

# THE BOTTOM LINE

A Publication of the Kentucky Society of Certified Public Accountants

Volume 9, Number 7

July 1987

## Industry Conference will offer 12 hours of CPE

This year's Conference for CPAs in Industry and Government will feature topics on tax, employee benefits and management skills, plus sessions on cash and credit management. The one and one-half day conference is scheduled for Thursday and Friday, August 20 and 21 at the Hilton East Hotel in Louisville.

CPAs who attend the conference may earn up to 12 hours of CPE credit. The registration fee of \$125 for members and \$145 for non-members includes meals and all conference materials, and out-of-towners can stay at the Hilton for a special rate of \$55 for singles and \$65 for doubles.

Lyle Sussman, associate professor of management at the University of Louisville will present "Auditing Your Management Skills: The Key to Professional Development," on Thursday, August 20. Sussman is a frequent lecturer and seminar leader in the field of management.

Later that day, participants may choose from three concurrent sessions dealing with cash, credit and risk management. Speakers will be Tom Nannini, cash manager for Humana, Inc.; Bill McMurray, treasurer, National Association of Credit Management; and Eric Tachau, president, Insurance Consultants, Inc.

Topics to be explored on the second day include personal financial planning for executives; FASB pronouncements; changes brought about by the Tax Reform Act of 1986 and data transfer techniques. Speakers will include Roy Cullinan, E.F. Hutton, *Al Carpenter*, Carpenter & Mounjoy; and Michael Price, University of Louisville. *Dick Timberlake*, Touche Ross & Co. and *John Martingly*, Coopers & Lybrand will address tax issues from both an individual and a corporate perspective during the afternoon sessions.

Steve West, a senior consultant with Mercer-Meidinger-Hansen will discuss controlling employee costs and benefits; and James Sniegocki, a special agent with the Louisville office of the FBI will lead a session on white collar crime and internal fraud. Also, participants will have the opportunity to discuss specific industry concerns in round-table discus-

sions and all will hear an overview of the proposed amendments to the code of professional standards of the AICPA. For more information about the 1987 Conference for CPAs in Industry and Government, contact Jeff Sansbury at the Society office. Call toll-free in Kentucky, 1-800-292-1754 (Louisville residents dial 589-9239).

## Committee Day — what you missed!



"Surprised wasn't the word for it, astonished was more like it," said Ben Gratzler, commenting on the cake, presents and gigantic card he received commemorating his 15th anniversary as executive director at the June 19 Annual Business Meeting luncheon.

Also surprised was *Allan Crumes* who got second prize (dinner?) in the drawing for the free trip to the Annual Meeting in Maine. *Jim Sparrow* (not pictured) won first prize, an all-expense-paid trip for two to Samoset Resort in Rockport, Maine.



President's interview

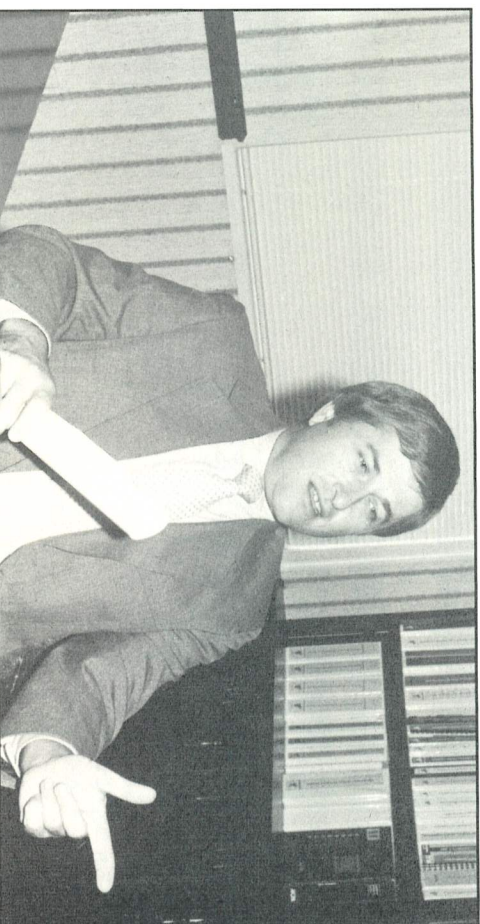
## Luchese outlines his 'six goals' —

*Paul Luchese, CPA, vice president of finance for the Paul Schultz Companies, Louisville, assumed the Society Presidency on July 1. We talked with him recently about his goals for his year as Society president.*

**Q.** Paul, you are the first non-practicing CPA to become president in the history of the Society. Why is that significant?

