melanie Mediocrity and you'll never suffer the humiliation of failing - or the exhilaration of winning.

If more women are failing, that tells me that more women are accepting challenges and exploring their limits. Certainly failure is not something to which we should aspire, but at least it signifies that women are out there developing entrepreneurial skills. We've come a long way if a woman can fail in her venture without feeling that she has failed all women.



Brenda Burnout

Betty Brown



Melanie Mediocrity

Governmental Auditing

A Comparison of the 1988 and the 1981 Revisions of "Government Auditing Standards: Standards for Audit of Governmental Organizations, Programs, Activities, and Functions"

By Lela D. Pumphrey and Karen Sparks

"The past three decades have seen a substantial increase in the number and dollar amounts of government programs and services ... " [GAO, 1988, p. i] With this increase in government expenditures came an increased demand for audit services to insure accountability by those responsible for managing government services and programs. In 1972, to provide guidance for auditors, the General Accounting Office (GAO) issued "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions." This publication (commonly referred to as the "Yellow Book") proved very useful and was revised in 1974 and again in 1981 in response to the needs of a dynamic auditing environment. In 1988 the standards were revised extensively and released with a slightly different title "Government Auditing Standards: Standards for Audit of Governmental Organizations, Programs, Activities, and Functions." The new standards are effective for audits starting January 1, 1989. This paper will list the most significant changes to generally accepted government auditing standards (GAGAS) and explain their implications for public accountants.

Summary of Important Revisions

The major revisions to the Yellow Book were incorporated into GAGAS in order to expand and clarify the existing standards, to provide guidance to auditors regarding their responsibility in connection with audits of government funds and to add a requirement for quality control. The major changes to the standards are listed in Table 1 and contrasted to the previous standards. A detailed discussion of each major change follows Table 1.

Quality Control

Perhaps the most significant change in GAGAS is the addition of a new quality control standard. This standard places responsibility on audit organizations that conduct "government audits to have an appropriate internal quality control system in place and to participate in an external quality control review program." [GAO, 1988, ¶ 3.44] The

purpose of the internal quality control system should be to provide reasonable assurance that the organization is following adequate audit policies and applicable auditing standards. The standards also require that an external quality control review be conducted at least once every 3 years. [GAO, 1988 ¶ 3.46] This new standard attempts to ensure the integrity of audits of state and local governments and non-government entities that receive government funds.

For public accountants who are members of the American Institute of Certified Public Accountants (AICPA) the new GAGAS requirement for an external quality review can be met simultaneously with meeting the new AICPA requirement for participating in quality review as a condition for membership. Public availability of the quality control report is not required by the AICPA and would therefore be an additional requirement.

Continuing Professional Education

Another significant change in GAGAS is the continuing education requirement.

The 1981 Yellow Book contained no guidance as to maintaining specific levels of proficiency. In contrast, the 1988 revision lists specific continuing education and training requirements which must be met by all auditors responsible for "planning, directing, conducting or reporting" [GAO, 1988, ¶ 3.7] on government audits. In addition to meeting the following require-

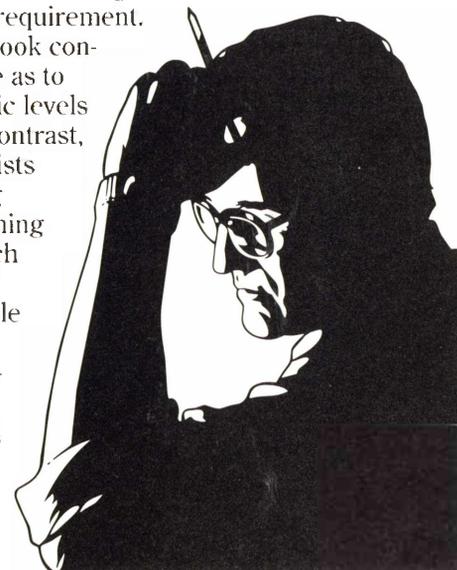


TABLE I*A Comparison of the 1988 and the 1981 Revisions of "Government Auditing Standards: Standards for Audit of Governmental Organizations, Programs, Activities, and Functions"*

1988: Requires an internal quality control system and an external quality control review (par. 3.43-3.48)	1981: Requires auditor to review general and application controls (page 40)
1981: No mention	1988: Changes terminology from "audit scope" to "types of audits" and classifies audits as financial or performance (par. 2.2)
1988: Specifies requirements for continuing professional education and training (par. 3.6-3.9)	1981: Identifies three scopes of audits: financial and compliance; economy and efficiency; and program results (page 12)
1981: No mention	1988: Requires a written report on the auditor's understanding of the entity's internal control structure and the assessment of control risk (par. 5.17)
1988: Requires auditors to design tests and procedures to detect errors, irregularities, and illegal acts (par. 4.13-4.18)	1981: Requires a report on the study and evaluation of internal control (page 29)
1981: Requires auditors to be alert to indications of fraud abuse and illegal acts (pages 26 and 47)	1988: Expands consideration of independence to include personal and external impairments (par. 3.15)
1988: Expands requirements for arrangement and content of working papers (par. 4.22)	1981: Accepts, for public accountants, the AICPA's definition of independence (page 18)
1981: Provides guidance for arrangement and content of working papers (page 46)	1988: Provides guidance on procuring audit services (par. 1.17)
1988: Requires follow-up on previous findings and requires disclosure of known but uncorrected material findings (par. 3.41)	1981: No mention
1981: Requires follow-up on findings from previous audits to determine actions taken (page 22)	1988: Refers to the Single Audit Act of 1984 (pages 1-5, 4-2, 4-3, 4-4, 5-2, 5-3, 5-11)
1988: Expands guidance on relying on the work of others (par. 3.35-3.40)	1981: No mention of Single Audit Act
1981: Requires relying on work of others when feasible (pages 35-36)	1988: Lists legislation which requires the use of these standards (par. 1.1-1.7)
1988: Expands guidance on materiality (par. 3.33-3.34)	1981: Recommends use of these standards by state and local auditors and public accountants auditing state and local entities (page 1)
1981: Mentions materiality (pages 21-22)	
1988: For computer-based systems permits either (a) a review of general and application controls or (b) other tests (par. 6.62)	

ments, the audit organization is required to maintain documentation of the education and training completed. [GAO, 1988, ¶ 3.7]

... auditors responsible for planning, directing, conducting, or reporting on government audits should complete, every 2 years, at least 80 hours of continuing education and training which contributes to the auditor's professional proficiency. At least 20 hours should be completed in any one year of the 2 year period. Individuals responsible for planning, directing, conducting substantial portions of the field work, or reporting on the government audit should complete at least 24 of the 80 hours of continuing education and training in subjects directly related to the government environment and to government auditing. [GAO, 1988, ¶ 3.6]

Errors, Irregularities, and Illegal Acts

The auditor's role in detecting and reporting errors irregularities, abuse and illegal acts represents a major change from 1981. The 1981 Yellow Book merely required the auditor to *be alert* to any situations, transactions, or events that could be indica-

tive of fraud, abuse, or illegal acts. [GAO, 1981, pp. 27 & 47]

Effective with the 1988 revision, however, an auditor "should *design steps and procedures* to provide reasonable assurance of detecting errors, irregularities and illegal acts that could have a direct and material effect on the financial statement or the results of financial related audits. [GAO, 1988, ¶ 4.13] Additionally auditors should "be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements or the results of financial related audits." [GAO, 1988, ¶ 4.13] The field work standards for financial audits specify that in fulfilling the above requirement, the auditor should follow the guidance contained in the AICPA's Statements on Auditing Standards (SAS) #53 and #54.

An auditor conducting performance audits "should design the audit to provide reasonable assurance of detecting abuse or illegal acts that could significantly affect the audit objectives." [GAO, 1988, ¶ 6.37]

Working Papers

The newest revision of the GAO standards expands the requirements for the arrangement and content of working papers. The 1981 Yellow Book specified that working papers: (1) contain the results and scope of the examination; (2) not require detailed, supplementary, oral explanations; (3) be legible; and (4) restrict information included to matters that are materially important and relevant to the objectives of the examination. [GAO, 1988, p. 46] In addition to these requirements, the 1988 Yellow Book requires that working papers: (1) contain a written audit program cross-referenced to the working papers; (2) contain the objectives and methodology of the audit; (3) contain adequate indexing and cross-referencing, and include summaries and lead schedules, as appropriate; and (4) contain evidence of supervisory reviews of the work conducted. [GAO, 1988, ¶ 4.22]

Audit Follow Up

As stated in the 1981 Yellow Book, due professional care requires the auditor to follow up on findings from previous audits to determine whether appropriate corrective actions have been taken. [GAO, 1981, p. 22] The 1988 Yellow Book expands on this requirement by requiring that government auditors have procedures to track the status of actions on material findings and recommendations and specifying that the auditor's report disclose the status of known uncorrected significant findings and recommendations from prior audits. [GAO, 1988, ¶ 3.41]

Public accountants unfamiliar with government auditing may not recognize their responsibilities in the area of audit follow-up. Implementing procedures to track the status of actions on material findings and recommendations may be as simple as an audit step in which all prior findings and recommendations are listed and a note made as to their disposition. Any prior findings and/or recommendations on which corrective action has not been taken would then be noted for disclosure in the current report.

Reliance on the Work of Others

The 1988 Yellow Book also includes guidance on relying on the work of others in order to increase audit efficiency by eliminating duplication of effort. The new standards contain specific guidance on the tests to be done before relying on the work of others. Tests of the quality of the work of other auditors will differ depending on whether the other auditors are external auditors, internal auditors, or nonauditors (specialists, experts, etc.). In all cases "the auditors should determine whether the audit organizations have an appropriate internal quality control system in place and whether the organization participates in an external quality review program." [GAO, 1988, ¶ 3.37(d)]

External Auditors

When the other auditors are external auditors, tests should include "making inquiries into the professional reputation, qualifications, and independence of the

auditors." [GAO, 1988, ¶ 3.37(a)] In addition, the auditor should consider reviewing the audit programs and/or work papers of the external auditors. [GAO, 1988, ¶ 3.37(a)]

Internal Auditors

When the other auditors are internal auditors, tests should include determining whether they are qualified and organizationally independent, as well as determining the quality of their work. [GAO, 1988, ¶ 3.37(b)]

Nonauditors

When the work has been performed by nonauditors, the auditors should "satisfy themselves as to the nonauditors professional reputation, qualifications, and independence." [GAO, 1988, ¶ 3.37(c)]

For public accountants following the auditing standards issued by the AICPA, there already exists a requirement to determine the independence and quality of work of other auditors before relying on their work. What is significantly different in auditing governmental entities is that such reliance is expected to avoid duplication of efforts.

Materiality

Materiality is another area that has been expanded by and clarified in the 1988 Yellow Book. The 1981 Yellow Book mentioned materiality in connection with the exercise of due professional care and stated that "...[A]s a minimum the choice of tests and procedures requires consideration of ... materiality of matters to which the test procedures will be applied ..." [GAO, 1988, pp. 21-22] In contrast to this brief mention of materiality and significance, the revised edition contains a lengthy discussion of this topic and enumerates various considerations, both qualitative and quantitative, that should be taken into account when attempting to determine materiality and audit risk. Public accountants should be aware that "[i]n government audits the materiality level and/or threshold of acceptable risk may be lower than in similar-type audits in the private sector ..." [GAO, 1988, ¶ 3.33] Because of the use of nonvoluntary resources (taxes) by government entities, the public has a

different expectation of the level of accountability that it has for private sector enterprises. Public accountants must take this lower materiality level into consideration in the planning stages when determining the tolerable error and in evaluation stage when deciding if the internal control reduces risk to an acceptable level or if the financial statements are presented fairly.

Reliance on a Computer-Based System

Since the computer had become an integral part of modern accounting systems, the 1981 Yellow Book included auditing computer-based systems as a separate standard in Chapter VI, "Examination and Evaluation Standards for Economy and Efficiency Audits and Program Results Audits." In the 1988 revision auditing computer-based systems was eliminated as a separate standard and incorporated under the "Evidence" standard for performance audits. The 1981 standards required the auditor to review both general controls and applications controls of data processing applications upon which the auditor was relying [GAO, 1981, p. 40], whereas 1988 revision allows the auditor a choice between reviewing general and application controls or performing other tests and procedures as the situation warrants in order to determine the reliability of data generated. [GAO, 1988, ¶ 6.62] This new wording allows the public accountant additional flexibility and permits the exercise of professional judgment when attempting to determine the reliability of computer generated data.

Types of Audits

There are several types of government audits. In the 1981 Yellow Book, the discussion of the types of audits appeared under the topic "scope of audit work" which consisted of Financial and Compliance audits, Economy and Efficiency audits, and Program Results audits. The 1988 revision not only changes the terminology from "scope" to "types" but also classifies audits in two categories – financial and performance. It also clearly states that "... [t]his description is not

intended to limit or require the types of audits that may be conducted or arranged." [GAO, 1988, ¶2.1] The revised standards emphasize that the audit objectives determine the type of audit to be conducted and the appropriate standards to be followed.

Understanding, Assessing, and Reporting on Internal Control

Internal control is the underlying basis of any accounting system. Therefore, both GAAS and GAGAS require that the auditor obtain "A sufficient understanding of the internal control structure ... to plan the audit and to determine the nature, timing and extent of tests to be performed." [GAO, 1988, ¶4.23] The 1988 revision clarifies the auditor's responsibility for understanding, assessing and reporting on internal control. In fulfilling this requirement, the revision specifies that the auditor should follow, at a minimum, the guidance contained in the AICPA's SAS #55. [GAO, 1988, ¶4.27]

Independence

The 1981 standards said that "public accountants will be considered independent if they are independent under the AICPA Code of Professional Ethics." [GAO, 1981, p. 18] this blanket acceptance of the Code of Professional Ethics (now titled the Code of Professional Conduct) of the AICPA does not appear in the 1988 revision. Rather, the new standards say that in addition to following the AICPA Code and the code of professional conduct of the appropriate state board of accountancy, public accountants need to consider those personal and external impairments that might affect their work and their ability to report their findings impartially. Two of the personal impairments which are not specifically addressed by the AICPA Code but which would impair independence under the GAO standards are: (1) "preconceived ideas toward individuals, groups, organizations, or objectives of a particular program [GAO, 1988, ¶3.16(b)]; and (2) "biases, including those induced by political or social convictions." [GAO, 1988, ¶3.16(d)]

Audit Procurement

Procurement of audit services is addressed in the 1988 Yellow Book. While not an audit standard, it is important that sound procurement practices be followed when contracting for audit services. " Specific factors to consider when awarding a contract are: "(a) price; (b) responsiveness of the bidder to the request for proposal; (c) past experience of the bidder; (d) availability of bidder's staff with qualification and technical abilities; (e) whether the bidder participates in an external quality control review program." [GAO, 1988, ¶1.17]

Public accountants should be aware of the factors which will be used to evaluate their proposal (bid). All of these factors, except item (b), can and should be addressed by the public accountants in the proposal.

Single Audit Act

Included in the 1988 Yellow Book are numerous references to the Single Audit Act of 1984 (the Act). Although the revised standards themselves do not include the requirements of the Act, various footnote references to those requirements are included where appropriate. The revised standards emphasize that in order to be in compliance with the Act, audits of state and local governments must be made in accordance with the standards set forth in the 1988 Yellow Book as well as the specific audit requirements of the Act that exceed the minimum audit requirements defined in the 1988 Yellow Book.

