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Reporter

Published by and for the Members of the Private Companies Practice Section of the AICPA Division for CPA Firms

Editor: John R. Mitchell

Public Information Program Gathers Momentum; Paid Advertising to be Emphasized

The Division's public information program has been in operation for about a year, and much has been accomplished. National and regional spokespersons have been appointed, trained and equipped to explain and promote the benefits of peer review. Division representatives have conducted dozens of interviews with national and local journalists, and scores of articles have resulted. As these activities continue and gain momentum, their results will become more and more visible.

The Division has decided to accelerate the pace of the program through paid advertising. Although advertising has limitations, it does assure that the Division's message will be printed *verbatim* by the right media. Working closely with the Division's Joint Coordinating Committee, public relations counsel have prepared a six month program featuring over 30 insertions, mostly full page, in publications read by bankers, lawyers, financial executives, entrepreneurs, and corporation directors. The ads feature headlines such as:

- Why should you insist your CPA firm be audited?
- What do you look for in a CPA firm you recommend?
- Who audits your auditor?
- How do you evaluate a CPA firm you don't know?

The ads, which conform with the letter and spirit of the Institute's ethical rules, will feature eye-catching "slice of life" photos coordinated with the headline and copy. The cost of the program will be paid from the two sections' dues revenues.

The ads will appear over a six month period starting this fall. As with the Division's earlier ads in the *Wall Street Journal* and *American Banker*, member firms' managing partners will receive copies of the individual advertisements and will be able to obtain "slicks," so they can, if they wish, run the ad in local media with their firm's name.

Other Member Services Continue to Expand

Just about every PCPS committee member recognizes that the service member firms want most is communicating the significance of Section membership, including peer review, to prospective clients and those who rely on their financial statements. That is why a major portion of the Section's resources will continue to be devoted to the Division's public information program.

While peer review is a key membership *requirement*, many members consider it one of the Division's most important *services*. Almost every member firm will agree that it is a better firm today because of peer review.

Another vital service was decreed by the AICPA's Council when it established the Section in 1977—to "provide a better means for member firms to make known their views on professional matters, including the establishment of technical standards." The Executive and (on technical matters) Technical Issues Committees are always vigilant and often vocal in the interests of CPAs who serve private companies.

Meanwhile, a variety of other member services are growing in importance.

MEMBER CONSULTATION SERVICE. The MCS puts member firms in touch with knowledgeable practitioners experienced in specific industries. The practitioners listed have volunteered to consult with PCPS members by phone, without charge. The service is intended for use primarily when a member has an opportunity to serve a prospective client in a field with which the member is relatively unfamiliar.

TAX PLANNING GUIDE. Over 300 firms have ordered almost 100,000 copies of the 1986 TPG. Designed to build goodwill and stimulate tax planning inquiries, the TPG can be given away to clients and others. The Member Services Committee hopes to arrange, starting next year, for member firms' names and addresses to be imprinted on the covers; and for the collated text pages to be available without covers so a firm can have its own cover affixed, with graphics related to other materials that the firm distributes.

MEMBER INFORMATION MANUAL. The MIM's main purpose is to provide a concise source of information about the PCPS and the services available to members of the Section and of the Institute. First distributed in May, the MIM has been supplemented once. Several additional supplements and updates will be issued each year.

PCPS REPORTER. This quarterly newsletter keeps member firms posted about developments in the Section and the Division. It also includes occasional articles on developments in the profession that might be of particular interest to member firms.

Other services sponsored by the Member Services Committee include PCPS information suites at two of last summer's MAP conferences; a PCPS information booth at the Accountants World exhibition (presented in conjunction with AICPA's 1985 Annual Meeting); and a series of update meetings for representatives of member firms and prospective members, held in conjunction with meetings of the executive committee.

Peer Review Evaluations Strongly Positive

The Quality Control Review Division has recently been asking the managing partner of each reviewed firm to submit an evaluation shortly after each review is completed. The evaluation form contains five statements, for each of which a partner can pick any of five conclusions, ranging from "strongly agree" to "strongly disagree." It also provides several lines for additional comments.

By mid-July 151 evaluations were received. Here is how managing partners responded to the five statements.

	Agree or Strongly Agree	Undecided	Disagree or Strongly Disagree
1. The reviewer(s) identified and communicated major points in a useful letter of comments.	91%	6%	3%
2. The reviewer(s) provided other helpful suggestions for improving the quality of the firm's practice.	89%	8%	3%
3. The review was carried out in a timely and professional manner.	94%	3%	3%
4. The reviewer(s) showed good judgment in distinguishing between important and unimportant matters.	90%	7%	3%
5. The reviewer(s) is (are) recommended for other firms.	94%	3%	3%

The third statement, that the review was carried out in a timely and professional manner, received the highest "strongly agree" rating—69%. At the other extreme, each statement except the second ("helpful suggestions") received just one "strongly disagree" evaluation. The "helpful suggestions" statement received none.

