

University of Mississippi

eGrove

Newsletters

American Institute of Certified Public
Accountants (AICPA) Historical Collection

Spring 1988

CPA Management Advisor, Volume 2, Number 2, Spring 1988

American Institute of Certified Public Accountants. Division for Management Advisory Services

Follow this and additional works at: https://egrove.olemiss.edu/aicpa_news



Part of the [Accounting Commons](#)

The CPA MANAGEMENT ADVISOR

NEWSLETTER OF THE AICPA DIVISION FOR MANAGEMENT ADVISORY SERVICES

BULLETIN BOARD

MAS MISSION STATEMENT

The MAS Executive Committee has adopted a mission statement for the MAS Division. (See page 2.) The statement relates each MAS objective directly to a broader AICPA objective in the Institute's mission statement. The MAS Division mission statement will guide the MAS Executive Committee, subcommittees and task forces in planning and conducting division activities.

MAS TRAINING

The AICPA and Ohio State University will once again cosponsor the two-week National MAS Training Program. From June 13 to June 17, *Development of MAS Skills* will inform participants about how to begin or expand an MAS practice. From June 20 to June 24, *Advanced MAS Skills* will cover practice areas such as strategic planning and business valuations, as well as practice development. Each part of the training program provides 40 hours of CPE credit. For further information, call Ohio State University at (614) 292-2328.

MAS SPECIALIZATION

Concluding that "there is not a present, informed mandate for MAS specialization," the MAS Executive Committee has authorized further research and will monitor the progress of the existing accreditation program for personal financial planning specialists.

Continued on page 2

The CPA Management Advisor, Winter 1988, Volume 2, Number 2. Published by the American Institute of Certified Public Accountants. Copyright © 1988 by the American Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, NY 10036-8775.

EDITOR: Monroe S. Kuttner
ASSOCIATE EDITOR: Libby F. Bruch

THE NEW CODE AND MAS

The recent yes vote on the Plan to Restructure Professional Standards has changed the *Code of Professional Conduct* and will affect all Institute members. They will be subject to the restructured code and new continuing education requirements. For members in public practice, there will be additional requirements concerning the quality review program and trial board revisions.

The three Statements on Standards for Management Advisory Services will require revision as well because they refer to the *Code of Professional Conduct*. References to deleted or revised sections will have to be changed, and references to new sections may have to be added.

The revised *Code of Professional Conduct* consists of a principles section and a rules section. All practitioners, including MAS practitioners in CPA firms who are not members of the Institute, should be aware of both the goal-oriented principles and the enforceable elements of the new rules.

The principles section consists of six articles that express goal-oriented, positively stated principles that provide the framework for the profession's technical standards and ethics rules. They prescribe the ethical objectives members should strive to achieve. They will not be enforced in their own terms, but through underlying rules. The rules are primarily restatements of the previous rules of conduct, expanded in most instances to apply broadly to all members of the Institute, unless otherwise stated in a rule.

Of particular interest in the principles section is article VI, "Scope and Nature of Services." This article repre-

sents the first attempt of the profession to provide guidance on the factors that members should consider in determining the scope of their practices. Article VI is reproduced on page 3.

An important addition to the rules of the revised code is rule 102, *Integrity and Objectivity*. This new rule applies to all Institute members. It states that "in the performance of any professional service, a member shall maintain objectivity and integrity, shall be free of conflicts of interest, and shall not knowingly misrepresent facts or subordinate his or her judgment to others." The requirement to be free of conflicts of interest was added to replace rule 504, *Incompatible Occupations*, which has been deleted.

All those who provide management advisory services, whether in public practice or not, should be aware that in addition to maintaining objectivity and integrity, they are now required by the standards of the profession to avoid conflicts of interest. The Professional Ethics Executive Committee is already at work defining new terms introduced in the new code, including *conflict of interest*. Until that term is defined, member understanding of the nature of the conflicts to be avoided may vary widely.

CPA
MAS

MISSION STATEMENT OF THE MAS DIVISION

The Management Advisory Services Division is the component of the American Institute of Certified Public Accountants representing Institute members who serve as business advisors and management consultants. The division acts in accordance with the AICPA mission statement on behalf of AICPA members in general and those affiliated with the Membership Division for Management Advisory Services in particular.

The Division's purpose is to provide AICPA members with the support necessary to enable them to serve the public interest by providing quality management advisory and related services with integrity and objectivity and in accordance with MAS standards. This purpose is accomplished by activities that enhance the ability of AICPA members and their associates to assist businesses, governmental units, and not-for-profit organizations to more effectively and efficiently respond to the public's needs for goods and services.

In fulfilling its mission, the division gives priority to all aspects of those CPA services that involve a two-party relationship while recognizing the impact that such services may have on other areas in which there is significant public reliance on CPA skills.