Public accountants accepting engagements to audit entities receiving federal financial assistance should be aware of the additional audit requirements of the Single Audit Act of 1984, OMB Circular A-128 and the AICPA publication *Audits of State and Local Government Units*. The Single Audit Act requires the public accountant to report on compliance for each major federal assistance program. This is a major expansion of testing and reporting requirements under GAAS.

Authority of GAGAS

In 1981 the standards were *required* for Federal auditors for audits of Federal organizations and non-Federal organizations receiving

Federal funds and were *recommended* for use by state and local government auditors and public accountants for audits of state and local organizations. [GAO, 1981, p. 1] Under various federal legislation, federal inspectors general and other federal auditors are required to use these standards. Under the Single Audit Act of 1984, the 1988 standards are *required* for any auditors conducting audits of state and local government organizations receiving federal financial assistance. [GAO, 1988, ¶1.4] Because almost all state and local entities receive some form of federal financial assistance these standards virtually have become required for all state and local government audits.

Summary

While the preceding discussion of the 1988 revisions of the Yellow Book does not cover all of the subtle changes to GAGAS, it has highlighted most of the major changes from 1981. The 1988 revision represents an attempt to improve audit quality. It should be anticipated that as the audit environment continues to evolve, generally accepted government auditing standards will continue to change to meet the needs of the various levels of government, the general public, and the auditee. Public accountants accepting engagements of government entities or entities receiving federal financial assistance should implement these new standards immediately.

Lela D. Pumphrey, Ph.D., CPA, CMA, CIA is an Associate Professor of Accounting and Acting Associate Dean of the College of Business at Idaho State University. She presently serves as Chairman of the Financial Management Standards Committee of the Association of Government Accountants.

Karen Sparks is a Senior Accountant in the Accounting Office at Idaho State University.

U.S. General Accounting Office, *Government Auditing Standards: Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, 1988 Revision.*

U.S. General Accounting Office, *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, 1981 Revision.*

AICPA, SAS #55, "Consideration of the Internal Control Structure in a Financial Statement Audit" (April 1988).

Nearly three times as many domestic flights with Business Class as all other airlines combined.

**TWA offers a separate Business
Class cabin on every widebody.**

Business people want to fly in
Business Class.

This is not exactly a trade secret.
Yet, it's amazing how many airlines
don't take this simple fact seriously.

TWA does. With 97 Business
Class flights a day to major U.S.
cities, we take Business Class very
seriously indeed.

That's 97 chances to enjoy the

comforts and amenities of what we
call Ambassador Class.[®] The separate
cabin. The spacious seats. The extra
legroom. Fine meals served on china
and linen. Complimentary cocktails
and entertainment.

So if you think you deserve Busi-
ness Class, call your travel agent, or
TWA at 1-800-221-2000, and fly with
the one airline that agrees with you.



Today's TWA

Find out how good we really are.[®]

*You left a teapot in a taxi. We replaced it.
You wrecked your rented car. We covered it. You missed your flight. We changed it.*



© 1989 AMERICAN EXPRESS TRAVEL RELATED SERVICES COMPANY, INC.



TO APPLY, CALL 1 • 800 • THE • GOLD

*UNDERWRITTEN BY THE INS. CO. OF NO. AMERICA, A CIGNA CO. THE AMERICAN EXPRESS® PURCHASE PROTECTIONSM PLAN COVERS MOST WORLDWIDE CARD PURCHASES FOR 90 DAYS. CONDITIONS ADMINISTRATIVE OFFICES, SAN RAFAEL, CA. CERTAIN EXOTIC, EXPENSIVE AND ANTIQUE CARS ARE NOT COVERED, NOR ARE TRUCKS, JEEPS, CERTAIN VANS AND OTHER VEHICLES THAT ARE NON RENTAL C

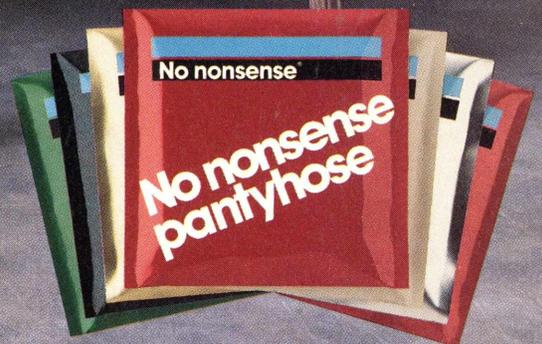


**Finally pantyhose that are
practically kid-proof.**

At No nonsense[®], we know that when a working mom puts her feet up at 6 o'clock, it's usually to give junior a ride. That's why we design our pantyhose to last. Hugs, tugs and all.

©1989 No Nonsense Fashions, Inc.,
a subsidiary of Kayser-Roth Corp.
Made with DuPont nylon.

Pantyhose that last are **No nonsense[®]**



*You always wanted the perfect traveling companion. Now you've got it.**



*Worth its wait*SM



THE AMERICAN EXPRESS® GOLD CARD

TERMS AND CONDITIONS APPLY. \$2,500 LIMIT PER ITEM ON JEWELRY, WATCHES AND FURS. CAR RENTAL INSURANCE SUBJECT TO POLICY TERMS AND CONDITIONS. UNDERWRITTEN BY AMEX ASSURANCE COMPANY. THIS IS EXCESS COVERAGE THAT REIMBURSES FOR ELIGIBLE LOSSES NOT COVERED BY OTHER SOURCES OF INSURANCE OR REIMBURSEMENT PLANS. COVERAGE APPLIES TO U.S. CARDMEMBERS ONLY.

Governmental Accounting

The Current and Proposed Governmental Accounting Models: A Comparison

By Larry P. Bailey and Bruce A. Leauby

Governmental financial reporting has often been the target of criticism. This criticism has ranged from the unwieldy nature of the financial report to the confusing and often contradictory governmental accounting principles and procedures.

For the past few years a significant portion of the Governmental Accounting Standards Board's (GASB) research efforts has been directed to the fundamental concepts that provide the foundation of governmental financial reporting. In December 1987, the GASB issued an Exposure Draft entitled *Measurement Focus and Basis of Accounting-Governmental Funds*. After extended public debate the GASB, in August 1989, issued a revised Exposure Draft entitled *Measurement Focus and Basis of Accounting-Governmental Fund Operating Statements*. If adopted, the revised Exposure Draft would have a dramatic effect on the governmental accounting model and would mitigate much of the criticism now directed at governmental financial reporting. The purpose of this article is to compare the current and proposed governmental accounting models.¹

The Conceptual Foundation of An Accounting Model

An accounting model provides the basis for establishing specific accounting and reporting standards. The two fundamental concepts that provide the foundation for an accounting model are the *measurement focus* and the *basis of accounting*. The GASB offered the following descriptions for these concepts.

Measurement focus – *The objective of a measurement, that is, what is being expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering not only which resources are measured, but also when the effects of transactions or events involving those*

resources are recognized (the basis of accounting). (p. 108)

Basis of accounting – *The timing of recognition, that is, when the effects of transactions or events should be recognized for financial reporting purposes. For example, the effects of transactions or events can be recognized on an accrual basis (that is, when the transactions or events take place), or on a cash basis (that is, when cash is received or paid). Basis of accounting is an essential part of measurement focus because a particular timing of recognition is necessary to accomplish a particular measurement focus. (p. 105)*

The measurement focus of an accounting model determines *what* transactions and events are to be processed through the accounting model. More specifically, the measurement focus determines which inflows and outflows of resources are to be reflected in the governmental entity's financial report. The balance sheet would present those resources that are available to satisfy obligations of the entity and those resources to be used in the performance of services in future periods. Similarly, an entity's activity statement would summarize those resources received and those resources consumed during a period.

To illustrate the role of a measurement focus in an accounting model, assume that a governmental entity acquires a capital asset through the issuance of a long-term note. In deciding whether the acquired capital asset and the related debt should be reported as a fund asset and liability, respectively, a measurement focus for the entity must be identified.

Although there are a variety of measurement focuses the GASB identified and defined the following measurement focuses in a 1984 Discussion Memorandum that preceded the issuance of the revised Exposure Draft concerning measurement focus and basis of accounting.

- Flow of current financial resources – *The measurement focus that is used in the governmental fund accounting model to measure the sources, uses, and balance of current financial resources, which are those financial resources that are cash or will be converted to cash within a specified period, such as 60 days or one year, after the balance sheet date.*

- Flow of current financial resources – *The measurement focus that is used in the governmental fund accounting model to measure the sources, uses, and balance of current financial resources, which are those financial resources that are cash or will be converted to cash within a specified period, such as 60 days or one year, after the balance sheet date.*

¹ The GASB has a number of research projects that are related to the Exposure Draft discussed in this article. Issues addressed in those research projects include postemployment benefits, claims and judgments, special termination benefits, capital improvement special assessment transactions, intergovernmental grants, entitlements, and share revenues, operating expenditures resulting from nonexchange transactions and debt service expenditures on general long-term capital debt. The tentative strategy of the GASB is to have all projects completed and have a common effective date.

- Flow of total financial resources – *The measurement focus that is used in the governmental fund accounting model to measure the sources, uses and balances of financial resources regardless of when they will be received or disbursed.*

- Flow of economic resources – *The measurement focus used in the commercial model to measure economic resources, the claims to those economic resources, and the effects of transactions, events, and circumstances that change economic resources and claims to those resources.* [p. 60]

To return to the previous capital asset acquisition illustration, using the flow of current financial resources measurement focus, the capital asset and long-term note would not be presented as part of a governmental fund but rather would be reported in the governmental entity's General Fixed Assets Account Group and General Long-Term Debt Account Group, respectively. The transaction does not have an affect on the financial resources of the entity, and the long-term note is not a claim against current financial resources. On the other hand, if an entity uses the flow of economic resources measurement focus, both the capital asset and the long-term liability would be presented in the fund's balance sheet because under this measurement focus the purpose is to measure the flow of all economic resources and obligations of the entity.

The other fundamental concept of an accounting model is the basis of accounting. The basis of accounting determines *when* transactions and events are recorded and is interrelated with the measurement focus. Two bases of accounting, as defined by the GASB, are described below.

Modified accrual basis – *The process of recognizing revenues and expenditures for events that occur by the end of the fiscal year for which the cash receipt or payment is normally expected to occur within a specified period after the balance sheet date.*

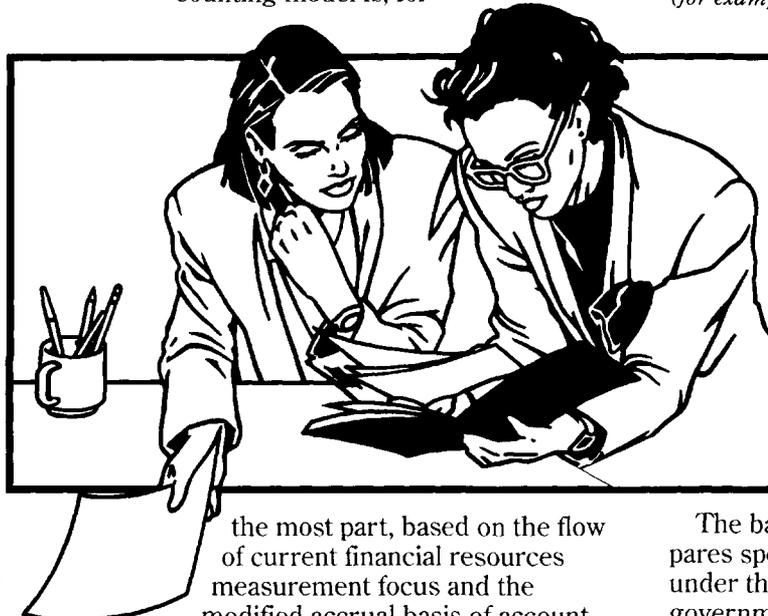
Accrual basis – *Recognition of revenues and expenses or expenditures, and the related assets and liabilities, as the causative event occurs rather than when*

the cash is received or disbursed. [pp. 59 & 61]

Returning to the capital asset illustration, under the modified accrual basis the capital expenditure would be recognized when incurred. Alternatively, under the accrual basis the asset would be capitalized and depreciated over its estimated economic life.

Current and Proposed Governmental Accounting Models

The current governmental accounting model is, for



the most part, based on the flow of current financial resources measurement focus and the modified accrual basis of accounting. The current model can be expressed as follows.

Current and Financial Resources = Current Financial Liabilities + Fund Balance

Current (expendable) financial resources include cash, and other assets that will be converted to cash within a relatively short period after the close of the fiscal year. Current financial liabilities represent claims against current financial resources and generally are due shortly after the end of the fiscal year.

The proposed governmental accounting model is different from the measurement focuses in the Discussion Memorandum and is based on the flow of financial resources measurement focus. The flow of financial resources measurement focus is more restricted than the flow of total financial resources because, as shown below, the GASB established a narrower definition of

financial resources than previously published.

The proposed governmental accounting model can be expressed as follows:

Financial Resources = Operating Debt + Fund Balance

The GASB defined financial resources and operating debt in the following manner.

- Financial resources – *Cash, claims to cash (for example, debt securities of another entity and accounts and taxes receivable), claims to goods or services (for example, prepaid items), consumable goods (for example, supplies inventories), and marketable equity securities of another entity obtained or controlled as a result of past transactions or events.* [p. 106]

- Operating debt – *Debt that provides financial resources to and is expected to be repaid from the financial resources of governmental funds but which is not related to the acquisition of capital assets, including infrastructure, or the financing of certain nonrecurring projects or activities that have long-term economic benefit.* [p. 109]

The balance of this paper compares specific accounting standards under the current and proposed governmental accounting models for revenues, expenditures, and debt. Exhibit I summarizes the specific accounting standards under the current and proposed governmental accounting models.

Revenues

Under the current governmental accounting model, revenues are recognized when they are both *measurable* and *available*. [NCGA, Statement-1, p. 11] Revenues are considered to be measurable when they are subject to reasonable estimation. The availability criterion is satisfied when revenues are considered to be realized (converted to cash) within the current accounting period or after the end of the accounting period but within time to pay liabilities outstanding at the end of the current accounting period.