**A.** I represent a growing number of our members, over 38 percent of us are not in public practice, and nationally, over 51 percent of AICPA members are not in public practice. Being a CPA has helped me in business and I will be communicating that message during my year as president. In my experience, there aren't wide differences in the needs or in the professional outlook of practicing CPAs and those who work for industry, education or government. I feel very strongly that there should not be separate licensing requirements, nor differences in standards and the professional code of conduct. During my year as president I will focus attention on the new direction our membership mix is taking.

**Q.** You earned your experience at Ernst & Whinney, but it was soon after that that you left public accounting to take a position with Meidinger. What made you pursue your career in industry — not public accounting?



**"I represent a growing number of our members, over 38 percent of us are not in public practice . . ."**

**A.** I knew very quickly that I preferred a financial management atmosphere versus an auditing/technical compliance career. When I joined Meidinger in 1971, the company was beginning a growth acquisition period. Between the years of 1971 and 1984, when Meidinger merged with William M. Mercer Co., it grew from 50 employees in three cities to over 750 employees in 23 cities. I was in the right place at the right time, exactly at the time Meidinger was growing, and it was exciting.

**Q.** When the Meidinger merger occurred, why didn't you move to New York to the company's headquarters?

**A.** What kind of life is a one-and-half-

hour commute? I got as far as looking

for places to live and figuring out which trains I would have to ride, but my wife Janice and I decided it just wasn't worth it, not with two little kids, three and eight years old. It was a tough decision, deciding to turn down a nice position with the largest consulting company in the world. I'll admit it was tempting, but personal reasons outweighed professional ones in this case.

**Q.** Now tell us about your position as vice president of finance at The Paul Schultz Companies.

**A.** The company provides a unique opportunity to me while it is very similar to my previous situation at Meidinger. The Paul Schultz Companies is a

### Published by

The Kentucky Society Of  
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## As first Society president not in public practice

service organization specializing in the syndication of marketing, merchandising, publications and consultation to promote the sale of products through our clients. Our industry is very challenging and requires spontaneous creativity in the management process. We are a growth company looking to expand our visibility in the marketplace.

**Q. At Committee Day, you talked about your "Six Goals" for your year as Society president. How did you select those particular six goals?**

A. I began in a brainstorming kind of way and came up with 50 goals. Realistically and practically, we can only do the job right and accomplish something if we concentrate on a few ideas and do them well, so I identified six goals for our efforts this year.

In a nutshell, the first three cover legislation, professional standards and new CPAs. Goals four, five and six use short term task forces to address the direction the Society will be taking in the areas of strategic planning, membership services and organizational structure.

**Q. Let's talk about each goal in more detail, starting with legislation.**

A. In the area of legislation, the goal is simply to accomplish the things outlined in our *Legislative Policies and Goals*, adopted by the Board in March. Those goals have been printed in *The Bottom Line* before, so I won't go into them now, but I will say that they place us in a *pro*-active rather than a *re*-active role.

**Q. Your second goal deals with professional standards issues as presented in the report of the Anderson Committee. About 80 percent of our members are also members of the AICPA, so these issues will certainly affect them.**

A. That's right. The Society Board voted to support most of the Anderson Committee proposals and my goal is to encourage Kentucky CPAs to vote yes on the plan. The Anderson Committee report calls for a goal-oriented Code of Professional Conduct, a practice monitoring program, a restructured Joint Trial Board, a 120-hour CPE requirement over a three-year period for AICPA members in public practice and a 90-hour requirement for members not in public practice, and a post-baccalaureate education requirement beginning in the year 2000. Our Board

voted to support all but the education requirement at its meeting on June 18. We have formed a task force headed by Gary Stewart who will coordinate a campaign to communicate more information to the membership about the issues involved.