To achieve its mission, the division engages in activities that are intended to accomplish the following:

1. Assist in developing and refining provisions of uniform certification and licensing standards that relate to management advice and consultation. (AICPA objective no. 1)
2. Provide standards of professional conduct and performance for MAS engagements and consultations. (AICPA objectives no. 2 and no. 4)
3. Improve technical skills of those providing management advisory services. (AICPA objective no. 3)
4. Instruct the profession concerning the nature and value of management advisory services and their relationship to other aspects and activities of the profession. (AICPA objective no. 3)
5. Expand the practitioner's understanding of clients and their needs. (AICPA objective no. 3)

6. Foster the blending of tax, accounting, and financial consulting into business advice. (AICPA objective no. 3)
7. Enhance the performance of audit and accounting services by expanding functional, industry, and technical business knowledge. (AICPA objective no. 3)
8. Assist industry and government accountants to be more effective members of their organizations. (AICPA objective no. 3)
9. Support the Institute's activities in monitoring and enforcing the professional standards of performance for MAS practice. (AICPA objective no. 5)
10. Inform the public of the advantages of using accounting firm-based consultants. (AICPA objective no. 6)
11. Enhance public confidence in the integrity, objectivity, due care, skills, knowledge, and public interest that accounting firm-based consultants apply to the conduct of MAS consultations and engagements. (AICPA objective no. 6)
12. Motivate highly qualified individuals to become MAS practitioners and promote the availability of educational programs to this end. (AICPA objective no. 7)
13. Encourage involvement in the MAS Division by public practitioners and members in industry, education, and government in order to unite them in their efforts to serve the public interest. (AICPA objective no. 8)
14. Establish the AICPA MAS Division as a primary resource on matters concerning two-party consulting activities. (AICPA objective no. 9)
15. Assist members in dealing with new developments in technology and management and with changes in the economic, business, and social environments. (AICPA objective no. 10)
16. Identify new service opportunities in response to changing client and employer needs. (AICPA objective no. 10)

**CPA
MAS**

SUGGESTIONS FROM THE CPA MANAGEMENT ADVISOR

MAS practitioners in CPA firms often have difficulty gaining access to clients of firm partners who are not MAS-oriented. This is the single factor most likely to stunt the growth of an MAS practice.

What can you do as an MAS practitioner to open the doors to firm clients? Offer to help client partners develop material for management letters, which have a long tradition in auditing. If your firm doesn't do many audits, a management letter can accompany a review report, completed tax work or any other client work.

Why not ask the client partner to let you come along on an engagement. Your objective is to observe operations and perhaps ask a few extra questions. If the client asks about you, introduce yourself as a colleague who will provide backup by gaining some familiarity with client operations and personnel—no extra charge, of course.

If during the visit you spot something that could lead to an MAS engagement, prepare a management letter as additional evidence of the superior services your firm provides. The letter would, of course, come from the client partner, if he or she agrees to it.

If the client shows no interest in pursuing whatever opportunity the letter points out, nothing is gained or lost. But if the letter triggers further client interest, the client partner may respond, if qualified to do so, or may ask for your assistance. In either case, you will improve your standing with the partner and open the door a little wider for management advisory services.

An MAS Special Report about management letters is currently under development.

**CPA
MAS**

BULLETIN BOARD Continued from page 1

REFERRAL PROGRAM DELAYED

A heavy data processing load at the Institute delayed plans for enabling MAS Division members to exchange information and services through referrals. Work on the program has been resumed.

RECIPE FOR SUCCESS

"It never once occurred to me to have a job," Jacqueline Babicky explained. She wanted a career. Now she has that and more.

The self-described "founding mother" of Babicky, Venne, Bunce & Parker in Portland, Ore., she has seen her MAS practice grow from "me and my pencil" in 1976 to a staff of 17 with four partners in 1988. The firm serves mostly successful, growing small businesses, but one of the major companies in the city also benefits from its management advice.

Building on her business success, Babicky has also become active in professional organizations at all levels. In 1979 she chaired the Oregon State Society MAS Committee, and she currently chairs the AICPA's Practice Standards and Administration subcommittee under the auspices of the MAS Division.

Babicky, 44, ascribes her success to her philosophy. She rejected the traditional view of accounting focused on compliance work or third-party services. "I had a mission," she said. "Because of my business background, I really believed that the purpose of accounting was to help business owners manage their businesses better and make them more profitable." Babicky stressed that offering services to help her clients grow helped her own firm grow as well.

Babicky's nontraditional view may stem from the nontraditional path that led her to CPA-based MAS work. When she graduated from Willamette College in Salem, Ore., with an economics degree in 1964, "it was very difficult for women to find any kind of management job in business," she explained. She took the only job she could find, as a payroll clerk for the Jantzen swim wear company.

Two years later she went to work for a local construction firm in a clerical capacity. When the firm's business manager left abruptly, she accepted an offer to assume his position after attending night school for basic bookkeeping and accounting. "I wound up taking over the whole business management for the construction company," Babicky said. "I was given a chance to do anything I felt I could do." During her seven years there, she learned how to make loan ap-

plications for multimillion-dollar jobs, set up a cost-accounting system and computerize the general ledger.

