

## NEWS & VIEWS

### BROADLY SPEAKING

#### AICPA COUNCIL TO VOTE ON NON-CPA OWNERSHIP OF CPA FIRMS

It is expected that AICPA Council will vote at its September meeting on a proposal to allow non-CPAs under very specific circumstances to become owners of CPA firms. In this month's *The CPA Journal*, both sides of the issue are presented by members of Council. Norman Lipshie is strongly opposed to the proposal and thinks, at a minimum, Council should submit the change to a vote of all AICPA members. Andrew Capelli, a member of the task force making the proposal, thinks the profession should face reality and allow such ownership. Readers who feel strongly about the issue should let their Council representative know which side they support before the September vote. □

#### AICPA DOES A WRAP-AROUND ON POB REPORT

The AICPA Board of Directors in June 1993 released a statement of commitment on the part of the public accounting profession to improve the financial reporting system and the public's confidence in it. The document, "Meeting the Financial Reporting Needs of the Future" praises the efforts of the independent Public Oversight Board in seeking to improve financial reporting and the quality of independent audits through the recommendations set forth in its report, *In the Public Interest: Issues Confronting the Accounting Profession*, and expresses the intention of the AICPA to strive to adopt those recommendations of the POB that it can implement. The primary purpose, however, of the AICPA's statement is to establish a framework of reform by articulating five principal goals and to commit to additional reforms to further the achievement of the goals.

#### Principal Goals of Reform

- Improve the prevention and detection of fraud;
- Enhance the utility of financial reporting to those who rely on it;
- Assure the independence and objectivity of the independent auditor;

- Discourage unwarranted litigation that inhibits innovation and undermines the profession's ability to meet evolving financial reporting needs; and
- Strengthen the accounting profession's disciplinary system.

The major AICPA recommendations in addition to those set forth in the POB report are as follows:

- Improve communications of independent auditors with company advisors and governmental regulators who might have suspicions about financial fraud.
- Establish a systematic process for reviewing past cases of fraud to learn how the financial statements were manipulated, how detection was initially avoided, what audit procedures did detect or might have detected the illegality, and how audits can be changed to prevent a reoccurrence.
- The SEC and other regulatory bodies should prohibit public companies and other organizations with public accountability from hiring the partner responsible for their audit for one year after the partner ceases to serve that entity.
- Allow accounting firms to practice in corporate form.
- Establish a strengthened disciplinary system, national in scope with government oversight, to swiftly investigate alleged substandard performance and punish those found to have committed serious wrongs.

The statement also refers to the final report of the AICPA Special Committee on Financial Reporting, which is expected within a year, as an important source for improved financial reporting.

Jake Netterville, Chairman of the AICPA, presented the AICPA initiative on June 8, 1993, at a press briefing in Washington, D.C. "At the top of our agenda are steps to improve the detection and prevention

of financial fraud," said Netterville. "Fraud detection is our job. The public expects auditors to uncover financial manipulation. Our goal is 100% detection."

The call for leadership coming from government regulators and others, which has been the subject of recent articles in *The CPA Journal* is being responded to. Are these proposals when wrapped around the POB's recommendations the complete solution? What do users of financial information and government regulators think?

*The CPA Journal's* recently held Symposium on the POB report and the AICPA's additional recommendations was a forum for discussion of these issues by the various groups affected. The highlights of the symposium will be presented next month in News & Views, with greater coverage in later issues. □

#### SOURCES OF FIRM REVENUES

The principal sources of revenue to individual practitioners are from the following services: audit, compilation and review, and income tax services. In a ten-year review of individual practices summarized from a "Management of and Accounting Practice Survey" by Carlton D. Stolle, PhD, CPA, Texas A&M University, and reported in *Practicing CPA*, June 1993, the percentage revenue contribution of those services was contrasted