**Q. Who are "new CPAs" and why have you been targeting this group specifically in your "six goals?"**

A. In the past five years we have certified over one-third of our membership. These new CPAs — those who have been certified for less than two years — should be encouraged to get involved. I want this to be accomplished on the committee and the chapter level — if each of our 22 committees and eight chapters selected one function this year for the new CPAs, then we will have accomplished this goal. By leaving it a "grassroots" effort, I expect to see some creative ways.

**Q. Your three task forces will consider traditional "long range planning" issues, and you plan to undertake a survey of the membership. How soon should we expect this?**

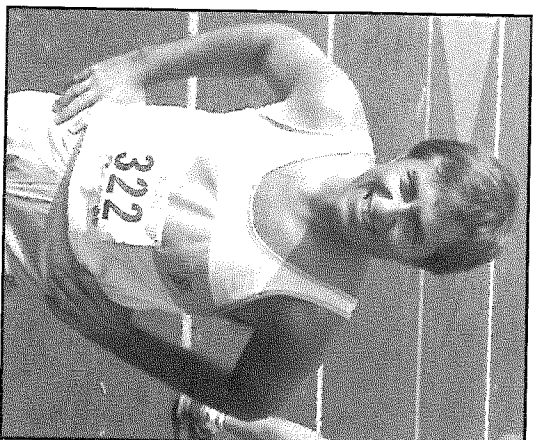
A. I'd like to receive a report from the task forces by early December, so the survey should be commencing immediately. The strategic planning task force will be headed by Mike Mounjroy. Its goal is to set clear objectives for the Society using the survey to determine what our members expect of the Society and how effective the Board and staff is in meeting their needs.

The second task force will be chaired by Jerry Bressler and will look at membership services from a cost/benefit analysis. I hope that we'll learn which

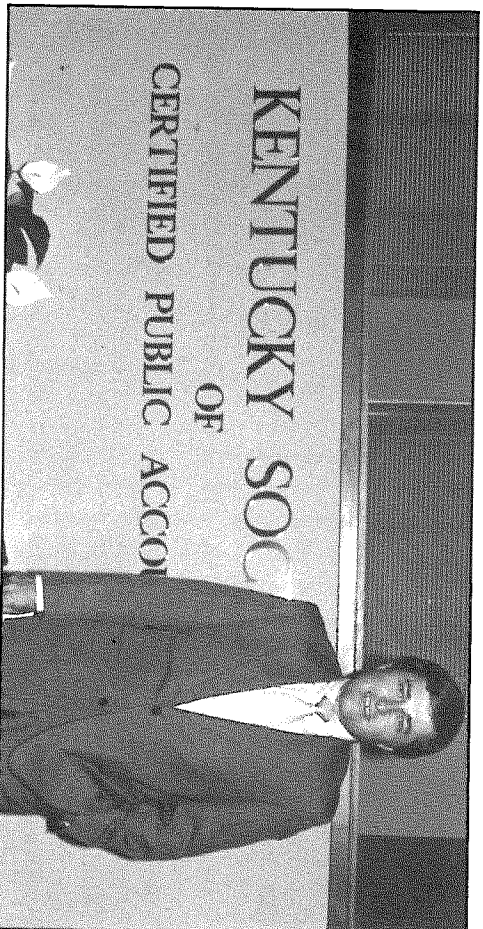
Society services are cost effective, which should be expanded, and which — if any — should be discontinued. Vaughn Holden will chair the third task force which will consider the organizational structure of the Society, including the Board, chapter and committee structures.

**Q. Your "six goals" seem to be taking the Society in a new direction, is that your intention?**

A. I don't mean to suggest that we change everything about our organization, but taking a fresh look is one way to determine if we are poised for the future or caught in the "way it's always been done" syndrome. We will be keeping those things we all value and will be modifying or improving those areas that need it.