Thirty-five of the managing partners wrote in additional comments. Some of these mentioned specific problems, but the ratings shown above suggest that these problems did not usually affect the overall evaluation. Seventeen of the comments were positive and complimentary, 8 were neutral, and 10 were negative or critical about one or more aspects of the review.

Conference Reminder

The 1986 PCPS Conference is scheduled for May 4-6 at the exotic Hyatt Regency Grand Cypress in Orlando, Florida. Preconference activities feature PCPS golf and tennis tournaments (for which early registration is important), followed by the congenial welcome reception at 6:00 p.m., Sunday, May 4. A challenging technical program starts Monday morning. The conference registration fee is \$275.

FASB Inquiry and Proposed Ethics Ruling Draw TIC Responses

The Technical Issues Committee recently considered an inquiry from the FASB about "Transition in FASB Technical Bulletins." Noting that the FASB Technical Bulletins are intended only to prescribe the appropriate accounting that is already inherent in existing literature, the FASB said there has been disagreement among accountants about whether the Bulletins should only be applied prospectively, or whether, in some cases, there is a presumption that application should be retroactive. The FASB staff identified five separate questions, all related to whether and under what conditions Technical Bulletins might be retroactive and might require restatement of previously issued financials.

The TIC concluded that the objective of the Technical Bulletins and the nature of the issues they address would preclude retroactive application in almost all cases. Because of the costs and other problems involved in the restatement of previously issued financials, the TIC believes any decision to require retroactive application should be made only by the Board itself (not just the staff), and with full due process.

The TIC also commented on the Professional Ethics Division's proposed ruling, "Joint Investment with a Promoter or General Partner." The Ruling held that acquiring an immaterial interest in a limited partnership would impair a member's independence with respect to other limited partnerships with the same promoter or general partner. Pointing out that such an interest would be both immaterial and indirect, the TIC maintained that the Ruling would be inconsistent with Rule 101, and should therefore not be issued unless Rule 101 is changed.

AICPA Offers Two New Speeches, With Giveaways

The Institute's Public Relations Division has announced two new speeches that will be available shortly from the AICPA Order Department, 212/575-6426. The first is "How Would Tax Reform Affect Me?" (Product No. G00381). The related giveaway item is "Will Your Tax Bill Rise Under the President's Tax Reform Proposal?" (No. 889204).

Also available will be a speech on year-end tax planning (No. G00151), and a related year-end giveaway item, "25 Great Year End Tax Tips" (No. 889100).

The speeches are available at no charge. There will be a slight charge for the giveaway items.

Committee Update

About this time every year the Section writes to the managing partner of each member firm requesting nominations or volunteers for service on PCPS committees. There are four such committees.

THE FOUR COMMITTEES. The Executive Committee consists of representatives—often the managing partners—of 21 member firms. Each year one third of its members are appointed for three-year terms by the AICPA's incoming Chairman of the Board, with the approval of the Board and the existing Executive Committee.

The Peer Review Committee (PRC) consists of 15 persons from member firms. The Technical Issues Committee (TIC) has no stipulated size, but recently has consisted of 12 partners of member firms. The Member Services Committee (MSC) currently has seven members. Members of the PRC, TIC and MSC are appointed by the Executive Committee. Appointments are for one year terms, and members are usually not asked to serve more than three such terms.

The four committees' 55 members represent 30 different states. Here is an analysis of the size of their firms.

