



ADMINISTRATION OF ACCOUNTANTS PRACTICE

International Associations for medium-sized American accounting firms

The accounting paraprofessional in the public accounting firm

A management service department in a local accounting firm

International associations for Medium-Sized American Accounting Firms

Abridged version of a paper presented at the annual AICPA convention by Stanley Weinstein, CPA, partner, Fred Landau & Co., and Jenks Landau & Co., International.

It is really a small, small world—and getting smaller. There is an increasing trend for all accounting firms, however small, to have clients—large or small—who are—or will be—doing business in another country. This is true in almost every country, and smaller accounting firms all over are desirous of establishing a foreign relationship for this eventuality. Many firms throughout the world have exactly the same problems,

thoughts, and needs as we do here in the United States. The American Institute of CPAs constantly receives requests for recommendations of U.S. firms that might consider an arrangement of some kind.

The term *smaller accounting firm* is difficult to define. It means different things to different people in different places. Is it the size of the firm, or the size of its clients that makes it "smaller?" I would think that the size and needs of clients should be the determining factors. Therefore, a single practitioner, a regional, national, or even international firm would have a mutuality of interest if they have to serve a smaller to medium-sized type of clientele. Should a client approach you with the thought of expanding into a foreign country, or merely contemplating the use of foreign contractors, or deciding to import or export—you are a little too late even if you can help. You should have been anticipating his needs and advising him accordingly. If you cannot help him at all, you certainly have been negligent. You will then be faced with the dilemma of hastily establishing a relationship with an accounting firm in a foreign country. Time may not permit you to adequately check out references. Either you take "pot luck" on a recommendation, which is perilous in these times, or use the office of an international firm where you may have some degree of comfort with respect to work performed and advice given. However, you must begin to question your ability to retain the client in the future.

It is certainly within the realm of probability, that the average practitioner will be asked to read, interpret, and comment on a financial statement prepared in another country whether audited or

not. The statement may not even be in English. This is easy—have it interpreted. But beware, familiar terms may have entirely different meanings in the country of origin. The basis of commercial and corporate law, as we know it, is different in every country. The accounting principles, as well as audit standards, approved and relied on by foreign accountants which permit them to issue an unqualified certificate may in many instances, if fully understood by us, give cause for concern and possibly cause us to take exception to the report.

New horizons and vistas open when one establishes relations with professionals in other countries with compatible problems. Exchanging views on the profession, and the manner in which business is conducted in other areas, can be very educational and rewarding. Strangely enough, it is easier at times to discuss matters of mutual interest with foreign colleagues because they are not competing with you, and will be more open and frank. Do not always assume that we Americans know more. Sometimes their education and training, which may not be as formal as ours, make them more resourceful, creative, and practical in advising their clients. Some of their "fiscal schemes" are really ingenious. You will generally find, much to your surprise, that most firms have at least one partner who speaks, writes, and reads English. They are very much aware of U.S. accounting standards, procedures, and problems. They are incredibly more worldly than we—but watch out—their command of English does not necessarily mean that they fully understand you or vice versa. One must be especially careful to make certain that what was said was what was meant, a most in-

teresting experience, even between us and the English.

The most interesting thing happens when you develop an international affiliation. All of a sudden you become aware of articles written about those countries where you have associates, and you soon develop a keen interest in what goes on there politically, as well as professionally.

The form of associating should be considered first, and you should be flexible in your thinking. The initial approach may not be what you ultimately hope it will be but it may be the only expedient way to get started, and/or to get the firms of your choice to associate with you. Something like testing the water before you jump in.

You have a choice of types of association: (1) A full partnership; (2) An umbrella partnership, together with exclusive representatives and correspondents (an exclusive representative only represents members within this group); (3) An association with generally nonexclusive representatives and correspondents; or (4) A relationship with correspondent firms.

The associate and correspondent firms are obviously easier to get started, require less time and expense, and instead of necessarily being the first step toward some form of legal partnership, may prove satisfactory enough to remain in that particular form. Aside from the selection of firms, a network of correspondents is the simplest in concept and has no common name. An association of either representative or correspondents and/or both will require the selection of an acceptable group name for identification. With respect to both of these forms of associating, there may or may not be referral fees, assuming no code of ethics is violated. There is no imposition on autonomy, there is no requirement to reciprocate, nor to be exclusive, nor to impose the services of your office on any client and vice versa. However, in the larger associations, various committees are generally organized to exchange professional material and maintain communications. The degree of

responsibility that each expects from one another is normally established in advance of each engagement.

In my opinion, the next natural step . . . is that of the umbrella partnership arrangement, which presents such fascinating concepts that I find it hard to understand how one would not strive for this form. The benefits to be derived are enormous.

To me, the ultimate should be an international partnership. If you can imagine the creativity that would have to be generated simply to attempt to have funds transferred from or to countries that have blocked currencies, you can also imagine the benefits! It boggles the mind. I need not spend time discussing this, as I presume we are all aware of what a full partnership means.

The way to start an umbrella partnership is with what we call "principal firms" operating in a "principal territory." We began with firms in the English speaking countries, because this was relatively easier. Nevertheless, the many meetings that took place, and the vast correspondence required really strained the patience of those trying to start up the organization. Even the selection of an international name was a problem. Very often we thought we understood each other only to find out that there was a genuine misunderstanding—and we spoke English! Ideally, all principal firms should plan to change their name to that of the international name. The umbrella agreement is basically a very simple partnership agreement. It provides for an organization of separate partnerships in each principal territory under the international name; for the election of a managing and deputy managing partner, for sharing of profits or expenses as the case may be; for admission of additional principal firms; for expansion through representatives; and spells out the generally common interests and goals of the partnership.

In these times, I must admit that the greatest cause of concern was the acceptability of principal firms to professional indemnity

insurance carriers. This was solved by having an international insurance firm insure all of us individually, but with identical policy language.

The Accounting Paraprofessional in the Public Accounting Firm

Excerpt from *The Ohio CPA*, by Dale L. Keifer, CPA, and Ted R. Compton, MBA, Winter 1975.

The purpose of this [article] is to investigate the utilization of the paraprofessional in public accounting. In the course of investigation, we will attempt to answer the following questions.

1. What does the concept of "paraprofessional" mean to professional accountants?
2. What is the current use of paraprofessionals in public accounting?
3. What type of public accounting firm, in terms of size, regional or national status, is more apt to employ the paraprofessional?
4. What type of work would the accounting paraprofessional most likely perform in a public accounting environment?
5. What is the attitude of public accounting toward the paraprofessional?
6. What, if any, special testing and hiring procedures are used in the employment of paraprofessionals?
7. Do accounting firms employing paraprofessionals offer a special training program?
8. What type of educational background should the paraprofessional be exposed to in preparation for employment in public accounting?

What Does an Accounting Paraprofessional Mean to Public Accountants?

In order to get some insight into the term *accounting paraprofessional*, let us take a look at how other areas of accounting (government and manufacturing) have defined and are using personnel of comparable qualifications as