"I want to target activities for those people who have been certified for less than two years . . ."



" . . . taking a fresh look is one way to determine if we are poised for the future or caught in 'the way it's always been done' Syndrome."

# UNIVERSITY of LOUISVILLE

## CPA, CMA, CIA Review

### Exam Schedule

The University of Louisville Department of Accountancy is offering a unique approach for those candidates planning to review for professional examinations. Much of the material covered on the three primary examinations (CPA, CMA, CIA) is common to all three. Our review courses are designed to assist candidates in passing any and/or all of the examinations, thus allowing them to maximize the results of their study efforts. We have analyzed the contents of the three exams to assure that we are adequately covering test material on each examination. Public accounting experience meets the experience requirements for the CMA and CIA certificates, therefore the experience necessary for the CPA certificate is sufficient for the other certificates as well.

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### Participating Faculty

Betty Brown, PhD, CPA, CMA, CIA  
 Richard Coppage, DBA, CPA  
 Louis Grief, DBA, CPA  
 Alan Levitan, DBA, CPA  
 Rebecca Phillips, MBA, CPA  
 Russ Ray, PhD  
 Mark Smith, JD, MBA, CPA  
 Howard Sturm, LL.M., CPA

### Fee Schedule

Name	Fee
Internal Auditing	\$ 90
Auditing	\$ 90
Tax	\$ 90
Law	\$110
Theory	\$110
Practice	\$180
Management	\$ 40
Info Systems	\$ 40
Econ and Finance	\$ 40
Quant Methods	\$ 40
Total CPA Exam	\$490
Total CIA Exam	\$560
Total CMA Exam	\$560
Any Two Exams	\$650
All Three Exams	\$740

Scheduled Dates	Time	8:30 a.m.-12:30 p.m.	1:30-5:30 pm.
August 22	Internal Audit		Internal Audit
August 23			Internal Audit
August 29	Auditing		Tax
August 30			Theory
September 12	Auditing		Tax
September 13			Theory
September 19	Auditing		Tax
September 20			Theory
September 26	Practice		Law
September 27			Theory
October 3	Practice		Law
October 4			Theory
October 10	Practice		Law
October 11			Theory
October 17	Practice		Law
October 18			Theory
October 24	Practice		Practice
October 25			Practice
October 31	Practice		Practice
November 1			Econ. & Finance
November 4-5-6	CPA Exam		
November 7	Management		
November 8			Info. Systems
November 12-13	CIA Exam		
November 14	Management		
November 15			
November 21	Econ. & Finance		
November 22			
December 5	Quant. Methods		
December 6			
December 9-10-11	CMA Exam		

For more information or registration, call:

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## Ads help explain what CPAs do

Looking for ways to make more people aware of your services? Four advertisements are now available from the society office to help you do just this. The series of ads, entitled "The ABC's of CPAs," focus on the CPA as financial planner, estate planner, management consultant and tax advisor.

The ads are appropriate for placement in newspapers, business journals, client bulletins, and other publications. But the ads will do more than just get your name in the paper. Continual placements will help increase the public's understanding of the role of CPAs.

The ads may be run as a series or individually. Room is provided at the bottom of the ad for your firm's name and logo.

If you would like camera-ready copies of the ads, contact Dianna Ort at the Society office toll-free, 1-800-292-1754. In Louisville, dial 589-9239.

### From the podium

**D. Steven Hawkins**, Hawkins & Davidson, Paducah participated in a career day at Reidland High School on April 23.

**Kevin D. McCoy**, Hall & McCoy, PSC, Pikeville, spoke to students at Pikeville High School on April 29.

**C. Douglas Kortke**, Compton, Kortke & Associates, Louisville, discussed careers with students at Male High School on May 4.

**Thomas K. Baer**, Arthur Young & Company, Louisville, spoke at the Southeastern Intergovernmental Audit Forum in Lexington on May 14.