Perhaps the best illustration of the application of the revenue recognition criteria is the accounting for

Exhibit I
Summary of Accounting Standards for the Current and Proposed Governmental Accounting Models

Transaction or Event	Current Governmental Accounting Model	Proposed Governmental Accounting Model
<i>REVENUES</i>		
• Nonexchange	Revenues recognized when measurable (subject to estimation) and available (collected within a short period after the close of accounting/budgetary year)	Revenues recognized when following satisfied: <ul style="list-style-type: none"> • Transaction or event has taken place • Entity has demanded that taxes be paid by creating a due date • Taxpayer has acknowledged or entity has affirmed the tax amount due
• Exchange	Same criteria as used for nonexchange revenues (see above)	Revenues recognized when earned (entity has done what it must do to complete its side of the transaction)
<i>EXPENDITURES</i>		
• Operating	Expenditures recognized when events or transactions consume expendable financial resources	Expenditures recognized when service or product is provided or consumed, regardless of when cash is disbursed
• Capital	Expenditures recognized when capital assets are acquired	Same as current model
• Debt Service	Expenditures for interest and principal recognized as they become due (maturity date)	Expenditures related to GLTDAG debt is recognized using the same standards as current model Expenditures on operating debt is recognized on an accrual basis and related discount or premium amounts are subject to amortization using the effective interest method
<i>LONG-TERM DEBT</i>		
• Capital	Reported in GLTDAG with proceeds reported as another financing source on the statement of operations	Same standards as used in the current model
• Operating	Reported in GLTDAG with proceeds reported as another financing source on the statement of operations	Reported in a specific fund with no recognition of proceeds as another financing source at issuance date; commercial accounting standards are used to account for principal repayments and early extinguishments of debt

property tax revenue. The measurability criterion simply means that a reasonable estimate of uncollectible accounts must be determined. With respect to the availability criterion, property taxes must be generally collected within 60 days after the end of the accounting period in which the property tax revenue was recognized. [NCGA Interpretation 3, p. 1]

The proposed governmental accounting model identifies two broad types of revenues, namely nonexchange and exchange revenues. Nonexchange revenues, such as taxes, fines and fees, should be recognized when all of the following criteria are satisfied:

- *The underlying transaction or event has taken place.*
- *The government has demanded the taxes from the taxpayer by establishing a due date on or before the end of the period. However, taxpayer-assessed taxes with a due date within one month after the end of the period to allow for "administrative lead time" should be considered as having been demanded as of the end of the period.*
- *The demand for taxes has been acknowledged or affirmed. Taxpayer acknowledgment (by paying the taxes or reporting a tax liability to the government) or government affirmation (by billing for the taxes) should be received or made before financial statements are issued, and a cut-off date for acknowledgment and affirmation should be applied consistently each period. [GASB, Exposure Draft, p. 18]*

Exchange revenues, such as user fees, investment income and gains from the sale of investments, should be recognized when earned, irrespective of when the cash is received. The term *when earned* means when "the entity has done what it must do to complete its side of the transaction." [p. 27] For example, investment income from fixed-rate securities would be recognized with the passage of time, while a gain from the sale of an investment would be recognized when the transaction occurs.

In order to compare the current and proposed revenue recognition criteria, the accounting for property taxes can be used as an illustration. Assume that a governmental entity's total property tax assessment was \$400,000 on July 1, 19X4. It is expected that 5% (\$20,000) of the assessment will not be collected and that of the amount collected, 90%

... Under the current accounting standards for governmental entities, the following entry would be made on July 1, 19X4.

Property Taxes Receivable - Current (\$500,000 x 90%)	360,000
Property Taxes Receivable - Noncurrent	40,000
Revenues - Property Taxes (\$380,000 x 90%)	342,000
Allowance for Uncollectible Property Taxes -	
Current (\$360,000 x 5%)	18,000
Allowance for Uncollectible Property Taxes -	
Noncurrent (\$40,000 x 5%)	2,000
Deferred Revenue (\$380,000 x 10%)	38,000

... Under the proposed accounting model, the governmental entity would make the following entry to record the recognition of property tax revenues.

Property Taxes Receivable - Current	360,000
Property Taxes Receivable - Noncurrent	40,000
Revenues - Property Taxes	380,000
Allowance for Uncollectible Property Taxes -	
Current (\$20,000 x 90%)	18,000
Allowance for Uncollectible Property Taxes -	
Noncurrent (\$20,000 x 10%)	2,000

(\$380,000 x 90% = \$342,000) will be collected during the fiscal year ended June 30, 19X5 or within 60 days of the end of the year. The balance of the property taxes will be collected more than 60 days after June 30, 19X5 but before the 19X5 financial statements are issued.

Expenditures

The current governmental accounting model measures only the flow of expendable financial resources. Therefore, events or transactions that represent the outflow of expendable financial resources are classified as governmental expenditures. An expenditure either has reduced expendable financial resources in the accounting period or represents a claim (liability) that expects to decrease expendable financial resources in the very near future.

The GASB Exposure Draft defines expenditures as "decreases in financial resources from transactions other than interfund transfers, issuance discounts on general long-term capital debt, and refundings of general long-term capital debt." [p. 106] Expenditures include operating, capital, and debt service expenditures. Operating expenditures can arise from exchange transactions or nonexchange events; however, the Exposure Draft does not provide recognition criteria for operating expenditures from nonexchange

transactions.

The distinction between exchange and nonexchange expenditures is that an exchange transaction represents one party receiving and one party sacrificing something of value. Nonexchange expenditure transactions would represent resources normally distributed for legislatively approved programs such as food, housing and education.

Operating expenditures are described as all expenditures recognized that are not specifically classified as capital expenditures, debt service expenditures, operating transfers out or residual equity transfers out. In determining operating expenditures with respect to prepayments and supplies, only the consumption method can be used. That is, the related operating expenditure is recognized as services are consumed (prepayments) or the goods are used (inventories).

The Exposure Draft establishes standards for determining expenditures for compensated absences by adopting, for the most part, standards that had been established by GASB-43 (Accounting for Compensated Absences). However, the GASB continues to research the topic and it is expected that a separate statement will be issued addressing compensated absences before the proposed statement on measurement focus and basis of accounting is effective.

Capital expenditures should be

recognized when a capital asset is acquired. As in the current accounting model, the capital asset would be reported in the governmental entity's General Fixed Assets Account Group and would not be subject to depreciation. In addition, capital expenditures and assets that arise from capital leases and long-term installment contracts should be recognized. The Exposure Draft notes that the standards established by FASB-13 (Accounting for Leases, as amended) should be followed in accounting for lease transactions when the governmental entity is either the lessee or the lessor. Nonetheless, the GASB recognizes that the standards established in FASB-13 may have to be modified in order to apply them in the context of the governmental accounting model, and the GASB is considering whether it is appropriate to establish a research project to study how the FASB-13 standards should be modified.

The accounting for debt service expenditures depends upon the type of debt that is incurred by the governmental entity. As explained later in this article, debt is classified as either general long-term capital debt (which appears in the General Long-Term Debt account Group (GLTDAG)) and operating debt (which appears in a specific fund).

The accounting standards for measuring debt expenditures for debt which appears in the GLTDAG would not change if the Exposure Draft is adopted. That is, debt expenditures are recognized when due (maturity date) and are not subject to accrual. The current exception to this standard would remain. That is, debt service expenditures can be recognized before the due date when funds have been transferred to a Debt Service Fund in anticipation of making debt service payments shortly after the end of the period.

In identifying a new type of long-term debt (operating debt), new expenditure recognition standards have been established. Debt expenditures on operating debt would be recognized in a manner consistent with commercial accounting. Thus, debt service expenditures would be accrued based on the passage of time. Furthermore, the effective interest method would be used to

measure debt expenditures when the operating debt is issued at a discount or premium.

Obviously, inconsistent methods are proposed by the Exposure Draft to measure debt expenditures for capital debt and operating debt. The GASB recognizes this inconsistency and is evaluating the measurement of debt service expenditures in its capital reporting research project.

Debt

The current governmental accounting model only reflects liabilities in governmental funds if the liability will consume expendable financial resources. This recognition criterion implies that all debt of a governmental fund is of a current nature. Noncurrent debt is accounted for in the GLTDAG.

As suggested earlier, the proposed governmental accounting model segregates debt based upon its purpose. Liabilities that are included in the GLTDAG are those incurred to acquire capital assets or to finance certain nonrecurring projects or activities that have long-term economic benefit. The GASB has not established standards as to what constitutes a nonrecurring project with long-term economic benefits but it is investigating the matter. In the Exposure Draft the GASB noted that an example may include debt issued to finance toxic waste cleanup.

The other classification of debt, which is presented in a specific fund rather than in the GLTDAG, is operating debt. Operating debt is issued for purposes other than the financing of capital assets or certain nonrecurring projects or activities that have long-term economic benefit.

An inconsistency in the proposed model is that while debt is reported based on its purpose, capital assets are not reported based on their source of funding. Therefore, the net financial resources reported in the governmental funds will be lower if debt is issued for operations and capital assets are funded out of revenues rather than the opposite. That is due to the operating debt being recognized in the governmental fund rather than GLTDAG.

Summary

The GASB Concepts Statement 1 has identified the concept of measuring interperiod equity as a financial reporting objective for governmental entities. To help achieve this objective, the GASB has proposed an accounting model based upon an expanded measurement focus (the flow of financial resources) and a more comprehensive basis of accounting (accrual). This proposed governmental accounting model and the numerous other research projects now being conducted by the GASB will enormously change the accounting and reporting requirements of governmental entities. The tentative effective date for the proposed governmental accounting model (and the target date for many of the related research projects) is for financial statements for periods beginning after June 15, 1993. Although the effective date is several years in the future, undoubtedly the governmental financial reporting community will need a sufficient amount of time to digest and implement these dramatic changes.

This paper has compared the current and proposed governmental accounting model for governmental funds to show the major difference between each model.

Larry P. Bailey is a professor of accounting at Rider College in Lawrenceville, New Jersey.

Bruce A. Leuby is an assistant professor of accounting at LaSalle University in Philadelphia, Pennsylvania.

Governmental Accounting Standards Board, "Measurement Focus and Basis of Accounting-Governmental Fund Operating Statements", Exposure Draft (Revised) (Stamford: GASB, August, 1989).

Governmental Accounting Standards Board, "Measurement Focus and Basis of Accounting-Governmental Funds", Discussion Memorandum (Stamford: GASB, February 1984).

National Committee on Governmental Accounting, "Governmental Accounting and Financial Reporting Principles," NCGA Statement-1 (Chicago: MFOA, March 1979).

National Committee on Governmental Accounting, "Revenue Recognition - Property Taxes", NCGA Interpretation-3 (Chicago: MFOA, June 1981).

L.A. Accountant?

By Leonard A. Bacon, Trini U. Melcher and Scott Greene

Why, when college enrollments are expanding so greatly, is the number of students seeking accounting degrees remaining nearly constant?

Richard John asked this question in his 1966 article, "Predicting Success in Accounting Careers," [John, P. 16] suggesting that the woes of accounting stemmed from its poor image. Accounting wasn't a "cool" profession and hence, did not attract young people to its ranks. Today, television has glamorized the legal profession with shows such as "L.A. Law" and made the medical field appear, if nothing else, interesting with shows such as "Nightingales," "St. Elsewhere," and "General Hospital." Still however, the Certified Public Accountant remains the unglamorous, un-"cool", pencil-behind-the-ear, backroom nerd today's students dread becoming. Maybe it is reasonable that people should shun the accounting profession. After all, nobody enjoys paying taxes and the CPA stands there as the bearer of bad news. However, most high school students haven't even begun to grasp the significance of April 15 and still they dread the acronym "CPA." How did the accountant acquire the unpopular image that Richard John lamented in 1966? And how prevalent is accounting-phobia among the youth of 1990?

To answer this question, this study focuses on a national subgroup of high school students who have chosen to enter our profession. These students were asked why they had chosen to pursue a career in accounting and how they perceived the field. The answers received from these young people were enlightening. Why would these students choose to enter a profession that has been personified by the media as represented by either the feared IRS auditor or the boring CPA? This study aims to identify what attracted these young people to accounting. The students' answers indicate the "selling points" of our profession on which accountants of 1990 can capitalize to eradicate the unfavorable image of the CPA in today's society.

The Survey Group

This study focused on a group of high school students who were involved with the program Junior Achievement (JA). Junior Achievement is a program designed to expose high school students to free enterprise and

business. The interviewees consisted of 799 Achievers, randomly selected from the 1900 who attended the national high school conference at Indiana University in August, 1987. The focus, however, was on the 101 students who claimed that they will very likely pursue a career in business. Notes on the group include:

- *Intelligence:* It is fair to assume that these students are above average in intelligence and motivation because of their participation in the Program, and because most

of them were selected by a panel as being an officer in the best JA company from their respective home chapters. This group is familiar with business practices because of the training the program gives them. In particular, Finance Vice Presidents were taught how to maintain a set of accounting records for a corporation.

- *Age:* Of the 101 students who indicated that they wanted to be accountants, over 70% were juniors or seniors in high school the prior year.

- *Experience:* Of the 87 that had occupied office positions in JA companies, 38 had been VP, finance; 18 had been presidents; 9 secretaries; 10 VPs, marketing; and 12 VPs, production.

- *Demographic Makeup:* A little less than two thirds of the total 101 were female. The ethnic background of the total group was 78.2% white and 21.8% minority. The latter was comprised of 14% black, 5% Hispanic, 2% Asian and 1% native American.

- *Future Plans:* Of the total 101, there were 91 that "very likely will major in Business (e.g., Accounting, Economics, Management)" and another 7 are "somewhat likely to do so."

- *Career Influences:* Students were influenced mostly by their mothers (38), fathers (36), teachers (26) and friends (26). High school career counselors had relatively little perceived influence on students (16) in this group. In certain cases students indicated more than one person as influencing career choice.

The Survey

The Junior Achievers who are likely to become accountants were asked the 14 questions and were given seven occupational choices. Their responses are shown in Exhibit 1. Only one occupation could be chosen to answer each question.

TABLE 1
Responses to Survey Questions*

**Figures represent 101 students who intended to pursue a career in accounting. Numbers represent actual count, not percentages.*

	LAWYER	TEACHER	ACCOUNTANT	BUSINESS MANAGER	POLITICIAN	ENGINEER	BANKER
1. Which occupation do you consider the most prestigious?	27	1	20	12	25	5	11
2. Which is the most respected?	41	14	10	6	11	7	12
3. Which do you think would be the most interesting?	18	8	29	16	12	9	9
4. Which would offer the most challenge?	25	10	13	12	20	13	8
5. Which has the most opportunity to be creative?	10	43	6	5	11	23	3
6. In which would you be the most useful to society?	9	31	18	4	18	3	18
7. In which can you make the most money?	46	6	14	7	18	4	6
8. Which occupation interferes most with family life?	6	10	6	5	64	2	8
9. In which would you work the longest hours?	20	13	19	18	23	4	4
10. Which provides the most opportunity for advancement?	15	7	24	24	16	7	8
11. Which provides for a better lifestyle all around?	20	9	22	7	20	7	16
12. Which occupation would give a minority person the most opportunity for advancement?	13	17	13	17	8	19	14
13. Which occupation would give a woman the most opportunity for advancement?	16	33	19	16	6	3	8
14. Which occupation receives more coverage on television and newspapers?	10	2	5	1	77	2	4

They were not blinded by the glamour television ascribed to other professions, but rather chose to concentrate on a more practical road to success.

As may have been expected, the exciting image of the legal professional on television garnered the most votes as the *most prestigious, most respected* occupation involving the *most challenge* and *most money*. Teaching was selected by this group as allowing the *most opportunity to be creative* and was deemed the *most useful to society*. Politicians were seen as those who must *work the longest hours*, have a job which *interferes the most with family life*, and experience the *most news coverage* of all the professions.

More important, however, this study shows something significant about those 101 Junior Achievers who wanted to pursue a career in accounting. Responses suggest that in choosing their profession, these students were willing to put aside the general perceptions they had of accounting as compared with other more visible professions, and instead focus on what the career held for them personally. Accounting rewarded them particularly in terms of a *better lifestyle all around* and the *opportunity for advancement*. These are not benefits that can be glamorously captured on the silver screen, but these young people nevertheless were able to discern the positive offerings of the accounting profession and so for them, accounting became the *most interesting* occupation.

