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The CPA MANAGEMENT ADVISOR

NEWSLETTER OF THE AICPA DIVISION FOR MANAGEMENT ADVISORY SERVICES

BULLETIN BOARD

SSAE ON MAS EXPOSED

The AICPA has issued an exposure draft of a proposed Statement on Standards for Attestation Engagements entitled *Attest Services Related to MAS Engagements*.

The MAS Executive Committee prepared the proposed statement to provide guidance when both attest and MAS services are involved in a single engagement, or in separate engagements when a practitioner previously provided MAS services related to the subject matter of a current attest engagement. Attest services and MAS services may be performed for both financial and nonfinancial matters.

The proposed statement recognizes that evaluating statements in another party's written assertion does not in and of itself constitute an attest service. Such evaluations are often necessary to enable a practitioner to achieve the purpose of an MAS engagement.

Copies of the exposure draft have been mailed to members of the Division for Management Advisory Services. The comment period on the draft ends on July 31, 1987.

SPECIALIZATION IN MAS

The MAS Executive Committee is seeking comments from members on establishing one or more MAS specialty designations within the AICPA's new specialization program. (Story on page 2).

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ADVISING THE SMALL BUSINESS

New and smaller businesses—emerging businesses—have a high mortality rate. They need help to succeed. MAS can make the difference.

What kind of help can CPAs offer? The MAS label is a handy one, and it covers a broad spectrum of services. Perhaps the most obvious but often overlooked management advisory service is planning assistance. Owners are often too involved with day-to-day operations to consider planning, but it can determine success or failure. The CPA can assist the client in areas such as developing an overall business plan; determining personnel, plant and equipment needs; choosing between buying or leasing and profit planning through budgeting. Marketing and pricing strategies can also be the subjects of MAS advice. Additionally, a CPA management advisor can offer a small business owner personal financial planning as a service. (See MAS Small Business Consulting Practice Aid No. 7, *Personal Financial Planning: The Team Approach*.)

Another major aspect of MAS assistance focuses on information management, which involves making operational data available as an aid to decision making and control. For example, a practitioner could develop a data-recording system that would provide a profit and loss statement by product line, or a cost accounting system that would reveal profit leaks, which could be remedied once discovered. Information management does not necessarily require computers.

Clients can benefit from guidance in managing assets. Practitioners can help small business owners improve their financial positions through cash management, and aid them in avoiding the pitfalls of inadequate inventory management. Reviewing insurance

coverage also ranks as an important service. If a client doesn't have appropriate insurance, it could mean economic disaster.

A CPA can be most helpful to a small business owner in developing and implementing accounting and operational systems and procedures. Although such assistance often involves computers, poor manual procedures and work flow problems can be improved without them. Credit and collection procedures, for example, are often a weak area in small business operations and can significantly affect profitability. A CPA who has seen many other clients handle similar operations can objectively perform operational reviews by asking key questions. The CPA won't accept "it's always been done this way" as an answer. Small business owners can benefit from administrative controls as well as accounting controls. Keeping tabs on production and quality, for instance, can improve profitability in most businesses, whether they produce goods or services.

And of course the CPA's MAS skills can be invaluable in start-up ventures or in mergers, acquisitions and sales. In addition, CPAs commonly conduct business valuations in various situations, including divorce.

Practitioners should keep in mind that CPA services are often interrelated. For example, helping a client obtain funds may be a management advisory service, but the banker will still want to see client historical and projected financial statements that have been audited, examined, reviewed or compiled.

Until recently local practitioners and sole practitioners had little professional

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SPECIALIZATION IN MAS DEBATED

At its meeting on May 6, the MAS Executive Committee discussed alternatives for specialty designations within the MAS area. The committee is responding to Council's adoption last year of a specialization program for the profession, which the AICPA will administer.

The committee raised a number of issues. Who would benefit from specialization is a critical question. Its impact on the public, the profession, and individual practitioners—including non-CPAs—needs to be considered. The nature of the program is also important. Should it be a single broad MAS designation based on consulting skills and procedures, or a number of narrower specializations, such as microcomputer consultant, business valuation consultant or human resources consultant? The method of accreditation must be resolved as well. How much weight should be given to experience

and how much to continuing professional education requirements?

The committee reached no conclusions, but it agreed to ask division members for their comments. In particular, the committee would like to hear from division members in industry and government who engage CPAs to perform MAS engagements. Would they find specialist designations useful, and if so, what kind would be most useful?

