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The CPA MANAGEMENT ADVISOR

NEWSLETTER OF THE AICPA DIVISION FOR MANAGEMENT ADVISORY SERVICES

BULLETIN BOARD

DIVISION MEETING AND CONFERENCE SET

The first meeting of the AICPA Division for Management Advisory Services will take place in New Orleans on October 14, 1987, immediately following the Annual MAS Conference on October 12 and 13. (Story on page 3.)

MAS TRAINING SCHEDULED

The AICPA and Ohio State University will cosponsor the 1987 National MAS Training Program in June at the OSU campus in Columbus. This annual two-week event has two sessions. The first week, June 15-19, will offer the basics of MAS, and the second week, June 22-26, will offer advanced training. (Story on page 3.)

MAS BIBLIOGRAPHY ON DISK

The division plans to distribute an MAS bibliography on a floppy disk to its members. The bibliography is a by-product of a study of MAS Practice and Knowledge sponsored by the division. Division members will also receive a summary of the study's findings as an MAS Special Report. (Story on page 3.)

NEW REFERENCE BOOK DUE

In May the AICPA will publish *The Accountant's Business Manual*, a single volume containing business information often needed by practitioners and financial executives. This reference may be ordered now at substantial prepublication savings. Call (212) 575-6426 for more information.

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SURVEYS PROBE MAS BY CPAs

Two recent surveys reveal the public's perceptions of the appropriateness of CPA firms' providing management advisory services.

During June-August 1986, Louis Harris and Associates conducted a broad-based telephone survey for the AICPA. They questioned the general public, two subgroups of the general public, and 11 special publics consisting of specific leadership groups. The objectives were, according to the survey, "to determine their perceptions of CPAs, their knowledge of CPA qualifications and ethical standards, their awareness of investigations of the profession, their evaluation of the integrity of auditors, and other key dimensions." The questions included a roster of services to determine the extent to which the respondents perceived each service as appropriate for public accounting firms to perform.

During September and October 1986 Audits & Surveys, Inc., conducted for the Public Oversight Board (POB) of the SEC Practice Section a mail survey of nine key public groups to measure their perceptions of management advisory services performed by CPA firms for audit clients. The SEC Practice Section is a unit of the AICPA's Division for Firms.

The Harris survey sampled a national cross section of the general public and two subgroups, one consisting of people who said they are knowledgeable about accountants and accounting and the other consisting of people who own common stock and equities. The survey also covered samples of 11 different special publics consisting of specific leadership groups. They were (1) owners and managers of small businesses, (2) owners and managers of medium-sized businesses, (3) top executives of large corporations, (4) audit committee members of large corporations' boards of directors, (5) senior bank officers who are

credit grantors, (6) attorneys knowledgeable about financial affairs, (7) key state and federal officials dealing with financial-related issues, (8) key aides to members of Congress, (9) leading members of the media dealing with financial matters, (10) leading academics in accounting and related fields and (11) top security analysts.

In the part of the Harris survey relating to specific services, the two general public subgroups and the 11 special public groups were asked about eight key areas in which public accounting firms now operate. Six of those areas involved management advisory services activities.

Eighty percent of the special public groups and 57 and 58 percent of the two general public subgroups believe it is appropriate for CPA firms to assist clients in computer hardware selection and computer software design or selection. General management consulting met with approval as a legitimate area for audit firms to operate in by 79 percent among the special public groups, 70 percent among the "knowledgeable" subgroup, and 72 percent among the "stock owner" subgroup.

Two other activities probed in the MAS area—actuarial services and appraisal services—received approval by the majority of most of the groups. However, four of the special public groups—medium-sized company executives by 51 percent, large company executives by 51 percent, creditors by 64 percent and academics by 57 percent—viewed appraisal services as inappropriate for CPA firms. All of the special public groups except medium-sized and larger company executives, as well as the gen-

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eral public subgroups, viewed executive search services as inappropriate for CPA firms.

In a separate question, the special public groups and the two general public subgroups were asked to indicate the degree of confidence that they had in the ability of CPAs to act as management advisors for corporations as compared with management consulting firms. Twenty-four percent of the special public groups indicated "a great deal" and 52 percent indicated "some" confidence. Executives of medium-sized businesses expressed the highest confidence (32 percent "a great deal," 50 percent "some"). The ratings were lower among the "knowledgeable" and "stock owner" subgroups with 17 percent indicating "a great deal" and 51 percent indicating "some" in both groups.

The groups were also asked if they believe that when an independent auditing firm serves as an advisor to busi-

ness on tax matters, management systems or financial matters, it affects the firm's ability to be objective when auditing a client's financial statements. Majorities of all groups—57 percent among the special public groups, 61 percent among the "knowledgeable" subgroup and 58 percent among the "stockowner" subgroup—feel that objectivity in the audit is affected in those circumstances.