Conclusions

This group of Junior Achievers chose to pursue a career in accounting because it promised them realistic benefits in the future. They were not blinded by the glamour television ascribed to other professions, but rather chose to concentrate on a more practical road to success. Richard John wrote in 1966, "Large majorities of high school

students have not heard about the rewards of careers in accounting." For this group of students, the conclusion must be that the program Junior Achievement itself has given them insight into the benefits of the accounting profession. The program calls in CPAs, as well as other professionals, to talk about their careers. Apparently, this has been a key factor in their positive impressions of the profession.

In contrast to 1966, this country is no longer host to an ever increasing body of young people. High school graduates are decreasing in numbers every year (The Teacher's Almanac, 1986-1987). In the foreseeable future, the accounting profession faces a shortage of CPA's. Unless the image of the CPA is made more palatable for today's youth, a great deal of talent might be lost to the more "glamorous" fields of law, for example. The best way to remedy the situation is to go to the students directly. Junior Achievement is but one vehicle through which CPA's can speak to young people. Accountants are always warmly received at school career programs, economics classes, as well as extra-curricular programs

such as JA. The most important step that can be taken is to show today's young people that accountants are neither nerds nor the feared IRS auditors, but rather representatives of a respected profession that can offer a great deal to today's bright students. In this way, accountants can ensure a supply of talented CPA's in the future and the strength of the profession in the years to come.

Leonard A. Bacon is a Professor of Accounting at California State University, Bakersfield.

Trini U. Melcher is a Professor of Accounting at California State University, Fullerton. She is a Founding Faculty Member, California State University in San Marcos. Trini won the 1989 AWSCPA Outstanding Service Award.

Scott Greene is a Professor of Marketing at California State University, Fullerton.

John, Richard C., "Predicting Success in Accounting Careers," Wisconsin CPA (Winter, 1966); pp. 16-17.

The Teacher's Almanac, 1986-1987, Ed., Sherwood Harris & Lorna Harris, Facts on File Publication, (New York, New York), p. 349.

York University, Toronto

Seeks accounting faculty. Rank is dependent upon qualifications; salary and benefits are competitive. Candidates must possess a doctorate or be close to completion. Both effective teaching and quality publications will be expected. Contractually Limited Appointments are also available.

York University is Canada's third largest university, and the Faculty of Administrative Studies contains the country's largest and most diverse MBA program. Other programs are a small honors BBA program and a Ph.D. program.

In accordance with Canadian immigration requirements, priority will be given to Canadian citizens and permanent residents of Canada. York University is implementing a policy of employment equity, including affirmative action for women faculty.

Send resume to:

Dr. L.S. Rosen
Faculty of Administrative Studies
York University
North York, Ontario, Canada - M3J 1P3

In Our Opinion ...

A New Audit Report Attempts to Close the Expectations Gap

By Mark W. Lehman, CPA, MBA and James H. Thompson, Ph.D., CPA

Independent public accountants audit financial statements to enhance the public's confidence in the reliability of such statements. The auditor's report is the primary means through which auditors communicate this reliability to the financial community. Unfortunately, there often exists a significant difference between the level of confidence perceived by the user and the level of confidence (assurance) provided by the auditor. This well-publicized "expectations gap" becomes all too apparent when a business collapses. The investing public often blames the auditor for not forecasting the collapse in the auditor's report.

The accounting profession, responding to growing criticism from the investing public, government agencies, and congressional leaders, issued nine Statements on Auditing Standards (SASs) in 1988. One of these standards, SAS No. 58, *Reports on Audited Financial Statements*, revises the auditor's standard report.

A Comparison of the Old and New Audit Reports

The new audit report (presented in the sidebar) is required for audit reports dated on or after January 1, 1989. The traditional two-paragraph report has been expanded to three paragraphs by including a paragraph that explains the nature of an audit. Differences between the old and the new audit reports these differences are found in the report title and in the introductory, scope, and opinion paragraphs of the report.

Report Title

Generally accepted auditing standards (GAAS) require an auditor to be independent both in fact and appearance. Although the old report implied independence in its reference to GAAS, the new report explicitly labels the report as the "Independent Auditor's Report."

Introductory Paragraph

The introductory paragraph identifies the entity audited, the financial statements presented, and the time periods of the financial statements. This information was contained in the scope paragraph of the old audit report.

The word "expanded" has been replaced by the word "Audited." For years, auditors have assumed that users understood that an examination of financial statements

was achieved through an audit. The new report uses the word "audited" instead of "examined" in an attempt to eliminate any confusion.

Added to the introductory paragraph are two sentences that identify the responsibilities of both management and the auditor. The new report explicitly states that the responsibility for the content of the financial statements rests with the management of the entity. This clarifies for the reader that it is management's responsibility to prepare the financial statements and the related disclosures. The second sentence that has been added acknowl-

EXHIBIT 1

Auditor's Standard Report

Independent Auditor's Report

We have audited the accompanying balance sheet of X Company as of December 31, 19XX and the related statements of income, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of X Company as of December 31, 19XX, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

(Signature)
(Date)

edges the auditor's responsibility to express an opinion on the financial statements based on his audit.

Scope Paragraph

The old report contained a sentence stating that (1) the examination was made in accordance with GAAS and (2) the auditor performed the tests considered necessary in the circumstances. This sentence has been deleted in favor of a new scope paragraph that presents an expanded explanation of the audit process, as defined by GAAS. The new scope paragraph includes five phrases which are new to the auditor's standard report. These phrases, together with a brief explanation, follow:

(1) "... we plan and perform the audit ..." This phrase indicates that the auditor determines the level of audit risk and prepares a written plan that explains the justification for the tests to be performed during the audit. Detailed audit programs are created based on the audit plan.

(2) "... to obtain reasonable assurance ..." Since less than 100% of the transactions are tested, there is a risk that an error in the financial statements will not be detected. The language here clarifies that although the auditor attempts to minimize this risk, the auditor is unable to provide users with absolute, 100% assurance that the financial statements are correct.

(3) "... an audit includes, on a test basis, evidence supporting the amounts and disclosures ..." This clause makes clear that GAAS permits auditors to test less than 100% of an entity's transactions by testing an adequate number of representative transactions. The auditor uses observation, confirmation, inquiry, inspection, and other techniques to obtain evidence that support how management has recorded the transaction.

(4) "... an audit also includes an assessment of the accounting principles used ..." This statement draws attention to the fact that in cases where more than one accounting principle may be used, the auditor determines if the methods selected by management result in the most meaningful financial information. For example, a change from FIFO to LIFO can only be justified if LIFO results in financial statements that better present

EXHIBIT 2

Comparison of Report Formats

SAS No. 58, "Reports on Audited Financial Statement," revises the auditor's standard report. For the most significant changes, an excerpt from the SAS No. 58 format of the auditor's standard report is presented first. The italicized information describes the change from the old report format.

TITLE

INDEPENDENT AUDITOR'S REPORT

Adds reference to independence

WORK PERFORMED

"We have audited ..."

Changes "examined" to "audited"

RESPONSIBILITY

"These financial statements are the responsibility of the Company's management."

Adds reference to management's responsibility

AUDITOR'S ROLE

"Our responsibility is to express an opinion on these financial statements based on our audit."

Adds reference to auditor's role

SCOPE AND NATURE OF AN AUDIT

"Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation."

Contains an expanded explanation of the nature and scope of an audit - the old report format merely stated that the examination "...included such tests of the accounting records and other such auditing procedures ..."

AUDITOR'S JUDGMENT

"We believe that our audit provides a reasonable basis for our opinion."

The old report format stated that auditor performed tests and procedures "as we considered necessary in the circumstances."

THE OPINION

"In our opinion, the financial statements ... present fairly, in all material respects, ..."

Adds the phrase "in all material respects"

CONFORMITY WITH GAAP

"... in conformity with generally accepted accounting principles."

Eliminates the reference to the consistent application of generally accepted accounting principles

the results of operations.

(5) "... and significant estimates made by management ..." The phrasing here acknowledges that generally accepted accounting principles (GAAP) require management to make numerous judgments that directly impact the financial statements. Estimating the allowance for uncollectible accounts is a typical example. The auditor is responsible for determining if management's estimates are reasonable.

Although the procedures described are presently part of financial audits performed in accordance with GAAS, the new report explicitly states that the auditor performs these procedures.

Opinion Paragraph

Some accountants had recommended that the phrase "presents fairly" be eliminated. The new report retains the phrase; however, the phrase "in all material respects" has been added to clarify the meaning of "presents fairly." The phrase implies that the concept of materiality was used both by management in the preparation of the financial statements and by the auditor in the audit of the financial statements.

The report's reference to the consistent application of GAAP has been deleted since it is understood that financial statements prepared in accordance with GAAP are required to apply GAAP consistently among reporting periods. However, SAS No. 58 revises the second reporting standard of GAAS to require a separate explanatory paragraph in the audit report when accounting principles have not been applied consistently.

Finally, the reference to "changes in financial position" has been deleted since SFAS No. 95 replaced that statement with a statement of cash flows. Significant changes between the old and new forms of the auditor's standard report are summarized elsewhere in this article.

Conclusion

The standard auditor's report in SAS No. 58 is part of the accounting profession's attempt to close the "expectations gap." How well does the new audit report close the

expectations gap? This is a question which can only be answered with time, experience, and research. The success of this new audit report will depend primarily upon the reactions of the financial community. Stockholders, investors, bankers, and other interested parties should express their opinions of the new report to the ASB and, if requested, participate in research to determine the effectiveness of the report. Only with this input can the accounting profession continue to improve its communication with the financial community.

Mark W. Lehman, CPA, MBA is an instructor of Accounting at Mississippi State University and is currently a doctoral candidate at the University of Mississippi.

James H. Thompson, Ph.D., CPA is an Associate Professor of Accounting at the University of Mississippi. He is a member of the Oklahoma and Mississippi Societies of CPAs.

Auditing Standards Board, "Reports on Audited Financial Statements," Statement on Auditing Standards No. 58 (New York: AICPA, 1988).

Augenbraun, Barry S., "Proposed Audit Report - A Lawyer's View." The CPA Journal (November 1980), pp. 15-19.

Commission on Auditor's Responsibilities (Cohen Commission), Report, Conclusions, and Recommendations (New York: AICPA, 1978).

Elliott, Robert K. and Jacobson, Peter D., "Assessing the ASB's Ten Exposure Drafts." The CPA Journal (December, 1987), pp. 16-25.

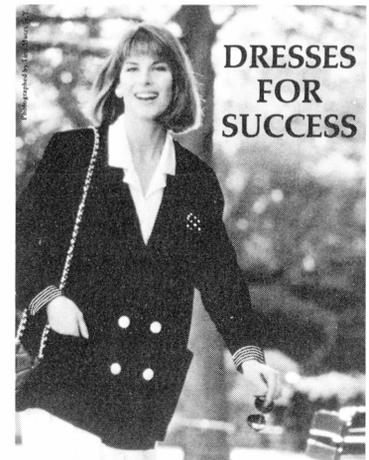
Elliott, Robert K. and Jacobson, Peter D., "The Auditor's Standard Report: The Last Word or in Need of Change?" Journal of Accountancy (February, 1987) pp. 72-78.

Financial Accounting Standards Board, "Statement of Cash Flows," Statement of Financial Accounting Standard No. 95 (Stamford, Connecticut: FASB, 1987).

Landsittel, David L., "The Auditor's Standard Report: The Last Word or in Need of Change?" Journal of Accountancy (February, 1987) pp. 80-84.

National Commission on Fraudulent Financial Reporting (Treadway Commission), Report of the National Commission on Fraudulent Financial Reporting (location: National Commission on Fraudulent Financial Reporting, 1987).

Mothers Work[®]



MATERNITY

Executive suits, elegant dresses, contemporary sportswear, and evening dresses too! For a great image during and after pregnancy. **Catalog** with swatches and fit guide \$3, refundable with order. **Visit our stores in:** Atlanta, Arlington Hts., IL, Baltimore, Boston, Charlotte, NC, Chicago, Cleveland, Dallas, Denver, Fair Oaks Mall, VA, Ft. Lauderdale, Harrisburg, PA, Hartford, CT, Houston, King of Prussia, PA, Los Angeles, Minneapolis, Memphis, TN, New Orleans, New York, Palo Alto, CA, Philadelphia, Pittsburgh, Princeton, N.J., Rochester, MN, San Francisco, Orange County, CA, Stamford, CT, St. Louis, Washington, D.C. Telephone 215-625-0151. 1309 Noble Street, 5th Floor, Dept. WO0D Phila., PA. 19123.

For Auditors Only

A consulting and staffing firm that specializes in placing Auditors in project-based assignments and staff positions at major corporations, accounting firms and other organizations throughout California.

Project-based assignments are offered to qualified professionals available to handle specific projects for client companies.

We do all the marketing for you; strictly confidential and completely free to you. Fees are paid by client companies.

Take advantage of a specialized service set up just for YOU.

Call or send resume to:
Karon Grider, CPA
(213) 658-1053

The Audit Group
6399 Wilshire Blvd., Suite 519
Los Angeles, CA 90048

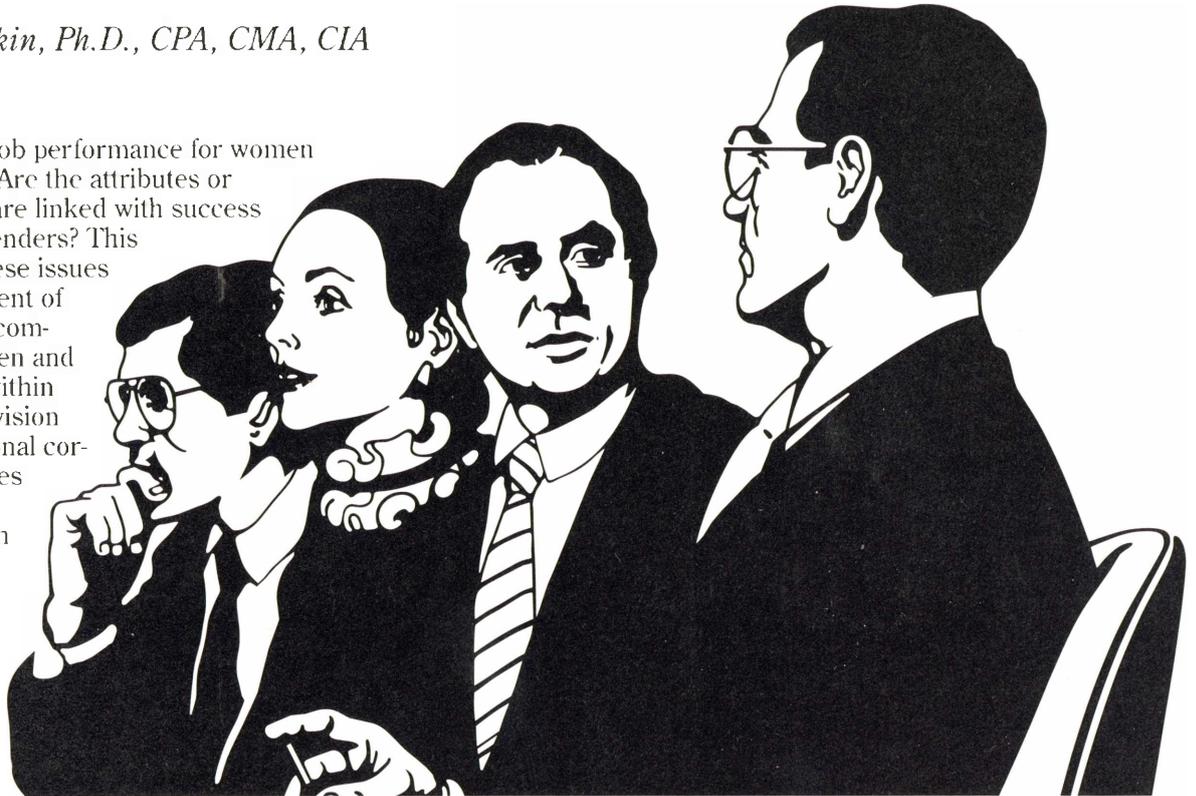
Does Gender Affect Internal Auditors' Performance?