**Malcolm B. Sannier**, Malcolm B. Sannier & Co., Lexington, spoke at the meeting of the Catholic Press Association of the United States and Canada in San Antonio, Texas on May 19-23. His topic was "Budgeting and Accounting."

**Susan C. Mouser**, Stiles, Carter & Mouser, Elizabethtown, spoke to the Credit Women International — Hardin County on May 19. Her topic was "Tax Reform: How Will It Affect You?"

**Thomas A. Moore**, Bressler & Company, Covington, participated in the Thomas More College "Law for the Layman" program in May.

**Daryl Smith**, Eskew & Gresham, Louisville, discussed careers in accounting with students at Shepherdsville Middle School on May 15.

## WE HELP IMPROVE YOUR BOTTOM LINE.

For a business to be successful, it must know how to maximize its resources and increase its efficiency. This, however, is sometimes easier said than done.

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### THE ABC'S OF CPAs

### MANAGEMENT CONSULTANT

## Members in motion

**John L. Stancil** has been awarded the Certificate in Management Accounting (CMA) designation by the Institute of Certified Management Accountants. He is an assistant professor at Cumberland College in Williamsburg.

**Albert Alexander** has been appointed assistant controller of Peoples Bank and Trust Co. in Madisonville. He was formerly an auditor with the Kentucky Revenue Cabinet.

**Kelly E. Curry** has been appointed senior vice president and chief financial officer of Health Management Associates, Naples, Florida. He was formerly vice president of operations and finance with the company.

**Stephen W. Castle** is now the controller for Respro, Inc., London. He also maintains an office as an individual practitioner in Corbin.

**Bob Rapp** has accepted a transfer to the Coopers & Lybrand office in Midland, Texas. He is the new partner in charge of the audit department.

**Lena Ruschival** is the new controller for Flynn Brothers Paving in Louisville. Hospice of Louisville announced that

**Franklin H. Farris, Jr.** will serve as president for 1987-88. Farris is a partner in the Louisville office of Peat Marwick Main.

**R. Wayne Stratton**, Jones, Nale and Martingly, Shelbyville, was appointed to the Board of Directors of Shelby RECC.

**David Beck**, Potter & Company, Lexington, has been selected to the State Board of Directors for the Prader-Willi Kentucky Association, a non-profit organization serving persons affected by the Prader-Willi Syndrome.

## Accounting educators meet at Cumberland Falls, discuss ties with practitioners

A record number of Kentucky colleges sent faculty members to the 1987 Accounting Educators Conference held in May.

More than 70 instructors from 31 colleges and universities across the bluegrass were present at the third-annual conference, held May 15 and 16 at Cumberland Falls State Resort Park in Corbin. The conference is coordinated each year by the Members in Education Committee.

"I'm pleased because the conference provides an excellent forum for discussion between accounting educators and local practitioners. That's extremely important," expressed *Windell Bowles*, chairman of the committee. "The conference also encourages our educators

to actively participate in professional activities within the Kentucky Society."

Danny Kennet, an accounting professor from Southern Illinois University at Carbondale, attended the conference to discuss the "CPA-In-Residence" program which is active in that state. Kennet was instrumental in arranging the program for Illinois, and he explained how a similar program might work in Kentucky. The residency program would place a CPA from public practice into a faculty position at a sponsoring college for a semester.

Post-conference evaluations appear excellent, according to Jeff Sansbury, the Kentucky Society staff member who coordinated the conference. The weekend at Cumberland Falls also featured

a report by Jim Ahler, executive director of the State Board of Accountancy, in addition to sessions on "computers in the curriculum" and classroom communications.

*Rod Tompkins*, past-president of the Kentucky Society, addressed the educators during Friday evening's banquet.

"The CPA profession is judged by high standards of integrity; as educators, you are credited for maintaining those standards," he said. "Like all CPAs, I regard you as our most important resource."

Next year's conference is scheduled for May 20 and 21 at Lake Barkley State Park in Cadiz, and Bowles said the committee will meet soon to finalize those 1988 plans.