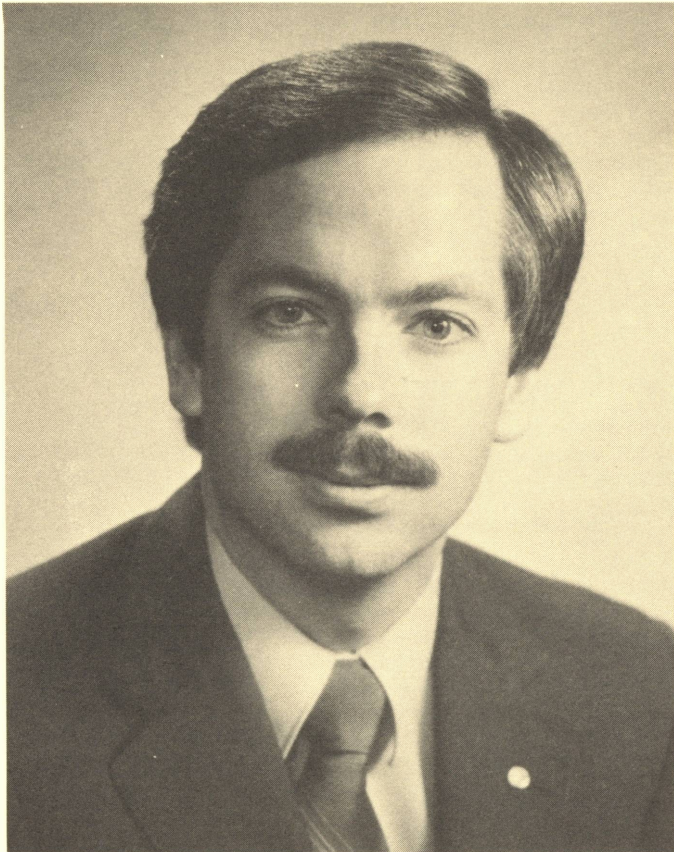
Number of Partners	Number of Firms				
	All Four Committees	Exec.	PRC	TIC	MSC
1	2	1	—	1	—
2-5	21	5	11	2	3
6-10	18	8	3	4	3
11-25	10	5	1	3	1
Over 25	4	2	—	2	—
	<u>55</u>	<u>21</u>	<u>15</u>	<u>12</u>	<u>7</u>

OPEN DOOR POLICY. The Executive Committee, MSC and TIC invite attendance at their meetings by AICPA members interested in the Section's activities, up to the meeting room's reasonable capacity. These meetings give CPAs a first hand look at what committee service involves. They also give PCPS members opportunities to meet their committee representatives and to hear current PCPS concerns, and to provide input that the committees need.

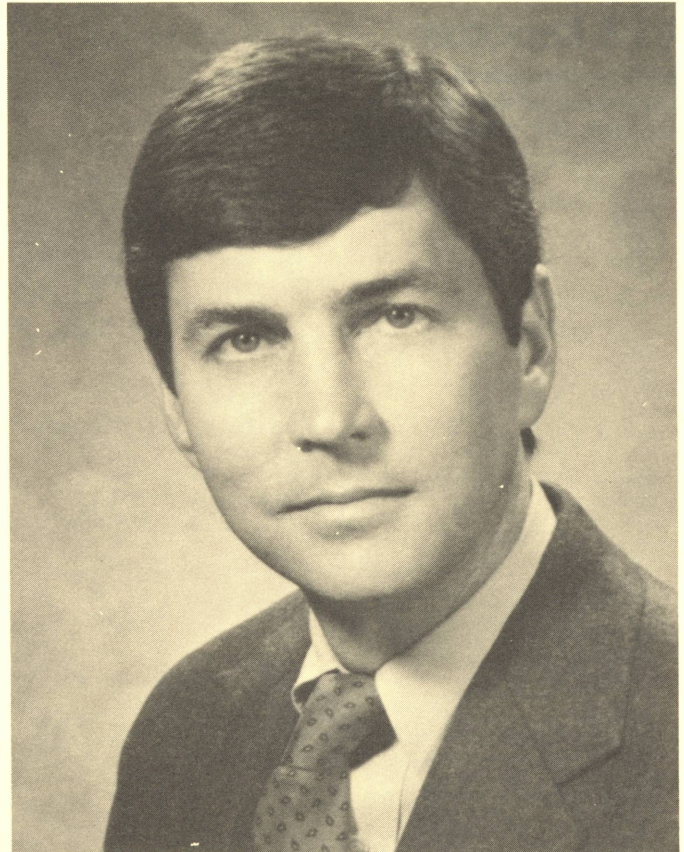
Attendance at certain portions may be restricted to committee members—for instance, during discussion of possible disciplinary actions. (Since pre-acceptance consideration of peer review reports occupies a major portion of the PRC meetings, these meetings are usually restricted to committee members.)

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Executive Committee Appoints Two New Chairmen



Larry J. Wolfe, Chairman of the Technical Issues Committee



Thomas L. Aman, Chairman of the Member Services Committee

PCPS Committee Rosters

Here are the rosters of the four PCPS committees. The abbreviations following each Executive Committee member indicate the states assigned to that member for liaison purposes.

These committee members are your representatives, and they will welcome your suggestions, comments and questions. (If you want to bring something to the attention of a full committee, address your communication to the committee in care of the Director, Private Companies Practice Section, at the AICPA.)