By Joseph M. Larkin, Ph.D., CPA, CMA, CIA

How does on-the-job performance for women compare with men? Are the attributes or characteristics that are linked with success the same for both genders? This article addresses these issues within the environment of internal auditing. It compares men and women and their performance within the internal audit division of a large multi-national corporation and identifies certain personal characteristics which are associated with successful internal auditors.

While females had earned higher grades in school, tended to be more motivated, and had slightly higher levels of job satisfaction, this study found that male internal auditors' performances were rated higher than those of their female counterparts. Males also indicated stronger levels of organizational and professional commitments.

These findings raise a number of interesting questions. For instance, why is male performance rated higher than female performance, yet women earned higher grades in college, are more motivated and report higher levels of job satisfaction? Is it because men are more committed to their organization and profession? Or are there other factors which may explain the differences in performance ratings across genders? This study explores these issues.



Background

Over the years, more and more women have entered the accounting profession. A recent survey by the American Institute of Certified Public Accountants shows that

females comprise 50 percent of accounting graduates (AICPA, 1988). The number of female graduates has affected the profession considerably and raised many questions. Clearly, women are a force to be reckoned with in the accounting and auditing professions.

This article reports on a study that examined five important personal dimensions and relates them to auditor performance. The personal dimensions are ability, organizational commitment, professional commitment, job satisfaction and motivation. In

Why is male performance rated higher than female performance, yet women earned higher grades in college, are more motivated and report higher levels of job satisfaction?

the past, each one has been linked to performance.¹

Ability, as used in the study, is the competency of an individual to satisfactorily perform the required tasks of a job. It is measured using the undergraduate grade-point average (GPA), the degree attained and the prestige of the institution attended.

As indicated above, commitment includes two different concepts. Organizational commitment is defined as the strength of an individual's identification with and involvement in a particular organization. Professional commitment is the degree of an individual's loyalty to his or her profession, as perceived by the individual.

Job satisfaction is defined as the overall level of an individual's personal satisfaction with a position within an organization, relative to co-workers.

Motivation can be considered as the force that moves someone to a certain course of action or behavior.

The Study

The research instrument was a survey based upon items which were used in previous studies. It was mailed to every staff member of the organization. Over 65 percent of the questionnaires were completed and returned. In total, seventy-one staff auditors (44 male and 27 female) participated in this study, reporting demographic and attitudinal data via the survey instrument.

Performance Appraisal

Each staff internal auditor routinely received an annual overall performance appraisal from a superior who had supervised the

individual regularly throughout the year. The performance appraisal served as a global assessment of the past year's performance. The performance appraisals were extensive and strongly distinguished varying levels of performance.

Five levels, or grades, were used in the rating process. They were: outstanding, very good, good, unsatisfactory, and pending termination. All of the participants in the study received at least a "good" rating. According to management,

this was an acceptable level of performance.

Ability

The respondents provided three items as indicators of ability. As stated earlier, these were: college CPA, highest academic degree attained, and school attended.²

The self-reported GPAs were based on a scale of A = 4.0, B = 3.0, etc. All of the respondents had earned either a bachelor's or master's degree.

Exhibit I Job Satisfaction Test

- I. Which one of the following shows how much of the time you feel satisfied with your job:
 1. Never
 2. Seldom
 3. About half of the time
 4. Most of the time
 5. All of the time
- II. Choose one of the following statements which best tells how well you like your job:
 1. I hate it.
 2. I dislike it.
 3. I am indifferent to it.
 4. I like it.
 5. I love it.
- III. Which one of the following best tells how you feel about changing your job?
 1. I would quit this job at once if I could.
 2. I would like to change both my job and my occupation.
 3. I would like to exchange my present job for another one.
 4. I am not eager to change my job, but I would do so if I could get a better job.
 5. I would not exchange my job for any other.
- IV. Which one of the following shows how you think you compare with other people?
 1. No one dislikes his/her job more than I dislike mine.
 2. I dislike my job more than most people dislike theirs.
 3. I like my job about as well as most people like theirs.
 4. I like my job better than most people like theirs.
 5. No one likes his/her job better than I like mine.

Your Job Satisfaction Measure:

Add up your score for the four questions. Match your score with the appropriate category. This is your job satisfaction measure.

Score	Job Satisfaction Level
17-20	Extremely satisfied
13-16	Very satisfied
12	Satisfied/indifferent
8-11	Very dissatisfied
4-7	Extremely dissatisfied

¹These variables have been used in other studies as predictors of success and/or have been linked to high performance in other environments, but never in the internal auditing context, and without specifically addressing the gender effect. See, for example, Ross and Ferris, 1981; Harrell and Stahl, 1984; Jiambalvo, 1979.

²In prior studies, these items served as surrogate measures of an individual's ability (Ross and Ferris, 1981; Ferris and Larcker, 1983). Ross and Ferris found the strongest support for quality of school attended, followed by degree attained as the best predictors of performance. Ferris and Larcker found mixed support for all three variables.

Respondents were also asked whether they believed that hard work would lead to a favorable performance appraisal and whether the favorable performance appraisal would then lead to the rewards.

Every reported school was classified to assess institutional quality. Nine classifications were used in the rating process. They ranged from noncompetitive (1) to most competitive (9) as defined in *Barron's Profiles of American Colleges*.

Organizational Commitment

Organizational commitment may be defined as the strength of an individual's identification with and involvement in a particular organization. It is reflected in the individual's assessment of the likelihood that he or she will remain with the organization as a hard-working member. To measure organizational commitment, respondents were asked:

(1) *Relative to my co-workers on the job, I work very hard (strongly agree = 1.0 through strongly disagree = .25), and,*

(2) *Please estimate the probability, from 0 to 100 percent, that you will be with your organization three years from now.*

The products of these items served as the respondents' organizational commitment measure.³

Professional Commitment

Professional commitment is defined as the degree of loyalty

which an individual has to his or her profession, as perceived by the individual. In this study it was reflected in an individual's probability assessment of future organizational membership within the Auditing Division of the organization. The following question was asked to measure professional commitment:

If you believe that you will be with your organization three years from now please estimate the probability, from 0 to 100 percent, that you will be in your current division or position.

Job Satisfaction

Respondents answered four questions concerning job satisfaction.

They appear in Exhibit 1. They have been used frequently in the past as measures of satisfaction.

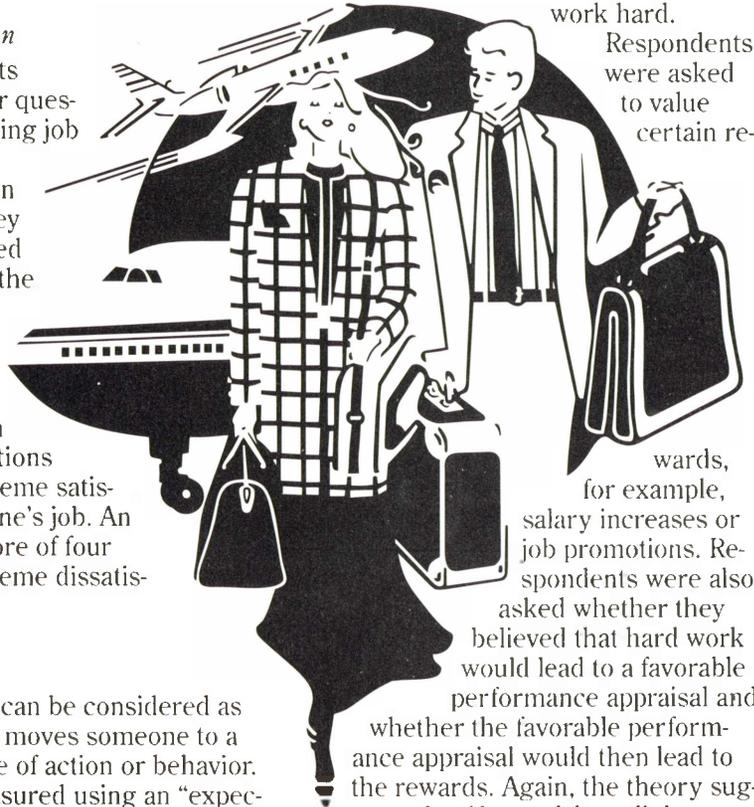
An aggregate score of 20 on the four questions indicates extreme satisfaction with one's job. An aggregate score of four suggests extreme dissatisfaction.

Motivation

Motivation can be considered as the force that moves someone to a certain course of action or behavior. This was measured using an "expectancy theory" approach. The main point of this theory suggests that the motivation of an individual to perform at a particular level of effort depends upon the value that an individual places on an outcome, the

likelihood that effort leads to performance and that performance leads to the outcome. If any single component of the model breaks down, the level of motivation to perform will be affected. For example, if a staff auditor believes that the performance appraisal system is unfair, in theory, there would be little or no motivation to perform. Or, if a person feels that regardless of the level of personal performance a desired reward will not be achieved then there will be no incentive to work hard.

Respondents were asked to value certain re-



wards, for example, salary increases or job promotions. Respondents were asked whether they believed that hard work would lead to a favorable performance appraisal and whether the favorable performance appraisal would then lead to the rewards. Again, the theory suggests that if any of these links breaks down, motivation is detrimentally affected.

Results

Correlations were computed between the performance appraisal measure and each of the other variables.⁴ These correlations

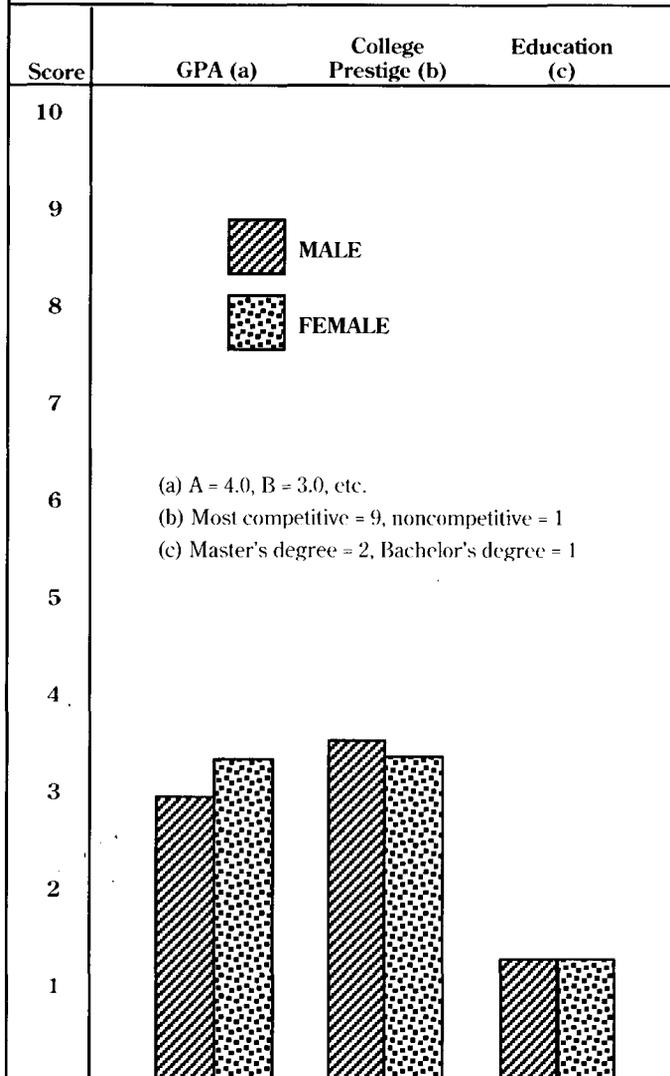
³For example, if a respondent strongly agreed that she worked very hard relative to her co-workers and she was 75 percent certain that she will be with the organization three years later, her organizational commitment score would be $1.0 \times 75 = 75$.

⁴The Kruskal-Wallis one-way analysis of variance test was used to measure the association between performance (the dependent variable). This test is useful for deciding whether two independent samples are from different populations. In effect, it is a measure of the correlations between the variables.

TABLE 1
Items Related to Performance

Performance		
Related	Partially Related	Not Related
Job Satisfaction	GPA	Highest Degree Attained
Motivation	College Prestige	Professional Commitment
Organizational Commitment		

EXHIBIT 2 Comparisons Across Genders Ability Measures



measured the strength of the relationships between the performance appraisal measure and each of the other variables. Based upon these correlations, Table 1 categorizes the relationships between the performance appraisal and each variable. The results range from very strong relationships to little or none. The items most closely related to performance were job satisfaction, motivation, and organizational commitment. A somewhat weaker relationship was found between performance appraisal and GPA, and performance appraisal and college prestige. Finally, no relations was found between either performance appraisal and the highest degree attained or performance appraisal and professional commitment.

necessary when interpreting the fact that male performance appraisals, as indicators of performance, were found to exceed female performance appraisals. Taken out of context, this finding could be misleading. There are many more variables and/or job dimensions which may influence and measure performance. For instance, job stress, marital status and length of service were not considered. These and possibly other variables could impact performance and performance measures.

Is there a gender effect on the performance appraisal process itself? Men were found to have received higher performance appraisals than women, 62.0 versus 52.9. It is noteworthy that all of the raters were males. Perhaps this impacted the

Another statistical test⁵ was performed to determine if gender played a role in explaining differences in the reported scores. From a statistical standpoint, only the self-reported GPA was significantly different between males and females.

For discussion and comparative purposes, all scores except those for performance appraisal and ability were converted to a common scale ranging from 0 - 100. See Exhibits 2 and 3 for the results.

Discussion

The findings should aid management in many ways. For example, insights can be gained towards recruitment, staffing, performance appraisal, professional education and job design.

Caution is

The weak relationship between performance appraisals and the ability measures for both genders raises some question as to whether the organization is justified in paying a premium for individuals possessing a graduate degree, a high GPA or a diploma from a "name" school.

process.

Females reported significantly higher GPAs than their male counterparts. This is consistent with earlier studies. It may corroborate the suggestion sometimes made that females feel more pressure to prove themselves and thereby work harder in doing so. Superior female performance in an academic environment may result because there are fewer confounding factors in such an environment. Students may be able to control their destinies to a greater degree and respond more successfully to the motivating pressure mentioned above. In a work environment this control is not as strong.

The weak relationship between performance appraisals and the ability measures for both genders raises some question as to whether the organization is justified in paying a premium for individuals possessing a graduate degree, a high GPA or a diploma from a "name" school. It is also possible that only graduates with these credentials are hired, so everyone shares these common attributes.