## Governor Collins appoints Smith

Governor Martha Layne Collins has appointed *Thomas H. Smith*, Farmer & Humble, Frankfort, to a four-year term as a member of the Financial Disclosure Review Commission. The Commission, which is made up of a five-member panel, one of whom must be a CPA, reviews personal financial data of state government officials to ensure there is no conflict of interest between their personal financial situation and their state duties. Smith replaces *Joseph A. Cook, II*, Cook and Company, Bowling Green, whose term had expired.

## Speeches available

Been asked to speak? These three speeches for business audiences have recently been updated and are now available:

- *How to Get the Bank Loan You Need*
- *How to be Sure Your Business is Located in the Right Place*
- *Microcomputer Applications for Small Businesses*

The speeches are typed in easy-to-read orator style type and are designed for a 15-20 minute presentation.

To get your copy of these speeches, call the Society office toll-free at 1-800-



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Value  
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Federal tax note

## Depreciation changes in TRA '86 are substantial

by Walter L. Goggin, CPA, member, Committee on Federal Taxation

The Tax Reform Act of 1986 has made substantial changes in the area of depreciation, generally effective for property placed in service after December 31, 1986.

For regular tax purposes, the old ACRS rules have been completely revised and we now have the modified ACRS rules (MACRS). Property is generally written off over a longer life with changed depreciation methods.

### Personal Property Classes

- Three, five, seven and ten year (double declining balance with a switch to straight line)
- Fifteen year and twenty year classes (150 percent declining balance, switched to straight line)

### Real Property Classes

- Residential real estate — straight line, 27½ years
- Non-residential real estate — straight line, 31½ years

From a practical standpoint, the most substantial shift that most practitioners will see is a reclassification of vehicles from a three year to a five year class, and most machinery and equipment from a five year ACRS class to the seven year MACRS class. Some of the conventions have also been changed. In general, personal property is allowed one-half year of depreciation expense in both the first and last year (whether the asset is sold or disposed of). Real estate is placed on a mid-month convention. However, if more than 40 percent of the personal property acquired by the taxpayer was placed in service in the last quarter of the taxable year, a new mid-quarter convention is to be applied for all personal property applied in that year instead of the conventional mid-year assumption. An election is available to depreciate personal property on a straight line method (on a class by class basis over the MACRS life).

For earnings and profits purposes and for minimum tax purposes, there is an alternate depreciation system (ADS) which defines the proper amount of depreciation allowable. The ADS method relies on the straight line method over the ADR midpoint life with no salvage value allowed. (For minimum tax purposes, personal property is allowed 150 percent declining

balance over the ADR midpoint lives with a switch to straight line at a later date. ADS can be elected for regular tax purposes, in lieu of MACRS, or the elective straight line MACRS.

The Section 179 (limited expensing) option for personal property has been expanded from \$5,000 to \$10,000 for property placed in service after 1986 in tax years ending after that date. This \$10,000 expensing amount is subject to a phase out for upper income taxpayers. In addition, the Section 179 expense is limited to trade or business income from that enterprise.

Various transition rules do apply for self-constructed assets, assets acquired under a binding contract exception, etc.

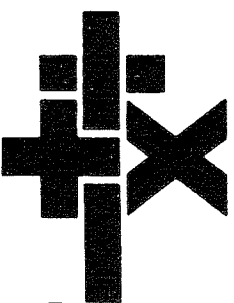
The TRA of 1986 has expanded the scope of the anti-churning rules for personal property. For property acquired prior to 1981, the old anti-churning rules are still in effect. For property acquired after 1981 and before 1987, the Act prohibits MACRS for personal property where the result is to allow

more depreciation deductions than would have been available under the old ACRS rules. Comparison of the amount available is based on the first taxable year computation based on ACRS versus MACRS with a half year convention allowed in each. These anti-churning rules do not apply for property converted from a personal to a business use. They also are not applicable for real estate as the MACRS deductions are substantially less than those previously allowed under the ACRS rules.

