

Volume 27, No. 2
Spring 1999



PUBLIC INTEREST

Public Interest Section, American Accounting Association
Paul F. Williams, Editor, North Carolina State University

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Engaging Public Interest Issues

Lee D. Parker

**MESSAGE
FROM
THE CHAIR**

It is hardly a new observation that much research that is published in contemporary accounting research journals can be subject to the accusation of constituting methods in search of problems to solve, treatises concerning how many angels fit on the head of a pin, and elegantly appointed solutions leading up blind alleys. The accounting research community has become so concerned with establishing the international credibility of our discipline in the eyes of the predominantly scientific university community, that many of our colleagues expend their efforts in demonstrably applying increasingly sophisticated mathematical and statistical methodologies to the study of issues that are of ever lessening scope and importance to the community at large. Of course by now, readers of critical or interpretive research traditions will be shaking their heads in comfortable and knowing agreement. Such a reaction is premature. Those of us who work in these latter methodological traditions suffer the same risks of disconnection from dialogue with and contribution to issues of significant public interest. Our methodologies are often poorly articulated, our language deliberately mystifying, our concerns ethereal, and our critiques destructive. Both positivists and qualitative researchers in the accounting discipline run considerable risks of engaging in a dialogue that is inaccessible to the community, and that often addresses issues of marginal importance. And the result? We end up sponsoring a "talkfest" in which we impress (or offend) each other, unbeknown to the world that trudges by outside our monastery walls.

The Public Interest Section of the American Accounting Association has both an opportunity and an obligation to sponsor the research and teaching of those who have a concern for the accounting discipline to engage the issues of historical and contemporary concern to business, government and community. It is within our scope of activity and interests that many of the issues of major public concern lie today. While some interest groups have sprung up (even within the AAA) to address some specific agendas, it is in the Public Interest Section where the full scope of interrelationships between such issues can be addressed in a cross-disciplinary environment. It is arguably within our brief, that many of the most challenging, exciting and high public profile issues of the day currently reside. This is not to exclude our championing of those issues which currently receive inadequate attention from legislators, the accounting profession, and the media!

Let me put some flesh on the bones of this argument, by highlighting some areas that require our attention. One major area of great community concern in many countries is that of environmental protection and remediation. It has become a matter of tremendous public, government, and now corporate focus. The accounting profession has been, as is its usual practice, extremely tardy in devoting attention and resources to investigating and formulating policy regarding corporate social accounting and disclosure. Only

in recent years have we begun to see a research literature in this area beginning to evolve. A massive amount of work remains to be done. Academia is way behind practice in addressing developments in environmental strategy, environmental audit, environmental management and environmental accounting. We have an opportunity to contribute to these developments through constructive critique, field research, theoretical framework development, and applied investigations.

Related to environmental accountability and disclosure matters is the whole area of social responsibility. This was the subject of quite a deal of research in the 1970s and 1980s and is now experiencing a resurgence of interest and concern. Social responsibility accounting and disclosure encompasses such areas as energy usage, product safety, employee health and safety, employee training and development, equal opportunity and affirmative action, gender and ethnicity, community relationships and welfare. Indeed, environmental impact has traditionally been a subset area within this broader social responsibility remit. Clearly there are some potential areas of interest from the above list with the AAA Gender Section, and we should be considering how we can communicate across the two sections in furthering accounting research and teaching agenda in that area. The potential contribution from the Public Interest Section lies in its addressing issues such as gender within a broader social responsibility framework that draws upon related areas such as ethnicity, equal opportunity and employee training and development. Of all sections, with our broad “public interest” issues remit, we should be providing a co-operative, cross-disciplinary venue through which the research community can address such matters.

Another area that clearly still falls within the Public Interest Section remit is the issue of ethics—corporate, governmental and professional. With the corporate collapses and scandals of the 1980s particularly, in many countries the question of corporate ethics codes and disciplinary procedures, along with the accounting profession’s relationship to ethical breaches, became a focus of media and community attention. As part of the accounting profession’s response, the AAA introduced a program to develop ethics cases and teaching in university accounting programs. The need for research in this area continues. The question of corporate ethics again crosses over with subject areas such as corporate social and environmental responsibility. These latter areas have prompted further re-examinations of corporate values and ethics in the 1990s. From an accounting and disclosure point of view, we clearly have an opportunity to make a contribution, both critical and constructive.