The watershed decision came when she left. As Babicky recalled, "It was a real crisis point for me. I was approximately 10 years out of college and had what I thought was some pretty good work experience in accounting and in bookkeeping and in finance, but I didn't have the credentials to go with it. So I went back to school. I went back to Portland State and did all my accounting work. I sat for the CPA exam and passed it. I worked like a dog to pass it on the first sitting." Babicky's dogged pursuit of this goal included starting first-term auditing eight days after the birth of her second son.

Babicky then spent two years at a public accounting firm to enhance her education and experience, but never lost sight of her ultimate aim. "The minute I got my [CPA] certificate I opened my own business," she said.

Although she considered her start-up "a very frightening thing" because she didn't have a big client base to fall back on, she launched her firm in October 1976 with one client whom she had worked with while an apprentice at the CPA firm. That client became the cornerstone of her business and is still with her, 12 years later. She steadily increased her client roster by contacting people in the business community and offering them management advisory services.

Babicky also credits her association with the Institute, saying she always learns something at committee meetings and can apply it to her own practice. She advises other women CPAs to "deal with the organization that represents the establishment within the profession.... That's pretty critical."

The future looks good to Babicky. She thinks "MAS has become much more accepted, a much larger part of a lot of CPAs' practices." For her firm in particular, she explained that "the work is there. Our clients are just crying for it." She intends to heed the call. It gives her the career she always wanted. **CPA MAS**

AICPA CODE OF PROFESSIONAL CONDUCT ARTICLE VI—SCOPE AND NATURE OF SERVICES

A member in public practice should observe the Principles of the Code of Professional Conduct in determining the scope and nature of service to be provided.

The public interest aspect of certified public accountants' services requires that such services be consistent with acceptable professional behavior for certified public accountants. Integrity requires that service and the public trust not be subordinated to personal gain and advantage. Objectivity and independence require that members be free from conflicts of interest in discharging professional responsibilities. Due care requires that services be provided with competence and diligence.

Each of these Principles should be considered by members in determining whether or not to provide specific services in individual circumstances. In some instances, they may represent an overall constraint on the nonaudit services that might be offered to a specific client. No hard-and-fast rules can be developed to help members reach these judgments, but they must be satisfied that they are meeting the spirit of the Principles in this regard.

In order to accomplish this, members should—

- Practice in firms that have in place internal quality-control procedures to ensure that services are competently delivered and adequately supervised.
- Determine, in their individual judgments, whether the scope and nature of other services provided to an audit client would create a conflict of interest in the performance of the audit function for that client.
- Assess, in their individual judgments, whether an activity is consistent with their role as professionals (for example, is such activity a reasonable extension or variation of existing services offered by the member or others in the profession?).

**CPA
MAS**

PUBLICATIONS REVIEW

The Consultant's Problem-solving Workbook by Ron Tepper, John Wiley & Sons, 605 Third Avenue, New York, New York 10158, 1987, \$59.95, 323 pages.

With *The Consultant's Problem-solving Workbook*, author Ron Tepper intends to give consultants "a practical answer and direction to take to everyday problems ranging from establishing fees to marketing services." For MAS practitioners, this general approach provides useful information on developmental and administrative aspects of consulting.

Chapter 2, for example, deals with billing techniques and fees (which are rarely discussed in publications specifically intended for MAS practitioners). To practitioners who assume clients will not question hourly rates for consulting services, this chapter will come as a revelation. It details the process of justifying and communicating the fee to the client, which is important in engagement proposals. The section on billing techniques may also include some surprises.

The book addresses practice development techniques, such as preparing promotional material (brochures and direct mail), getting free publicity, developing effective advertising and producing newsletters. While these techniques may be of interest, many

CPA firms are still reluctant to use them.

A major, 40-page chapter in the book deals with writing proposals and designing presentations, which are critical areas for the competitive MAS practitioner. Checklists for presentations, including oral presentations, enhance the material.

The conclusion of the book, "Key Elements of a Successful Practice," imparts the two "secrets" of success—hard work and specialization. Since these secrets have been common knowledge for a while, this section doesn't say very much. It does include a brief test to help readers determine their suitability for consulting.

**CPA
MAS**

COURSES & CONFERENCES

Members interested in the following programs should contact the sponsoring organizations for additional information. 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 and Ohio State University
(614) 292-2328

What: Development of MAS Skills

When: June 13–17, 1988

Where: Columbus, Ohio

What: Advanced MAS Skills

When: June 20–24, 1988

Where: Columbus, Ohio

Institute of Management Consultants
(212) 921-2885

What: Fundamentals of Management Consulting

When: May 2–4, 1988

Where: Washington, D.C.

Massachusetts Society of CPAs
(617) 227-0196

What: 1988 Consulting Services Conference

When: May 9–10, 1988

Where: Bentley College, Waltham, Mass.

Virginia Society of CPAs
(804) 270-5344

What: The Expanding Role of Advisory Services

When: May 19–20, 1988

Where: Richmond, Va.

Organizational Consultants, Inc.
(415) 989-6189

What: Consulting for Organizational Effectiveness

When: May 23–25, 1988

Where: San Francisco, Calif.

American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

Non-Profit Organization
U.S. POSTAGE
PAID
American Institute of
Certified Public Accountants