The male auditors graduated from more "prestigious" schools, but the difference between genders was slight. The relationship between performance appraisal and rated prestige of the school attended is of interest. Regardless of whether there is a true relationship between the

⁵An analysis of variance was completed to determine if there were significant differences between genders for each item across genders. Only the self-reported GPAs were statistically significantly different.

school attended and subsequent performance, there appears to be a perceived institutional value. This conclusion is based on the association between a positive performance appraisal and a high prestige measure. A feeling may exist among management that certain schools traditionally produce high performers. Also, the result of

Male internal auditors reported higher levels of organizational commitment than their female counterparts.

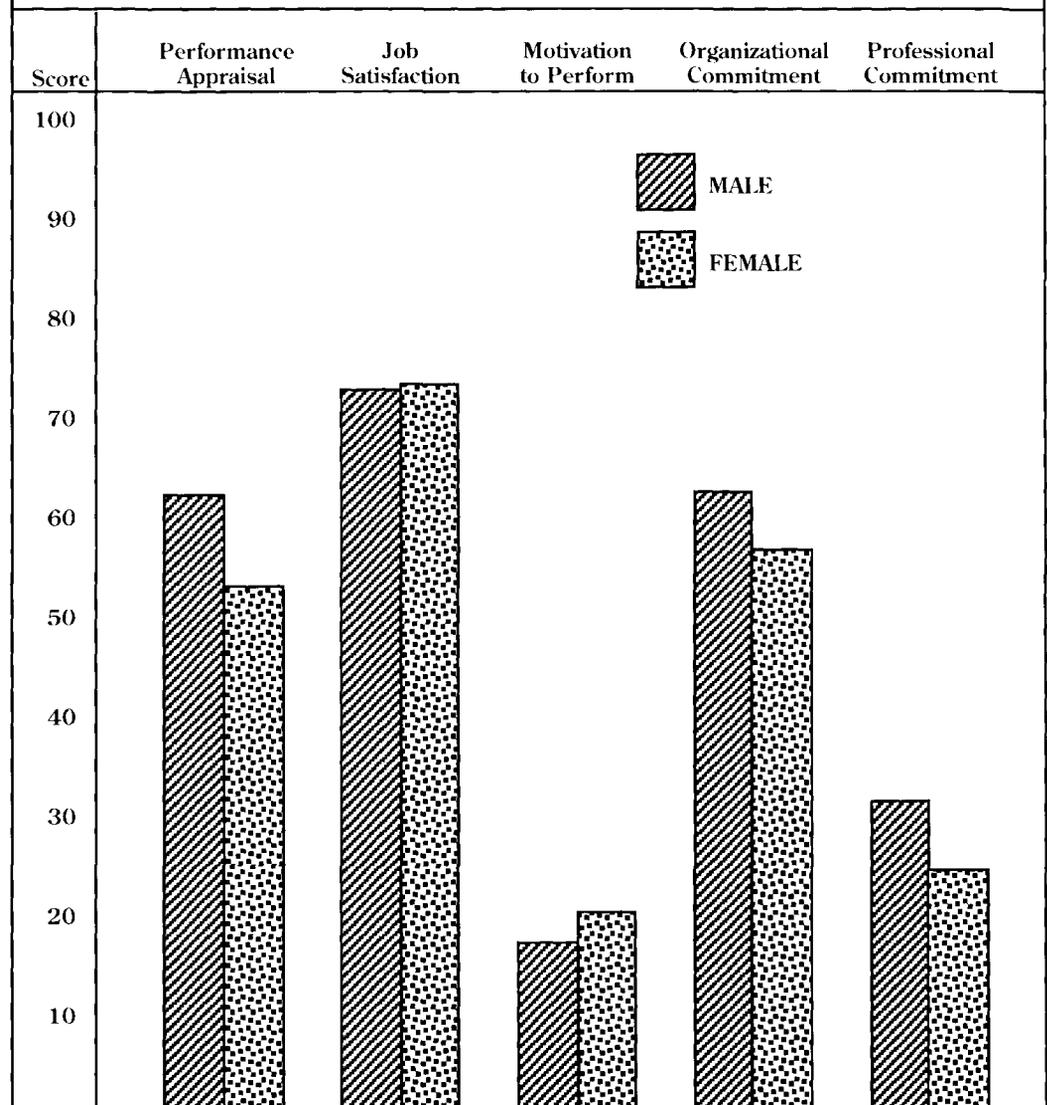
networking and loyalty to the "alma mater" may perpetuate continual recruiting from the same schools. No difference was found between genders regarding the highest academic degree earned.

Female internal auditors scored slightly higher on the motivation and job satisfaction measures. Both items were found to be related to performance. Although it may appear that the motivation levels were relatively low in comparison with the other measures, this resulted from the method used in coding the data.

Male internal auditors reported higher levels of organizational commitment than their female counterparts. This may indicate that males intended to remain with the organization for longer periods of time. This commitment was found to be related to overall performance.

The professional commitment of males was also higher than that of females. Despite this finding, females may simply have envisioned themselves as being in another position within the organization in the future. This result is possible because of the wording of the question used to measure professional commitment. No correlation was found between professional commitment and performance.

EXHIBIT 3 Comparisons Across Genders



Clearly, differences were found across genders but the differences were mixed. Neither gender outscored or outperformed the other on a consistent basis. This supports the contention that performance appraisal is a complex process. Recruiters, managers and supervisors, therefore, should proceed cautiously when making personnel and staffing decisions.

Joseph M. Larkin, Ph.D., CPA, CMA, CIA is an Assistant Professor of Accounting at Saint Joseph's University. He is a member of the AAA, PICPA and IIA.

American Institute of Certified Public Accountants, "Upward Mobility of Women", Special Committee Report to the AICPA Board of Directors, 1988.

Barron's Educational Series, Inc., Barron's Profiles of American Colleges, Fifteenth Ed., 1986.

Ferris, Kenneth R., and Larcker, David F., "Explanatory Variables of Auditor Performance in a Large Public Accounting Firm", Accounting, Organizations and Society, 1983, pp. 1-11.

Harrell, Adrian M., and Stahl, Michael J., "McClelland's Trichotomy of Needs Theory and the Job Satisfaction and Work Performance of CPA Firm Professionals", Accounting, Organizations and Society, 1984, pp. 241-252.

Jiambalvo, James, "Performance Evaluation and Directed Job Effort: Model and Analysis in a CPA Firm Setting", Journal of Accounting Research, Autumn, 1979, pp. 436-455.

Ross, Jerry, and Ferris, Kenneth R., "Interpersonal Attraction and Organizational Outcomes: A Field Examination", Administrative Science Quarterly, 1981, pp. 616-633.

The Write Choice.



The Affordable, Portable Tandy® WP-2 Wordprocessor

When you're away from the office, you may only need a computer for one thing—writing. So why pay for computer functions you'll never use?

With the Tandy WP-2 there's no need! Everything you require to compose, view and edit text is combined in one small package. And it's so easy to use—if you can use a typewriter, you can operate the WP-2. Just turn it on and take notes, write letters and prepare reports.

The one-inch-thin, three-pound WP-2 is so compact it fits easily into your briefcase for traveling.

Take notes, prepare reports, write letters, and more. And because it isn't always convenient to lug around a heavy dictionary, the WP-2 has a 100,000-word spelling checker built in. And with its built-in 200,000-word thesaurus, you're never at a loss for words.

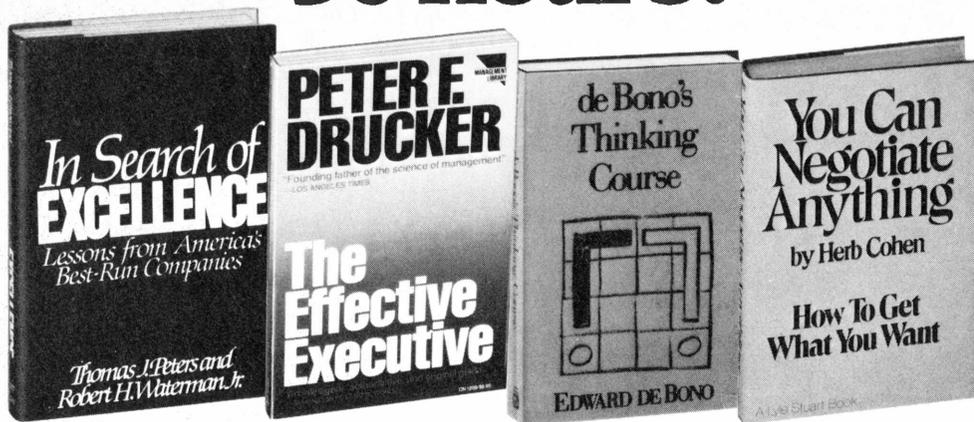
Back at the office, the WP-2 easily connects to a printer for as many copies as you like. Or, add a modem or adapter, and transfer files to your personal computer by phone.

Why buy more than you need? At just \$349.95, the Tandy WP-2 Portable Wordprocessor is the *write* choice.

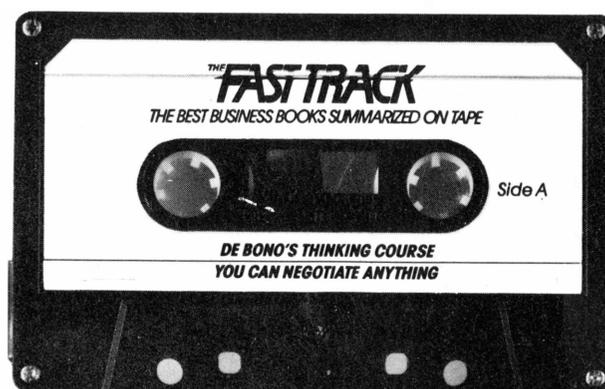
Price applies at Radio Shack Computer Centers and participating stores and dealers.

Radio Shack®
The Technology Store™
A DIVISION OF TANDY CORPORATION

30 Hours?



Or 3 Hours?



Get These Four Taped Summaries FREE!

In Search of Excellence, *The Effective Executive*, *De Bono's Thinking Course*, *You Can Negotiate Anything*. Master each one of these leading business books in only 45 minutes... without reading a single page! And they're yours FREE as your no-obligation introduction to *The Fast Track*.

What is *The Fast Track*?

Each month our editors select two books from the hundreds of business books and manuscripts they evaluate. Leading business writers painstakingly summarize the material and clearly share with you all the key ideas, facts, and conclusions. Professional narrators transform it onto a 45-minute tape.

The bottom line is, you can master a 300 page business book while you drive to work, while you sit on a plane or a train, or when you are in your office or study. You can listen to these tapes while you are walking, running, or cycling.

How to Get Your Free Tapes

Try *The Fast Track* without risk simply by sending for your four taped summaries *absolutely free*. Just complete and return the coupon, and we'll rush you your four free taped summaries. When your payment is received, we'll send you a FREE cassette storage case.

Listen to the tapes *before* you decide whether to subscribe. If you do, you'll receive two new taped summaries each month for a fraction of what you would pay for the books.

Otherwise, simply write "cancel" on your invoice, and you owe nothing. Either way, keep the introductory tapes.

So send for your no-risk introductory tapes today. Just complete and return the coupon.

The Fast Track

PO. Box 53162
Boulder, CO 80322

YES, please send me my first four business book summaries on tape, and enter my subscription to *The Fast Track*. If I am not completely satisfied with the first four summaries, I'll write "cancel" on the invoice and return it. I will owe nothing and be under no further obligation. The tapes are mine to keep.

If I decide to continue with the program, I will pay your invoice for a full year's subscription at only \$124.95, billed on an annual basis. I will receive two summaries (one tape) per month, for a total of 26 business book summaries in all, plus a free cassette storage case as an extra benefit.

Please print or type:

Name _____

Firm _____

(if you want your subscription sent to your office)

Address _____

City _____

State _____ Zip _____

SEND NO MONEY NOW. NO RISK OR OBLIGATION. MAIL THIS COUPON TODAY.

If your company is not reimbursing you for the cost, the program may be a tax-deductible expense if used for professional purposes.

(All orders subject to credit acceptance. Offer good in U.S. and Canada only. Prices higher in Canada.)

Business Women Leadership Media 3/90

3GB26

STACKABLE BEECHWOOD BOOKSHELVES

At a price you'd expect to pay for plastic



STACK-A-SHELF is the most versatile shelving system you'll ever own. Choose from any of three styles—the **Basic Bookshelf**, the specially designed **Record and Cassette Rack**, or, for the finishing touch, the **Corner Unit**—and start stacking!

Stack Them...They're Interlocking

Every unit is designed to stack and interlock securely with the others, so you can actually create your own wall unit. For example, stack the bookshelf on the record and cassette rack and you've got an entertainment center sturdy enough to hold your stereo, 400 records and 120 cassettes, yet attractive enough to rival shelving systems sold for twice the price. If you move, just fold them up and take them with you—they're free-standing and portable.

A Beautiful Complement to Any Decor

This quality shelving system is made of natural European beechwood—a hardwood tough enough to be used for flooring and beautiful enough to be used in fine furniture.

STACK-A-SHELF has a place in every room, whether it's to show off your library or just to organize unsightly clutter. And the STACK-A-SHELF system is perfect for showcasing your personal treasures. Everything from vases to pictures can be proudly displayed on these good-looking, versatile and above all, affordable units. You can even paint, stain or varnish your STACK-A-SHELF system to match your own decorating needs.

3 STYLES TO CHOOSE—
NEW LOW PRICE

The Basic Bookshelf

A ONLY \$ 39.95
LIST \$59.95

Perfect for books, display or storage. Sturdy, stackable, sets up without tools and is completely portable. Each unit measures 27 1/4" w x 37" h x 11 1/2" d.

The Record & Cassette Rack

B ONLY \$ 39.95
LIST \$59.95

A practical and inexpensive solution to the problem of your ever-expanding collection. Holds up to 400 records and 120 cassettes. Each unit measures 27 1/4" w x 37" h x 11 1/2" d.

The Corner Unit

C ONLY \$ 29.95
LIST \$44.95

The finishing touch for your Stack-A-Shelf unit or decorative corner piece—ideal for that little corner in your home or apartment. Each unit measures 37 1/2" h x 11 1/4" d.

Sets Up In Seconds ...Without Tools!

No tools, screws or glue required. Just take the unit out of its flat carton, fold the sides out and the shelves practically fall into place. Nothing could be easier. And, for a limited time, Barnes & Noble is offering all our STACK-A-SHELF units at a savings of **33% off the retail price**. So don't pile—decorate in style. With affordable beechwood shelving from **Barnes & Noble**.



1. Comes in flat carton



2. Slides open on hinges



3. Shelves fall into place.

**ORDER
TOLL FREE
1-800-242-6657
CALL ANYTIME,
DAY OR NIGHT**

Barnes & Noble

GUARANTEE

If for any reason you are not completely satisfied with your purchase, return it to us for a full refund.

Barnes & Noble

Booksellers Since 1873

126 FIFTH AVENUE, DEPT. K292, NEW YORK, NY 10011

Qty	Item #	Style	Our Price	Total
A	#1066018	Original Bookshelf	\$39.95	
B	#1288893	Record & Cassette Rack	\$39.95	
C	#1110139	Corner Unit	\$29.95	

Total

Please add sales tax for deliveries to CT, MA, MN, NJ, NY, PA, & CA(6%)

Please add \$6.95 per unit shipping and insurance charges

ORDER TOTAL



NAME _____

ADDRESS _____ APT.# _____

CITY/STATE/ZIP _____

SIGNATURE _____

CHECK OR MONEY ORDER ENCLOSED

AMERICAN EXPRESS

EXP. DATE

MASTERCARD VISA

MO./YR.