Executive Committee 1985-1986

- John T. Schiffman, Chairman*, Smith, Batchelder & Rugg, Lyme Road, Hanover, NH 03755 (ME, NH, VT)
Kenneth J. Ashcraft, Benson & Neff, One Market Plaza, Steuart Street, Suite 2315, San Francisco, CA 94105 (CA, HI, GU)
Jon A. Barrows, Bolan, Vassar & Barrows, 3443 North Central Avenue, Phoenix, AZ 85012 (AZ, NM, NV)
Charles H. Bristol, Bristol Leisenring Herkner & Co., 815 Kalamazoo Building, Kalamazoo, MI 49007 (MI, WI)
Richard A. Chervenak, Chervenak & Associates, 1582 S. Parker Road, Suite 108, Denver, CO 80231 (CO, UT)
Benjamin E. Cohen, Cohen, Rosenfeld & Lieberman, 36 Trumbull Street, Hartford, CT 06103 (CT, MA, RI)
Sam I. Diamond, Jr., Diamond, Kelley & Company, 475 South Hull Street, Montgomery, AL 36104 (AL, TN)
Jerome A. Harris, Checkers, Simon & Rosner, One South Wacker Drive, Chicago, IL 60606 (IL, IN)
Arthur W. Hoffman, Mayer Hoffman McCann, 420 Nichols Road, Kansas City, MO 64112 (KS, MO, ME)
Robert L. Israeloff, Israeloff Trattner & Co., 11 Sunrise Plaza, Valley Stream, NY 11581 (DC, NJ, NY)
A.E. Iverson, Dee, Gosling & Co., 118 South Clinton Street, Iowa City, IA 52240 (IA, SD)
James Maher, Jr., Duplantier, Hrapmann, Hogan & Maher 1108 Richards Bldg., New Orleans, LA 70112 (LA, MS)
Arthur H. Metcalf II, Metcalf, Frix & Co., 1700 Peachtree Summit, 401 West Peachtree Street, Atlanta, GA 30308 (GA)
Z.H. Montgomery, Rogers, Brigman, Peterson & Co., P.O. Box 124, Columbia, SC 29202 (NC, SC, VA)
James J. O'Neill, Hausser & Taylor, CPA's, 1410 Terminal Tower, Cleveland, OH 44113 (KY, OH, WV)
Philip W. Presnell, Presnell, Gage & Co., 1216 Idaho St., P.O. Box 555, Lewiston, ID 83501 (ID, MT, WY)
O. Creed Spann, Jr., Hollis, McClain & Howell, Ltd., P.O. Box 8306, Pine Bluff, AR 71611 (AR, OK, TX)
Edward L. Strother, Knight, Vale & Gregory, 1500 One Washington Plaza, Tacoma, WA 98402 (AK, OR, WA)
Michael M. Vekich, Vekich, Arkema & Co., 7300 Metro Blvd., Minneapolis, MN 55435 (MN, ND)
Bernard Werner, Kipnis & Karchmer, 50 W. 40th St., New York, NY 10018 (DE, MD, PA, VI)
Donald P. Zima, May Zima & Co., Five Piedmont Center, Atlanta, GA 30305 (FL, PR)

Peer Review Committee 1985-1986

- David E. Peeler, Chairman*, Vilmure, Peeler & Boucher, 13305 Penn Street, Suite 200, Whittier, CA 90602
John Mason Andres, Thomas & Thomas, 701 Arkansas Boulevard, Texarkana, AR 75502
David O. Blumhagen, Blumhagen, Peters & Co., P.C., 1290 Pacwest Center, 1211 S.W. Fifth Ave., Portland, OR 97204

- Larry L. Creek*, Presnell, Gage & Co., P.O. Box 1693, Boise, ID 83701
Jerry W. Crisp, Condley and Company, P.O. Box 2993, Abilene, TX 79604
William Haller, Strait Kushinsky & Company, Holly Sugar Building, Suite 110, Colorado Springs, CO 80903
John G. Hodgson, Jr., J.G. Hodgson & Co., Inc., 38 Elm Street, New Bedford, MA 02740
Marjorie June, Glenn Ingram & Company, 150 North Wacker Drive, Chicago, IL 60606
Sandra Lash, Alder Green & Hasson, 10920 Wilshire Blvd., Suite 1200, Los Angeles, CA 90024
Mark E. Mersmann, St. John & Mersmann, 105 Long Road, Chesterfield, MO 63017
Howard D. Poarch, Hassler, Martin, Stuedeman, Pitts, PC, Suite 214, 2151 Highland Avenue, Birmingham, AL 35255
John F. Schilling, Eikill & Schilling, Ltd., 310 First Federal Savings Building, Duluth, MN 55802
Ben H. Shawler, Christen, Brown & Rufer, Lincoln Tower, Suite 1000, 6100 Dutchmans Lane, Louisville, KY 40205
C. David Stauffer, Stauffer & Company, Box 391, Canon City, CO 81212
Kim L. Tredinnick, Virchow, Krause & Company, 4130 Lien Road, P.O. Box 7398, Madison, WI 53707