Needless to say, Kentucky CPAs and taxpayers will now have several sets of different methods to track and compute. The transition from a manual to a computerized depreciation schedule appears eminent for many taxpayers.

In this area as well as many others addressed in the TRA of 1986, we will assist our clients in complying with the law changes; however, it appears that the cost of compliance with an increasingly complicated system will continue to rise for all taxpayers.

EASTERN KENTUCKY UNIVERSITY/CHAYKIN CPA REVIEW



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## Government audits found 'inadequate'

by James T. Ahler, executive director, Kentucky State Board of Accountancy

The Kentucky State Board of Accountancy is in receipt of information that may be of interest to Kentucky CPAs auditing federal programs. The office of Inspector General for the Department of Health and Human Services (HHS) has referred three Kentucky practice units to the Board for "inadequate non-federal auditor performance."

In his May 1987 correspondence to the Board, Regional Inspector General for Audit, Emil A. Tretzger, Jr. reports that about 27 percent of nonfederal

audit reports evaluated require modifications before issuance. Prior HHS policy was to work closely with nonfederal auditors in making necessary corrections to audit reports. Only in cases where the audit firm was "flagrantly nonresponsive" would it result in a referral to boards of accountancy.

Tretzger reports, "... it is now time for the nonfederal audit community to accept full responsibility for adherence to GAAS and GAGAS when performing audits of federal programs. Accord-

ingly, we are instituting a policy of referring inadequate nonfederal auditor performance to state licensing boards for appropriate action."

Pursuant to KRS 325.360, such referrals are treated as complaints and will be investigated to determine whether or not the findings which prompted the referrals are symptomatic of a lack of overall technical skills in the areas of GAAS, GAAP and GAGAS.

The State Board of Accountancy strongly recommends that appropriate educational programs be taken and quality controls be established to insure that the highest quality audit of federal programs possible can be issued from this point forward. It is anticipated that the entire federal audit community will embrace the policy change described above.

## Tax Division wants comments

The AICPA Tax Division Subcommittee on Special Entities and Industries would like members' comments for technical corrections to the 1986 tax act as it affects financial institutions. *Billie Wade*, Eskew & Gresham, Louisville, is collecting the comments which will be submitted to the Tax Division Executive Committee. Send your comments to Wade at: Eskew & Gresham, PSC, 10100 Linn Station Road, 700 Centre Building, Louisville, KY 40223. Please reply by July 15.

## Help design tax forms

One of the projects of the State and Local Taxation Committee is to assist the Kentucky Revenue Cabinet in the revision of state income tax forms. The forms for 1986 were redesigned (and they hope you noticed) and now the committee and the cabinet are awaiting comments from practitioners before they consider changes for next year.

Did you like the new design of the forms? Did you not like it? Do you have suggestions on how to improve the efficiency of the forms? If so, here's your chance to make a difference. Contact *Susan Stauffer*, member of the State and Local Taxation Committee and the Revenue Cabinet's Tax Form Subcommittee, at (502) 429-5739 with your suggestions. She'll see that they are considered at the next meeting.

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Accounting & auditing update

## Treadway Commission issues exposure draft

by Jack O. Hall, Jr., CPA, member, Accounting Principles and Auditing Standards Committee

The National Commission on Fraudulent Financial Reporting has issued an exposure draft presenting its findings, conclusions, and recommendations. The commission, informally known as the Treadway Commission, has as its mission to identify causal factors that can lead to fraudulent financial reporting and to recommend steps to reduce its incidence.

The exposure draft contains five chapters, as follows:

- Chapter One: Overview of the Financial Reporting System and Fraudulent Financial Reporting.
- Chapter Two: Recommendations for the Public Company.
- Chapter Three: Recommendations for the Independent Public Accountant.
- Chapter Four: Recommendations for the SEC and Others to Improve the Regulatory and Legal Environment.
- Chapter Five: Recommendations for Education.

In addition, the exposure draft is supplemented with thirteen appendices to provide background information and to support the findings of the report.