CREDIT CARD NUMBER _____



Who can make under 300
taste like a MILLION?



Only Stouffer's® Lean Cuisine® that's who! Nobody else knows how to create such great tasting entrees, all with **less than 300 calories and most with less than 1 gram* of sodium.** But we'll gladly share the secret with you. Stouffer's recipes use only the finest ingredients, at their natural peak of perfection, combined in exciting and imaginative ways. That's why our 33 different entrees taste as great as they do. So, if you're looking for something smart and sensible to eat that tastes extraordinary, too...you know where to lean.



LEAN ON LEAN CUISINE

*All Lean Cuisine entrees are currently being reformulated to contain less than 1 gram (1000 mg.) of sodium.

Expert Systems

An Important New Technology for Accountants

By Elise G. Jancura, CPA, CISA, CSP

Artificial intelligence is a field of study and development that was initiated in 1957 as an effort to duplicate the functioning of the human mind, principally through the use of computer technology. Although that goal has not been achieved yet, significant progress has occurred and there are today functioning systems that provide useful work in many areas.

Artificial intelligence has three major branches – expert systems, natural languages, and robotics. The pace of development in each of these areas has quickened significantly since 1980. This is a result of several factors – increased experience and understanding from thirty years of research; developments in computer technology providing cheap, expansive memory capacity and computing resources; development of effective, efficient programming/development tools and languages.

Of the three areas of artificial intelligence, expert systems have particular application to accounting. Expert systems are computer programs that emulate the thinking processes of human experts in solving problems in a specialized area. Expert systems are executed interactively. A user wishing to solve a problem engages the system, which solicits information from the user about the problem situation. The system then matches this information against a body of pre-collected facts and rules (called a knowledge base) to come to conclusions that have the most evidence supporting them.

Because of the potential use of expert systems in accounting, the EDP Technology Research Subcommittee of the American Institute of Certified Accountants studied the question, "How can the accounting profession utilize the benefits of the emerging issues of artificial intelligence, particularly expert systems technology, to provide services, improve performance, and reduce costs?" The results of that study were published in a Management Advisory Services Special Report entitled *An Introduction to Artificial Intelligence and Expert Systems*. The benefits of expert systems for the accounting profession identified by the Subcommittee include:

- Preservation of specialized expertise
 - Distribution of specialized expertise
 - Improved personnel productivity
 - Assistance in quality control
 - Assistance in education programs
 - Increased ability to analyze complex problems
- This article is a review and summary of that special report on expert systems.¹

Characteristics of Expert Systems

Expert systems are executed interactively. A user wishing to solve a problem engages the system, which solicits information from the user about the problem situation.

In trying to develop an understanding of expert systems, it is important to recognize that expert systems are basically computer programs that interact with a data base. Even though these systems attempt to emulate human thinking processes, they are in fact programs, which must

be written and which must be loaded into a computer and executed.

the data base involved consists of information which an expert or knowledgeable person would have about a specific topic or problem area. This information consists of facts and rules employed in a decision-making process.

Most expert systems have four basic components: a knowledge base, an inference engine program, a user interface program, and an explanation facility.

Knowledge Base

The knowledge base consists of facts about a specific topic area or "domain" and rules for using these facts. It includes known facts and concepts about the topic or area of concern and also attempts to capture the "rules of thumb" that experts in the area have developed through their experiences. These rules can explain procedures,

¹*An Introduction to Artificial Intelligence and Expert Systems* is a Management Advisory Services Special Report published by the American Institute of Certified Public Accountants in 1987. This report was prepared by the EDP Technology Research Subcommittee whose members were: Karl G. King, Chairman; William Atkins; John G. Baab; Mark A. Fein; Elise G. Jancura; John T. Overbey; Richard S. Robins; Trevor R. Stewart; Gerald M. Ward; Arnold Wasserman.

Experts often must deal with elements of probability and with implications – matters which are not always true or always false.

describe objects, or identify relationships. Because they are rules which the expert has developed through experience, they are defined as heuristics.

The computer or software specialists (usually referred to as knowledge engineers) are responsible for storing and organizing information for the knowledge base after obtaining it from the experts in the topic area. The experts in the topic area are referred to as the domain experts.

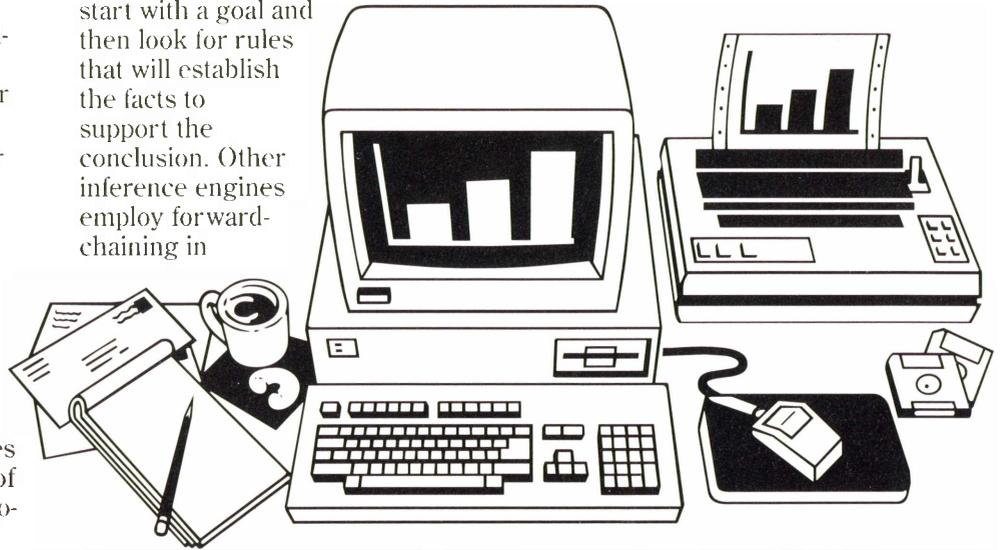
The simplest knowledge bases store the knowledge in the form of production rules. These are "if-then" rules that represent condition and action knowledge. The more sophisticated knowledge bases are constructed as structured lists of facts, relationship networks, or hypothetical situations.

Inference Engine

The inference engine is a computer program that takes information supplied by the user and matches it to the rules and facts stored in the knowledge base. The process proceeds step by step with a user-supplied fact matched to a rule in the knowledge base with results leading to subsequent rules until a conclusion is reached. Some inference engines are backward-chaining, which means they start with a goal and then look for rules that will establish the facts to support the conclusion. Other inference engines employ forward-chaining in

which the program starts with elementary data and builds up a collection of facts which are validated through the stored rules to arrive at a conclusion.

One of the most significant differences between the kind of processing found in the inference engine of an expert system and more conventional algorithmic programs is the ability to handle elements of uncertainty. Experts often must deal with elements of probability and with



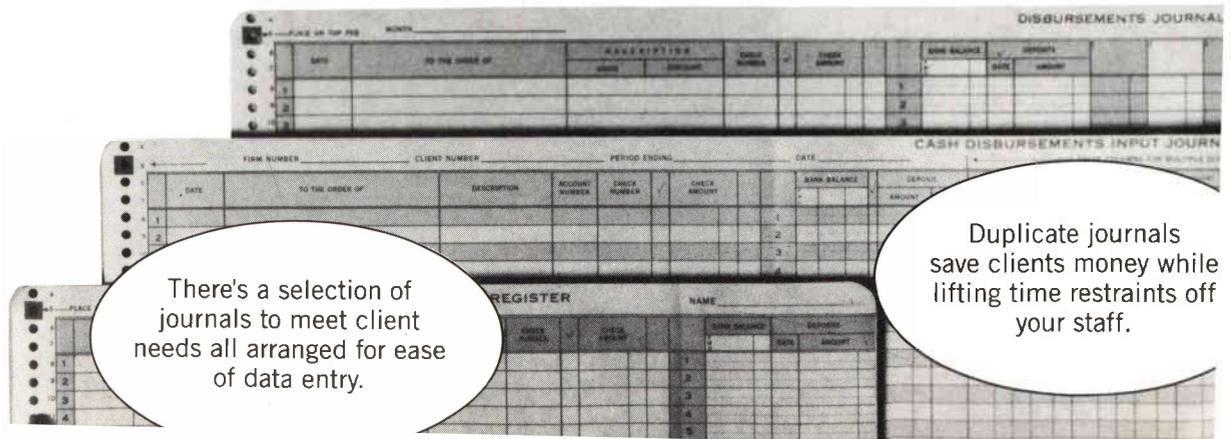
C MPUTER

Ease the squeeze on profitably servicing your small business accounts. The computer, alone, can't do it. It also takes improved efficiency in client input. That's where McBee one-write systems come into play.

Computer-compatible McBee one-write systems decisively improve the accuracy of data collection — both for you and your clients.

No more unbalanced check stubs. Or missing checks. Or time-consuming reconciliations. Instead you'll get clean, organized input in standardized format.

Your staff will find itself working with journals instead of check stubs or loose vouchers. Such



There's a selection of journals to meet client needs all arranged for ease of data entry.

Duplicate journals save clients money while lifting time restraints off your staff.

implications – matters which are not always true or always false. This, of course, is the heart of an expert's judgment and decision-making ability. The inference engines thus must accommodate a technique for handling "certainty" factors or probability estimates about various facts in the knowledge base.

User Interface

This is the program component which passes information between the user and the inference engine. The user provides additional facts or information about the rules in the knowledge base interactively as the inference engine requests them. This is also the facility which passes information back to the user.

Explanation Facility

Although this component may not be present in very simple systems, it is a very helpful feature. This is the program component that provides explanations to the user of the process the system is following in reaching its conclusions. This feedback to the user is important, because many times the way a user

will answer a request for information will vary with the user's understanding of the reason why that information is requested or how it will be used.

This, of course, is precisely the environment when problems require judgment and heuristics in problem solving because information is not complete and the problem is complex.

Differences from Conventional Data Processing

Expert systems can use uncertain or incomplete information and can manipulate it without following rigid procedures or algorithms to draw conclusions. This, of course, is precisely the environment when problems require judgment and heuristics in problem solving because information is not complete

and the problem is complex. This differs significantly from conventional data processing which requires complete, specified input and employs algorithms which produce specific predictable results.

Another area in which expert systems differ from conventional programming is in the ease with which it can be changed. This is so because the program which controls processing (the inference engine) is separate from the knowledge base. Data and production rules can be changed independently of the inference engine, thus facilitating easy modification and expansion.

This ease of change also facilitates the ability to use incremental systems design. Because it is easy to extend or modify the knowledge base, prototype or even partial solutions can be developed and used quickly even when the circumstances of a problem are not yet fully known. Thus the ease of incremental design produces both faster design and the facility for evolution of systems as the prototypes are used, assessed, corrected, and then enhanced and expanded.



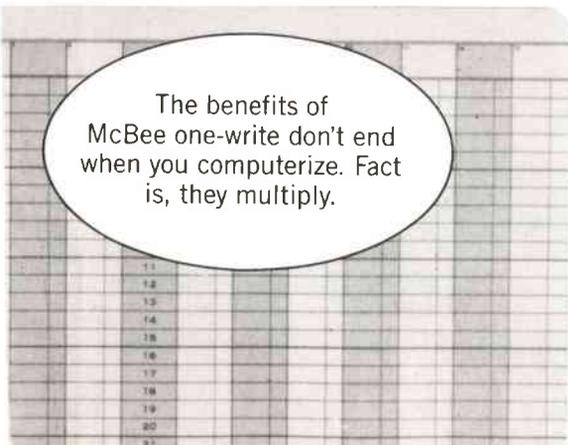
COMPATIBLE

journals provide a perfect audit trail. Best of all, they provide pre-proven figures, balanced and cross-footed for fast input to the computer.

You'll ease your concern about the accuracy of the information you're given to work with. And enjoy being able to put your confidence in your clients' input.

Choice of client data formatting

Whether you want your client data in check



The benefits of McBee one-write don't end when you computerize. Fact is, they multiply.

register form . . . prefer working with monthly totals only . . . or want all client detail — the choice is yours.

So for those small business accounts whose time demands are squeezing the profitability out of client servicing — here's your chance to squeeze back.

To discover ALL the benefits of computer compatible McBee one-write systems, just ask.

NAME _____ PHONE _____
FIRM _____
ADDRESS _____
CITY/STATE/ZIP _____

299 Cherry Hill Rd., Parsippany, NJ 07054 (201) 263-3225

W 1/90

McBee®
systems
One-Write Bookkeeping

Developing and Delivering Expert Systems

There are two ways to develop an expert system: custom development of all the components of the expert system, and the use of predeveloped shells.

Shells are commercially available software packages that provide a preprogrammed expert system with an empty knowledge base. These packages provide some or all of the features of the inference engine, user interface, and explanation facility. The only task facing the developer/user is to develop the knowledge base. Conceptually the concept of an expert system shell is similar to that of an electronic spreadsheet. Shells make it possible to develop and start using an expert system more quickly and more cheaply.

Custom development - where all the components are developed from "scratch" - is much more time-consuming and expensive, and requires the expertise of knowledge engineers and software programmers as well as the efforts of the domain expert. However, custom development is the preferred approach when the application is very complex or when there are proprietary considerations.

Custom development can be accomplished with a variety of programming languages. Traditional programming languages can be used, but they typically are more time-consuming because they do not possess built-in features common in the AI-oriented languages. The most common AI-oriented languages are LISP and PROLOG. These languages possess powerful symbol manipulation capabilities which help facilitate the kind of processing used in expert systems.

There is a considerable variety of hardware available for expert systems. Much of the original work in artificial intelligence was done on large minicomputers and they continue to be heavily used. Several special purpose "dedicated LISP processors" have been developed which provide great advantages in programmer productivity and computing efficiencies, but which were initially relatively expensive. Development of high powered workstations also represent a viable hardware facility. As the power and

capacity of microcomputers have grown, microcomputers are an increasingly popular choice. Microcomputers are particularly well suited for smaller or simpler expert systems, especially those developed with shells. Further, microcomputer versions of LISP and PROLOG will make the microcomputer an even more popular choice.

Still another aspect of expert system technology is that these systems can be developed and delivered on different hardware. Thus, for more complex systems which subsequently will be used in a variety of circumstances and locations, it is quite feasible to use a larger computer to develop the expert system for use on microcomputers and then deliver it for use on microcomputers.

Although the process in building an expert system is to attempt to capture the knowledge and judgmental processes of experts, the objectives of the systems are not to replace experts,

Implications of Expert Systems for Accounting

Much of the work of professional accountants involves the exercise of professional judgment in situations which require accountants to make decisions in the face of uncertainty, incomplete data, and complex tax and financial environments. These are all areas in which expert systems can provide tremendous efficiencies and productivity enhancements.

The report identified several accounting applications which appear to be natural areas for the use of expert systems. These are:

- Audit planning. To aid in evaluating risks and establishing audit objectives in particular circumstances and in prescribing corresponding audit steps and procedures.
- Internal control analysis. To classify the internal accounting controls in particular client organizations and to diagnose actual or potential weaknesses.
- Account attribute analysis. To

review the attributes of specific accounts and to assist in evaluating the adequacy of related valuation reserves.