Technical Issues Committee 1985-1986

- Larry J. Wolfe, Chairman*, Larry J. Wolfe, CPA, P.O. Box 5127, Oxnard, CA 93031
Carl P. Gross, Altschuler, Melvoin and Glasser, 30 S. Wacker Drive, Suite 2600, Chicago, IL 60606
Edwin G. Jolicoeur, LeMaster & Daniels, 800 Seafirst Financial Center, Spokane, WA 99201
Conrad A. Kappel, Blum Shapiro & Company, P.C., P.O. Box 7-6, 29 North Main Street, West Hartford, CT 06107
Richard B. Morgan, Gallagher, Flynn, Crampton & Co., 110 South Champlain St. at College, P.O. Box 447, Burlington, VT 05402
Richard H. Murvin, Carter, Belcourt & Atkinson, P.A., 402 South Kentucky Avenue, Suite 290, Lakeland, FL 33801
James L. Pioso, Nankin, Schnoll & Company, S.C., 700 West Michigan Street, Milwaukee, WI 53233
Philip Robertson, Bailey Vaught Robertson & Company, 1100 Thanksgiving Tower, Dallas, TX 75201
Edward F. Rockman, Alpern Rosenthal & Company, Suite 200, The Pitt Building, 213 Smithfield Street, Pittsburg, PA 15222
Dennis D. Stene, Henry Scholten & Company, 100 S. Phillips Avenue, Suite 310, Sioux Falls, SD 57102
Gerald N. Tuch, J.H. Cohn & Company, 75 Eisenhower Parkway, Roseland, NJ 07068-1697
Robert J. Zarlengo, Hines, Condon & Zarlengo, 4851 Independence Street, Suite 150, Wheat Ridge, CO 80033

Member Services Committee 1985-1986

- Thomas L. Aman, Chairman*, Toothman Rice & Company, P.O. Drawer 2408, Goff Building, Clarksburg, WV 26301
Melvin M. Bloom, Hochschild Bloom & Co., 16100 Chesterfield Village Parkway., Chesterfield, MO 63017
Charles H. Bristol, Bristol Leisenring Herkner & Co., 815 Kalamazoo Building, Kalamazoo, MI 49007
Ronald S. Katch, Katch Tyson & Company, 191 Waukegan Road, Northfield, IL 60093
Steven Kaufman, Kaufman, Rosenbloom & Shapiro, P.A. 4520 East-West Hwy., Suite 606, Bethesda, MD 20814
John C. MacIlwaine, Battelle & Battelle, 3400 South Dixie Drive, Dayton, OH 45439
Jerry D. Marlar, Valdes, McLain, Pratt & Co., 1215 Manatee Avenue West, Bradenton, FL 33505

Committee Update

Continued from page 3

Before attending a committee meeting you should contact the PCPS staff at (212) 575-6446. The staff will give you the details of time and place and if practicable send you a copy of the agenda and supporting documents. Here are the meeting schedules:

Executive Committee

November 7-8, 1985
January 13-14, 1986
March 21
May 7
August 18-19
November 6-7

New York
Los Angeles
Atlanta
Orlando
Boston
Chicago

Technical Issues Committee

November 4-5, 1985
January 9-10, 1986
March 20
May 2-3

New York
San Diego
Atlanta
Orlando

The Member Services Committee's next meeting is scheduled for November 11, in New York.

Executive Committee Weighs Action on Insurance Requirement

The Executive Committee continues to monitor the liability insurance situation. At this writing there seems to be no reason to expect insurance to become more available or less expensive.

The Committee has continued its authorization to the staff to grant ninety-day exemptions from the insurance membership requirement to any PCPS firm that is making a good faith attempt to replace coverage that was cancelled or could not be renewed. The SECPS Executive Committee has authorized its staff to grant similar exemptions.

Both committees are expected to review the situation later this year.

TECHNICAL HOTLINE

The technical information service answers inquiries about specific audit or accounting problems.

Call Toll Free

(800) 223-4158 (except New York)

(800) 522-5430 (New York Only)

This service is free to AICPA members.

PCPS Reporter

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