In the study sponsored by the Public Oversight Board, samples of nine key public groups were surveyed using a mail questionnaire. The samples were selected from (1) the chief executive officers of the 1,000 largest American industrial and service corporations, (2) audit committee chairmen of those corporations, (3) commercial bank loan officers, (4) financial analysts, (5) investment bankers, (6) attorneys, (7) financial writers, (8) accounting faculty members and (9) deans of business schools.

The results of the survey suggest that members of those key public groups think that performing certain management advisory services can impair CPAs' objectivity and independence and that caution needs to be exercised when CPAs perform any management advisory service for their audit clients. The survey shows, for example, that 75 percent of the key public groups agree that CPAs should be allowed to perform only those management advisory services where it is clear that audit objectivity and independence cannot be impaired.

Members of the key publics surveyed were given a list of 16 management advisory services that CPAs perform, and were asked how much or little they thought each service impaired audit objectivity and independence if such service were performed for an audit client. The survey shows that members of the key public groups perceive that some services are more likely to impair objectivity and independence than others. Forty-seven to 76 percent of the key publics think the following management advisory services could cause "a great deal of" or "some" impairment in the auditor's objectivity and independence.

1. Negotiating mergers, acquisitions and divestitures—76 percent.
2. Performing actuarial services that directly affect amounts involved on the balance sheet—54 percent.
3. Identifying merger and acquisition candidates—62 percent.
4. Implementing a strategic plan—63 percent.
5. Valuing assets acquired in a business combination—61 percent.
6. Executive search for senior management personnel—56 percent.
7. Renegotiations or redetermining price under a procurement contract—50 percent.
8. Developing a strategic plan—49 percent.
9. Developing an executive compensation plan—47 percent.

Seven of the sixteen services, those directed towards internal company operations or limited planning, were perceived by 63 to 75 percent as less likely to impair objectivity and independence. These were:

1. Performing a plant site location study—75 percent.
2. Designing a computer system—73 percent.

COURSES AND CONFERENCES

Members interested in the programs described below should contact the sponsoring organizations for additional information. For AICPA-sponsored courses and conferences, call toll free (800) 242-7269 or (212) 575-5696. For courses and conferences of other organizations, use the numbers listed. The courses and conferences of other organizations have not been evaluated to determine their quality or the extent to which they qualify for continuing professional education credit.

AICPA

What:	Development of MAS Skills and Practice	
When:	June 15-19, 1987	
Where:	Columbus, Ohio	
What:	Advanced MAS Skills	
When:	June 22-26, 1987	
Where:	Columbus, Ohio	

California CPA Foundation and AICPA—(415) 321-1900

What:	The Entertainment Industry Conference	
When:	June 23, 1987	
Where:	Beverly Hills, CA	

Institute of Management Consultants—(212) 921-2885

What:	Fundamentals of Management Consulting	
When:	May 4-6, 1987	
Where:	Boston, MA	

Organizational Consultants, Incorporated—(415) 989-6189

What:	Consulting for Organizational Effectiveness	
When:	April 6-8, 1987	May 4-6, 1987
Where:	Chicago	San Francisco

3. Designing a control system for managing long-term contracts—65 percent.
4. Designing and installing a computer system—66 percent.
5. Developing a market feasibility study—66 percent.
6. Performing actuarial services for the company's pension plan—64 percent.
7. Designing or implementing a cash management system—63 percent.

The reactions vary somewhat by key publics. Chief executive officers and bank officers appear to be less concerned than others, while attorneys and financial writers appear to be more concerned than others.

The results of these surveys suggest that the public considers certain management advisory services appropriate for CPAs to perform. However, the public groups in both surveys are concerned that some types of management advisory services may impair an audit firm's objectivity and independence or are otherwise inappropriate for CPA firms to perform. The results of these surveys emphasize the importance of continued study of the scope-of-services issue and of professionalism in the performance of all services.

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MAS BIBLIOGRAPHY ON DISK

Need quick access to a reference source for books and periodicals that can help you prepare a specific MAS presentation or report? As a member of the Division for MAS, you'll soon be able to pop a floppy disk in your PC and locate the titles of appropriate publications that will make your search for information much easier.

This new MAS bibliography is an exciting offshoot of the recent MAS Practice and Knowledge (MASPAK) study. It is organized into 13 sections dealing with the major areas of MAS practice, with each section subdivided into pertinent components and annotated with brief descriptions or explanations. The bibliography will be available on a floppy disk that can be used in a personal computer for a variety of purposes. The disk, together with an MAS Special Report summarizing the MASPAK study findings, will be distributed to division members without charge.

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DIVISION MEMBERSHIP MEETING SET

Members of the Division for Management Advisory Services will participate in their first annual membership meeting on October 14, 1987, in New Orleans.

The MAS Executive Committee has approved plans for a one-day meeting to be held in conjunction with the two-day national MAS conference. The conference, an annual event sponsored by the AICPA since 1974, will be cosponsored this year by the Society of Louisiana CPAs. Scheduling the annual meeting to follow the conference makes it convenient for members to attend the entire three days that will be devoted to the two events. Members attending only the annual meeting will be required to pay a nominal registration fee, and those who participate in the three days of events will be required to register and pay the conference registration fee.