- Quality review. For profiling or second-opinion reviews in areas such as SEC compliance and annual report disclosure and content.
- Accounting decisions. To help in reaching decisions about the proper accounting treatment of complex transactions, such as those involving leases, foreign exchange, acquisitions, pensions, and income taxes.
- Tax planning. To perform complex specialized analyses and to provide supporting documentation in tax planning consultations.
- Management consulting. To identify patterns and relationships, to match alternative solutions to circumstances, and to evaluate the effects of changes in consultation engagements dealing with areas such as materials management, inventory control, plant site selection, plant layout, EDP systems development, data security, pension plans, and valuation services.
- Training. To provide simulated on-the-job experience by using the same expert system a professional uses in doing a job ... practice tasks could be based on past real situations, and they could thus expose the junior accountant to more real-world situations in a shorter period of time and provide more experience than actual on-the-job training.

Although the process in building an expert system is to attempt to capture the knowledge and judgmental processes of experts, the objectives of the systems are not to replace experts, but to preserve and distribute that expertise to a wider level of availability, to help standardize the level of professional performance and to increase personnel productivity.

In attempting to assess the impact of expert systems on the accounting profession, it seems appropriate to quote the special report:

"As with any new technology, the ultimate effect of expert systems on the accounting profession is uncertain at this time. But to some degree they will affect professional development, quality control, staffing models, training, the nature of audit evidence, and the profession's image and competitive environment."

For Variety and Flexibility, Consider "Temping"

By Max Messmer

Have you ever found yourself having thoughts like these?

- "I need to broaden my experience by learning more about other industries."
- "I wish my job wasn't quite so routine."
- "I'd really like to spend more time with my children."
- "I wish there was a way to try out a company before committing myself to building a career there."

If one or more of these statements describe your situation, you may want to explore the world of temporary employment. The accounting segment of the industry in particular has been expanding rapidly over recent years.

This growth is the result of two major factors. The first is based on general business conditions of the '90s. Companies are seeking ways to become more flexible and cost-efficient by supplementing their permanent work force with skilled specialists who can lend a hand during peak work-load periods.

Temporary assignments can be highly varied and challenging. They range from month, quarter and year-end closings; to audits; to integration of new computer systems, to training of permanent staff in new procedures.

The second factor influencing growth of specialized temporary services is a growing pool of skilled professionals like yourself who find temporary positions appealing.

A number of accounting professionals, from staff accountants to tax managers and controllers have switched from full-time positions to temporary careers, which gives them the freedom, flexibility and variety they seek. Many others use temping as an opportunity to earn an income while they search for exactly the right new full-time position.

Temporaries who are searching for a full-time career position can be assigned to companies who are looking for additional full-time staff. This gives both the company and the candidate the opportunity to evaluate the match before either side makes a permanent commitment.

Temporary work also provides the opportunity to explore new fields and learn new skills. And with the continued growth of dual-career households, temping can help ease the transition when one member of the family is asked to relocate. The relocated spouse can learn about companies in the new geographic area and earn an

income at the same time as he searches for a new permanent position.

If you think that temporary work might further some of your own professional and personal goals, here are some guidelines for selecting and working through a temporary services firm.

- Use a temporary service that specializes in accounting positions. It should offer a much broader variety of assignments than a more generalized firm because it has more credibility for accounting expertise with its clients. And the specialized firm will have a greater understanding of your skills, interests and requirements. Interview the placement staff to be sure they actually have backgrounds in accounting, since this enables them to serve you more effectively.

- If you are between permanent jobs or your goal is to return to a full-time position at some point, select a firm that offers both permanent and temporary placement. Arrange to meet a counselor from each of the two areas, and ask how they would work as a team to help you use temping to identify a good permanent match.

- Ask about salary and benefits. Today, many temporary specialty firms offer highly competitive salary and benefit packages in order to attract "the best and the brightest" candidates. Many of the benefits offered in corporate career positions are now available to you in your new status as an employee of a temporary firm.

- Be very explicit about your experience, skills, objectives and assignment preferences. Your counselor should be proficient at asking you for all information that will help match you with assignments that meet your criteria. But don't hesitate to offer additional facts that you think might be helpful.

- Give your counselor feedback after each assignment. In the best firms, you will find your counselor to be a highly skilled specialist who gains his or her own professional and personal reward from achieving maximum satisfaction for you and the firm's clients. This is accomplished by the kind of relationship and feedback that allows them to create the most perfect matches.

The experience of temping may lead to exactly the career position you've always wanted. Or - it may lead to a career as a "permanent temporary" that gives you the combination of professional growth and freedom that many accountants only dream about.

Marketing Warfare Bottom-Up Marketing

Reviewed by Esther L. Hyman, CPA, Seattle, WA

In the 70s, Al Ries and Jack Trout, as top officers of Trout & Ries, Inc., a New York advertising and marketing agency, became well known for coining the word "positioning." It became a buzzword in advertising circles as a result of their 1981 book called *Positioning: The Battle for Your Mind*. Positioning stressed that to beat the competition in the overcrowded marketplace, one had to create a "position" in the prospect's mind that considers not only a company's strengths and weaknesses, but those of the competition as well.

The recent trend is to view the business world as a highly competitive battleground and, therefore, employ military terminology and tactics to beat the competition. *Marketing Warfare* takes the principles of positioning and fully clothes them in military garb. The mind, not the market, is the battleground whose terrain is tricky and difficult to understand. Asserting that "free enterprise is marketing warfare," Ries and Trout use as their main source of inspiration Karl von Clausewitz, a Prussian general and philosopher of war. Von Clausewitz wrote an 1832 book that outlined "immutable strategies and tactics behind all successful wars that apply no matter how the weapons may change."

Since a dozen companies may all be serving the same customer's wants, the authors feel a shift needs to be made: from a customer-orientation with its "needs and wants" marketing theory to a competitor-orientation. Companies will have to learn how to attack and to flank their competition, how to defend their positions, and how and when to wage guerilla warfare. The authors make clear that "the study of warfare is not just a study of how to win; equally as important is how not to lose."

The authors examine contemporary Fortune 500 companies in four major marketing wars: the cola war, beer war, burger war and computer war. Many of these same companies are used as illustrations in *Bottom-Up Marketing*, which results in some repetition.

Bottom-Up Marketing integrates the communication tactics of *Positioning* and the marketing strategies of *Marketing Warfare* into a "bottom-up" approach. This approach requires that the tactics of a marketing approach dictate the strategies, not vice versa. The authors oppose long-term strategic plans, mission statements, and

Written by Al Ries & Jack Trout, McGraw-Hill, 1986

Written by Al Ries & Jack Trout, McGraw-Hill, 1989

business goals because these appraisals emphasize where one wants to be in the years ahead. This emphasis can cause two "top-down" cardinal sins: (1) the refusal to accept failure and/or (2) the reluctance to exploit success. Instead, emphasis must be from the specific to the general and from the current term to the long term.

Ries and Trout feel that traditional top-down thinking causes managers to chase existing markets instead of opportunities and to be internally oriented instead of externally. This further results in top management's disconnection with the marketplace, which the authors feel is the biggest marketing problem facing big business today.

If accountants have struggled with marketing before reading this book, they are still left struggling. They may know more of Coca-Cola's tactics vs. Pepsi's but will have to make the conceptual leap to connect the tactics of these competitors to the particular concerns of their financial world. The only close reference to accounting is in *Bottom-Up Marketing*. The authors point out that when one goes down to the "front lines of the financial services" and listens to customers, one does not "hear customers say, 'Let's go down to the Savings and Loan, dear, and get some financial services.' Customers don't generalize; they specify. They talk in terms of mortgages, stocks, car insurance, annuities, and home equity loans. Yet companies trying to sell these customers are doing just the opposite and promote themselves as suppliers of a full range of financial services. In military analogy we call this 'attacking on a wide front.' And it almost never works."

One also has to buy into the warfare mindset as a valid analogy to make the application successful. Obviously, this analogy has its limitations. One does not wage warfare all the time; one may eventually run out of "victims" – and allies. There is war and peace.

Marketing Warfare:

Pages: 216

Cost: \$17.95

Bottom-Up Marketing:

Pages: 226

Cost: \$19.95



Working Up a Storm

By Jeanne M. Plas, Ph.D. & Kathleen V. Hoover-Dempsey, Ph.D.
W.W. Norton & Company, Inc., New York
Reviewed by Chris Fugate, CPA, Stone Mountain, GA

In *Working Up A Storm*, Plas and Hoover-Dempsey provide an analysis of "how people can make emotions work for them rather than against them." The authors define a specific emotion, present its pros and cons, give actual workplace examples of its application, and then show strategies for change in emotional style. The emotions they examine are anger, anxiety, joy, and the various emotions that elicit tears.

The authors first examine anger in the workplace. They give a history of the cultural views of anger, its sources, expressions, and responses. By giving anecdotes from true work experiences, they provide relevant examples of types of people and the way they deal with anger. Some of the types they examine are:

- Slow Burners
- Cool Customers
- Deflectors
- Keepers
- Tinderboxes
- Straight Shooters
- Displacers
- Withdrawers

Next, tears and weeping are explored. The authors look at why and how people cry. Once again, they use actual happenings to characterize different styles of crying. Anxiety is considered in the same manner.

Then, the authors deal with what they term the upside of emotions at work: expressing appreciation, joy, respect, and caring. They look at the different methods of expressing these emotions by considering what really happens at work.

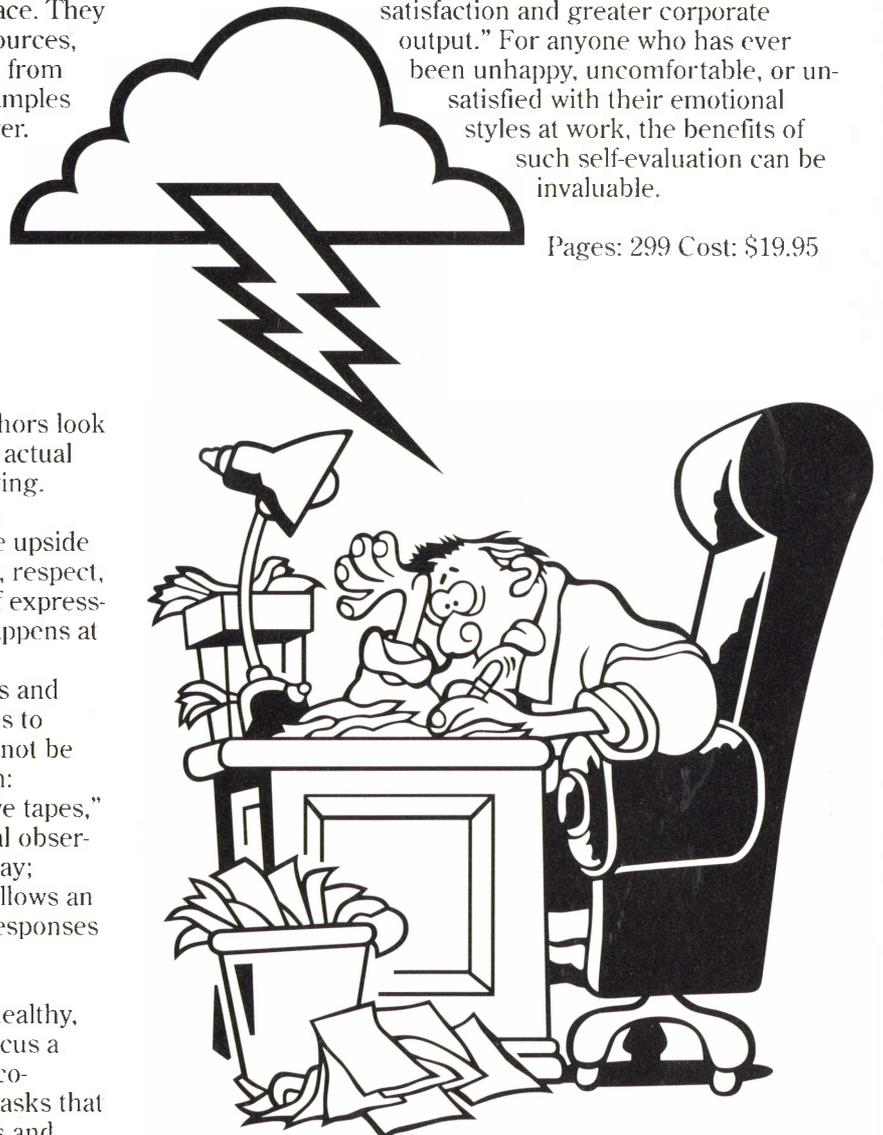
After exploring emotions in the workplace, Plas and Hoover-Dempsey then give step-by-step strategies to change those emotional styles an individual may not be happy with. Many of the suggested strategies can:

- (1) Afford opportunities for changing "cognitive tapes," the customary remarks made during the personal observations and evaluations people engage in every day;
- (2) Call for image rehearsal, a technique that allows an individual to visualize new, positive, productive responses to old situations, and/or;
- (3) Involve conscious commitment to change.

The authors emphasize that emotions can be healthy, desirable elements in the workplace. They can focus a person's energy, point to difficulties, strengthen co-worker interaction, perform, in fact, a myriad of tasks that can enhance the quality of the workplace. As Plas and

Hoover-Dempsey write, "... results at work - the failures and successes - are dependent upon personal styles of experiencing, expressing, and receiving emotions. Changing styles that are ineffective can transform the energy trapped in 'working up a storm' into exciting opportunities rather than uncomfortable scenes and wasted time. Effort devoted to understanding one's own emotional styles and those of co-workers can pay off - in increased personal satisfaction and greater corporate output." For anyone who has ever been unhappy, uncomfortable, or unsatisfied with their emotional styles at work, the benefits of such self-evaluation can be invaluable.

Pages: 299 Cost: \$19.95



HOW ACCOUNTABLE IS YOUR TEMPORARY SERVICE?



A temporary service that's all things to all people is a case of that old adage: Jack of all trades, master of none. At Accountemps, we specialize—in accounting, bookkeeping, finance and information systems. Because we're financial professionals ourselves, we understand your needs. We only do what we do best. Our expert temporaries are available for a day, a week, a month or longer. One specialist or an entire team. But don't just take our word for it. In a national survey of personnel executives, Accountemps was ranked as the first choice by a five to one margin. Find out how much more accountable a temporary service can be. Call Accountemps.

© 1990 ROBERT HALF INTERNATIONAL INC.

accountemps®

ACCOUNTANTS • AUDITORS • BOOKKEEPERS • BUDGET ANALYSTS • COST ACCOUNTANTS • CONTROLLERS • FINANCIAL ANALYSTS • FINANCIAL CONSULTANTS • INVENTORY ACCOUNTANTS • TAX ACCOUNTANTS • COMPUTER OPERATORS

BOOKKEEPERS • BUDGET ANALYSTS • COST ACCOUNTANTS • CONTROLLERS • FINANCIAL ANALYSTS • FINANCIAL CONSULTANTS • INVENTORY ACCOUNTANTS • TAX ACCOUNTANTS • COMPUTER OPERATORS • INFORMATION SYSTEMS

INFORMATION SYSTEMS CONSULTANTS • PROGRAMMERS • SYSTEMS ANALYSTS • CORPORATE CONTROLLERS • PROJECT ANALYSTS • ACCOUNTANTS • AUDITORS