As can be seen from the chapter outline, the report is organized around the responsibilities of four interrelated groups: public companies, independent public accountants, regulatory agencies, and educators.

This article will provide an overview of the recommendations contained in the chapter concerning independent public accountants.

There are nine recommendations contained in this chapter organized around five subtopics, as follows:

### Recognizing Responsibility for Detecting Fraudulent Financial Reporting

With regard to recognizing responsibility for detecting fraudulent financial reporting, the report recommends that the Auditing Standards Board revise standards to require that the independent public accountant take affirmative steps in each audit to assess the potential for fraudulent financial reporting. Revised standards should also require the accountant to design tests to provide reasonable assurance of detection.

### Improving Detection Capabilities

Toward improving detection capabilities, the Commission recommends that the Auditing Standards Board establish standards requiring independent public accountants to perform analytical review procedures in all audit engagements.

The ASB should also provide improved guidance on the appropriate use of these procedures.

The report also recommends that the SEC require independent accountants to review quarterly financial data of public companies prior to its release to the public.

### Improving Audit Quality

In order to improve audit quality, it is recommended that the SEC Practice Section strengthen its peer review program by requiring review of all new audit engagements involving public company clients. Additionally, the report calls for enhancing the second partner review process currently required by the SEC Practice Section.

As a final step in improving audit quality, the Commission stated that public accounting firms should recognize and control the organizational and individual pressures that have the potential for reducing audit quality.

### Communicating the Auditor's Role

The exposure draft calls on the Auditing Standards Board to review the auditor's standard report to state that the audit provides reasonable, but not absolute, assurance that the audited financial statements are free from fraudulent or erroneous misstatements.

It is also recommended that the audit-

or's standard report should be revised to describe the extent to which the independent public accountant has reviewed and evaluated the system of internal accounting control.

The Auditing Standards Board should provide explicit guidance to address the situation where the independent accountant, based on his or her knowledge of the internal accounting controls, disagrees with management's assessment as stated in the proposed management's report.

### Reorganization of the Auditing Standards Board

The final recommendation contained in chapter three concerns the reorganization of the Auditing Standards Board so that knowledgeable nonpractitioners who are affected by and interested in auditing standards may participate in the standard-setting process. As part of the recommended reorganization, the commission suggests a reduction in the number of Board members from 21 to eight to 12. The commission further suggests that half of the Board should be practicing public accountants and half should be persons who are not engaged in the practice of public accounting but are qualified and knowledgeable about auditing.

A complete copy of this report is available free from the AICPA order department. The recommendations contained in this exposure draft have far-reaching implications for the financial reporting community and should be of interest to all certified public accountants involved in the financial reporting process.

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## AICPA unveils audit software

The AICPA officially entered the competitive field of computer software for accountants when it unveiled the Audit Program Generator on April 20 in New York city.

"The software was developed expressly for use in audits," said John Graves, director of technical information for the Institute and one of four persons who developed the program. "We think it will be extremely popular with CPA firms and other groups that do a lot of audit work."

Since the Audit Program Generator is designed for single purpose, it requires only a few decisions on the part of the operator. It permits the user to create customized audit programs from scratch or from the audit program in the *AICPA Audit and Accounting Manual*. It is programmed for use on IBM personal computers and any others with IBM compatibility.

The AICPA will provide technical backup by telephone to users of the program who can call the technical information division, Graves notes.

Those working on development of the Audit Program Generator included Larry J. Wolfe, CPA, a sole proprietor in Ventura, California, who is chairman of the AICPA's Private Companies Practice Section technical issues committee; Steve Blundell, CPA, a partner in the Delray Beach, Florida, firm of Pignato Underwood Blundell and one of the country's leading authorities on microcomputer applications for accountants; and John Thorla, president of The Computer Support Group, Inc., of Boca Raton, Florida, a company that specializes in software creation for

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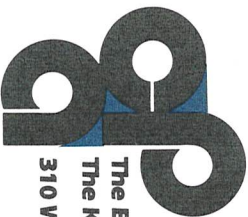
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