The schedule for the annual meeting includes time for brief business sessions for each of the MAS division committees. Division members will receive reports on current committee projects and will have an opportunity to express their views on future division projects and activities. The technical agenda will

feature sessions on trends in management and trends in information technology. A keynote address by a nationally prominent person will highlight the meeting.

The National MAS Conference is open to all AICPA members and will offer a concentrated technical program to provide participants with 16 hours of continuing professional education credit. A brochure with complete information on the dates, the hotel, the program, and registration will be mailed to members as soon as possible to encourage early registration for both the conference and the annual meeting.

The MAS Executive Committee chose New Orleans as the site for the first annual meeting not only to combine the meeting and conference, but also to give members the opportunity to visit the city of New Orleans and enjoy its fine dining and exciting recreational activities. Both members and their spouses should find the fall a splendid time to visit New Orleans.

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MAS TRAINING PROGRAM ON TAP

The annual National MAS Training Program, scheduled this year for June in Columbus at the Ohio State University campus, will consist of two five-day sessions. The first session will provide training in the basic MAS skills; the second session will provide experienced practitioners with advanced MAS knowledge and skills.

The basic program teaches both new and experienced practitioners how to perform an MAS engagement effectively and efficiently. It covers core skills, including the analytical and problem-solving process. It also covers topics such as marketing MAS services and consultant-client interactions. The advanced program for experienced practitioners concentrates on special areas, such as operational auditing, strategic planning, valuation and communications.

According to Gene Temkin, chairman of the program's steering committee, improving your MAS skills can be both profitable and enjoyable. He

stresses that practitioners can take what they learn in the program and go right out and use it.

In both sessions, role playing, group discussions, task groups and lectures contribute to the effectiveness and attractiveness of the courses. Each program begins with a Sunday evening reception, at which participants receive their assignments, and concludes with lunch on Friday afternoon. Temkin delivers the opening and closing statements and serves as all-around guru.

The program is designed to meet the needs of small and mid-sized firms. Contact Stacy Kosmides at (212) 575-6253 for more information.

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STATE SOCIETY MAS EVENTS

- Connecticut will hold a May 1987 MAS conference.
- Minnesota developed a computer software library covering accounting, tax, real estate and other specialized areas.
- Virginia will sponsor an MAS conference offering 16 CPE hours on May 14, 1987.
- Washington State prepared a publication on the use of on-line information services.

SUGGESTIONS FROM THE CPA MANAGEMENT ADVISOR

How often do your clients seek business advice in casual conversations with you on the phone or in person? Following up such conversations can often lead to an MAS engagement. An excellent way to do that is to use a standard MAS consultation follow-up memorandum to get all the facts, to make a record of the advice given, to determine any additional research needed and to assess the potential for a follow-up engagement. The memorandum may later serve not only as documentation of the advice given, but also as a clue to additional services that the client needs. The memorandum can also serve as a source document for billing the client if the time used in the consultation is recorded.

PUBLICATIONS REVIEW

A regular feature of this newsletter is to present reviews of selected books and periodicals that members should find useful in their activities. Last year, 1986, saw a flood of books published on management consulting. Three are reviewed in this issue.

Management Consulting: A Guide to the Profession, 2nd (Revised) Ed., Milan Kubr, editor, International Labor Office of the United Nations Organization, 1750 New York Avenue, N.W., Washington, D.C., 20006, \$35.00, 1986, 611 pages.

When this book first appeared in 1976, it filled a vacuum and became a staple for the management consultant's library. The revised edition has been expanded and is even more useful. The book examines, in detail, the five major stages of the consulting process: entry, diagnosis, action planning, implementation and termination. Eight of its 29 chapters deal with consulting in various areas of management, including finances, human resources, small enterprises and computer applications. Though this book wasn't written with the CPA/MAS practitioner in mind, its consulting know-how makes it an excellent guide for providing services in a formal, engagement-oriented mode.

Handbook of Management Consulting Services, Sam W. Barcus III and Joseph Wilkinson, editors, McGraw-Hill, Inc., New York, \$59.95, 1986, 440 pages.

Written principally by and for accounting-oriented educators and prac-

titioners, this book features 80 pages of checklists and work plans for key areas of MAS practice. These alone make it worthwhile as a reference for practitioners. It also addresses engagement conduct, including problem definition, fact-finding and analysis, solution development and implementation, as well as practice considerations, such as marketing and the proposal process.

The Accountant as Business Advisor, William K. Grollman, editor, John Wiley & Sons, New York, \$55.00, 1986, 469 pages.

This book, unlike the others, focuses on the *accountant's* role as a business advisor and consultant. The first of its three parts discusses accountants' consulting activities from the perspectives of the independent public accountant, the management accountant and the internal auditor; then it turns to areas in which accountants give advice. The second part provides useful information on specific techniques and subjects, such as cash management, cost reduction and systems automation. The final part, "Managing the Human Element," includes chapters on employee and executive benefits and personal financial planning.

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