Send your comments to MAS Specialization Program, MAS Division, AICPA, 1211 Avenue of the Americas, New York, New York 10036. We look forward to receiving your opinions.

SPECIALIZATION CRITERIA

The AICPA's Specialization Committee must review and approve any recommendation for an MAS specialty. In order for an area to secure approval as a specialization, it must meet the following criteria:

1. Provide a meaningful identification for users of CPA services.
2. Involve a body of knowledge of sufficient depth and substance to warrant definition.
3. Produce adequate published literature for CPE courses and sustain a periodic professional accreditation examination.
4. Evidence sufficient demand or expectation by the public for the specialized service.
5. Indicate a demand for sufficient numbers of accredited specialists to justify establishment of a program of accreditation for that specialty.

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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: National MAS Conference and Division Meeting
When: October 12–14, 1987
Where: New Orleans, Louisiana

Institute of Management Consultants—(212) 921-2885

What: Fundamentals of Management Consulting
When: August 3–5, 1987
Where: Denver, Colorado

The Institute of Business Appraisers, Inc.—(305) 732-3202

What: Business Valuation for Accountants
When: August 24; September 7, 21; October 5, 18
Where: Various locations

Integrated Computer Systems—(800) 421-8166

What: Short technical computer courses (37)
When: Various dates (mostly four days in length)
Where: Various locations

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competition in offering advice to small businesses. But now many larger CPA firms are developing clients in this category, particularly those small businesses that might be on the fast track to becoming larger businesses.

Regardless of firm size, the successful MAS practitioner will be prepared to offer needed management advisory services, even when the client doesn't ask for them. A company is more likely to value a CPA who helps it use its resources more effectively.

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COMPUTER BROCHURE PUBLISHED

The AICPA's MAS Division has developed and published a brochure suggesting that clients consult with their CPAs before choosing a computer. The brochure describes how a CPA can help a client by providing or securing needed computer-oriented services. Division members have received sample copies. Additional copies may be purchased for distribution to clients and other interested parties.

MAS AIDS FILL A NICHE

You're a practitioner in a local or medium-sized firm and want to establish or expand your firm's MAS practice. You know that your firm has the resources to provide certain services, but which ones? And once you have identified these services, how do you secure and conduct engagements?

You can find help in the AICPA's three series of nonauthoritative MAS practice aids: Small Business Consulting, Technical Consulting and Practice Administration. Experienced MAS practitioners write the practice aids to ensure their relevance and usefulness to today's CPA/MAS practice.

The Small Business Consulting and Technical Consulting series present pertinent information on finance, planning, operations, human resources and other areas in the context of MAS engagement steps, beginning with the client understanding and concluding with engagement outputs. Practice Administration aids provide information on MAS practice development, engagement control, written and oral communication and MAS marketing. Most practice aids include sample engagement letters and checklists. They also contain brief bibliographies to aid in research.

The AICPA MAS Division has a strong commitment to building a practitioner library of practice aids. Four MAS division subcommittees—small business consulting practices, technical and industry consulting practices, computer applications and practice standards and administration—are currently developing these aids. The development process includes detailed outline preparation, manuscript drafting and revision, a formal subcommittee quality review and a technical review exposure to AICPA MAS committee members and other MAS practitioners recommended by state societies.

The Technical and Industry Consulting Practices Subcommittee generally recruits MAS practitioners as volunteer authors. The subcommittee prepares the initial outline and guides the volunteer authors throughout the drafting and review process. The other MAS subcommittees draft their own practice aids by working in small project groups.

The AICPA MAS practice aids alone will not make you a management consulting expert or provide everything you

need to know for specific kinds of engagements. Only training and experience will do that. They will, however, provide a unique initial exposure to a subject because they are written by and for practitioners. They also serve as a handy reference for a client partner when a client needs a service that is less familiar to the partner than it would be to the MAS staff. Many of the aids will also be useful to members in industry and government who perform similar services for their own organizations.

MAS DIVISION SEEKING VOLUNTEER AUTHORS FOR PRACTICE AIDS

The AICPA MAS Division is seeking experienced practitioners to serve as volunteer practice aid authors for the MAS Technical and Industry Consulting Practices Subcommittee. Available topics include:

- Cost allocation document preparation for government grant reimbursement
- Assisting local government with cost containment
- Assessing administrative controls
- Evaluating telephone systems
- Writing policy and procedure manuals

The MAS Technical and Industry Consulting Practices Subcommittee also plans to initiate a new series of MAS practice aids—Industry Consulting Practice Aids. Each aid will provide practitioners with an overview of a particular industry, for example, construction, manufacturing, oil and gas, hospitals, restaurants, agriculture, hotels and banks. They will include information on common MAS engagements.

Please contact Monte Kaplan, technical manager, at (212) 575-7057 if you are interested in authoring a practice aid on one of the topics listed or wish to suggest others. Additional topics will be announced shortly.

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SUGGESTIONS FROM THE CPA MANAGEMENT ADVISOR

When clients ask for assistance requiring expertise you and your staff do not have, do you decline the engagement, help them locate the needed expertise or bring in the needed expertise from a list of contacts you have developed? If too often you decline the engagement, you may also be losing clients. Make a list of the kinds of client requests you have not been able to handle. Add reasonable requests for business advice or assistance that you might get from clients but could not now handle. In each case, decide if you would prefer to refer the client to another source or bring in expertise so that you could be involved in helping the client. Then locate an appropriate party for referrals, or contact a specialist who will be willing to work on call and conclude an agreement. You can find specialists at other CPA firms, consulting firms, universities, equipment vendors or even working for clients.

CONSULTATION NOT ENOUGH?

MAS work performed often falls into the category of an MAS consultation, as defined in Statement on Standards for Management Advisory Services No. 1, *Definitions and Standards for MAS Practice*. Sometimes called *informal business advice* or *business advisory services*, MAS consultations are based mostly, if not entirely, on a practitioner's existing personal knowledge. That knowledge includes both technical aspects of the business in general and information about the client in particular. An MAS consultation requires little, if any, study or research, in contrast to an MAS engagement. And the response is generally communicated to the client orally.

An MAS consultation enables a knowledgeable practitioner to assist a client with a quick, informed response to a business question. However, the practitioner needs to consider whether the client would benefit more from a structured MAS engagement. Such engagements generally involve a study or

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some research and usually result in a written report containing findings, conclusions and recommendations. A written report generally helps a client make decisions by providing detailed information that management and others can review.

Practitioners are often in a position to determine whether a consultation or engagement is appropriate in a particular client situation and to perform either type of MAS service. Sometimes a practitioner can provide an MAS consultation for a specific problem or opportunity, while a full-scale MAS engagement may require expertise or resources beyond his or her current capabilities (for example, numbers or types of personnel). If so, the practitioner could consider a cooperative engagement or referral. (For more information, see MAS Practice Administration Aid 2, *Cooperative Engagements and Referrals*.)

Too often a practitioner might provide the requested quick answer and not press for a needed engagement. A client often needs to be convinced that he requires assistance with a problem, whether the assistance comes from the practitioner or someone else.

How can you help a client see the need for an MAS engagement instead of a consultation? Ask questions that you would want answered if you were the client. Such questions may make the client think twice before proceeding

with the action he was considering. The client may then ask you to answer the questions, and you can propose an MAS engagement as a way of doing this. In any case, raising questions can keep your client better informed. This approach might further encourage your clients to use you as a consultant.

MAS consultations will always have an appropriate time and place. Business advisors often prove most effective

when they develop a rapport with management that allows information imparted informally to be taken seriously. Nonetheless, a client needs to know when further study is appropriate before making a decision. Giving a limited answer to a client's question may not supply the information he really needs. Tell him what he needs to know and you may end up conducting an MAS engagement to fill that need.

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PUBLICATIONS REVIEW

Diagnostic Interviewing for Consultants and Auditors by John Quay, Quay Associates, Box 18052, Columbus, Ohio 43218, \$18.75, 92 pages.

Effective interviewing is a critical skill in management advisory services. A practitioner must use it first to secure an engagement, and then to determine the client's problems and objectives by talking with its personnel. Interviewing allows for face-to-face discussions with the client to assure a mutual understanding.

Quay can help practitioners learn or perfect interviewing skills. His book walks the reader through the interview process from preliminary procedures to final analysis. It explains how to design an interview plan, guide and control the interview, encourage trust and spontaneous responses, listen to and record

information and finally interpret it. The book also includes a chapter on special situations and appendixes with examples and practical exercises.

Quay formed his own consulting firm, Quay Associates, in 1976. Previously he had worked for Arthur Young and Coopers & Lybrand. During this earlier stint he designed a general management survey program to familiarize auditors and consultants with a client's operations, assets, key personnel and problems.

Quay's book serves as a good follow-up to two MAS Small Business Consulting Practice Aids—No. 2, *Identifying Client Problems: A Diagnostic Review Technique*, and No. 3, *Assisting Clients in Maximizing Profits: A Diagnostic Approach*.

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