While the AAA has its Government and Nonprofit section, again there is a valuable contribution which can be made to research and debate in public-sector accounting change, particularly with respect to the shape of “new public management” (also known as the new managerialism) and its impact on community. The critical and field research literature investigating public sector change and its impacts has been burgeoning, particularly in countries such as the U.K., Australia, New Zealand (arguably the most aggressively changing environment), and across Europe. Of high priority issues in legislative chambers and the media, for example, are questions of downsizing, outsourcing, commercialization and privatization of public sector activities and services. Evaluation of costs/returns to the community, the investigation of impacts on service delivery, issues of access to public sector

services by disadvantaged groups, and the impact of accounting upon performance measurement and objectives construction are but a few of the many contentious issues currently being debated. The Public Interest Section has a clear remit to address the public interest impacts of these very major developments in public sector organizations that are currently happening in many countries.

Finally we have an opportunity to sponsor examinations of the history of our discipline as it explains or affects the accounting impact on the public interest today. All too often, our theoretical and empirical studies of public interest issues are conceived ahistorically, thereby risking misunderstanding or misinterpretation of the intentions and forces underlying practices and problems currently under the microscope of public debate. Precious few historical studies emerge in AAA-sponsored conferences and publications, and yet, in premier accounting research journals around the world that address issues of public interest, we see a strong tide of historical studies being published in recent years. Historical research offers us a potentially potent weapon for enhancing our understanding of how things came to be the way they are, and for demonstrating the intersection between accounting and public interest issues.

Our commission is therefore broad as it is far reaching. It arguably embraces some of the “hottest” topics of international community and governments’ concern today. The relevant issues are often those that are being largely ignored or marginalized by both professional and academic accounting bodies. Yet they are the very issues that are generating close media scrutiny, public debate and legislation. Both present and future members of the Public Interest Section have an opportunity and obligation to enter the arena. If we do not, others will surely take our place!



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Election of Section Officers for 1999-2000

In accordance with our newly adopted bylaws, we will be electing our 1999–2000 officers via a mail ballot. The nominating committee of Mary Beth Armstrong, Jesse Dillard and Paul Williams, with Tim Fogarty serving as non-voting chair, has selected the following slate of candidates for elected offices of the section:

Chair-elect: Sara Reiter, Binghamton University
Vice-chair: Vaughan Radcliffe, Case Western Reserve University
Secretary/Treasurer: Larry Kalbers, Long Island University–C.W. Post

No nominations were received from the membership. Please complete the ballot reproduced below and mail to Larry Kalbers at the address given on the ballot.

BALLOT
Public Interest Section Officers 1999-2000

Chair-Elect: Sara Reiter ☐ Yes ☐ No

Vice-chair and Director of Education and Research: Vaughan Radcliffe ☐
Yes ☐ No

Secretary/Treasurer: Lawrence Kalbers ☐ Yes ☐ No

Return your marked ballot to:

Professor Lawrence Kalbers
School of Professional Accountancy
Long Island University–C.W. Post
720 Northern Boulevard
Brookville, NY 11548

Ballots must be postmarked no later than July 15.



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Academy of Accounting Historians
Hourglass Award
Call for Nominations

The Hourglass Award of the Academy of Accounting Historians is presented annually at its December research conference to an individual who has made a demonstrable and significant contribution to knowledge through research and publication in accounting history.

Nominations for this award are now being invited. There is no restriction as to who may make a nomination and scholars from any country are eligible for nomination. Membership in the Academy is not a prerequisite for eligibility to nominate or be nominated. However previous Hourglass Award winners and Hourglass judging panel members are ineligible for nomination.

The nominator must supply a 200 word (maximum) statement summarizing the reasons why the nominee should be considered, full contact details of nominator and nominee, along with a list of relevant publications and any other relevant documentation supplied by the nominee who has agreed to be nominated.

All nominations and accompanying data should be sent to:

Professor Lee Parker
Chair—Hourglass Award Panel
School of Commerce
The University of Adelaide
Adelaide
South Australia 5005

Closing date for nominations reaching Professor Parker is July 30, 1999.



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Academy of Accounting Historians 1999 Research Conference Call for Papers

The 1999 annual conference for the Academy of Accounting Historians will be held in Toronto, Ontario, Canada from November 18 to 20 at the Westin Harbour Castle Hotel. The conference theme is "The Rhetoric of Accounting History: Conversations Across Time and Space." In accordance with past practices, most accounting history topics are considered for presentation on the program. The 1999 conference will, as the theme implies, place emphasis on critical analysis. Researchers from related areas that use historical accounting data are being encouraged to participate. For the first time, some sessions will be dedicated to the presentation of cases and papers dealing with the use of historical accounting cases for teaching.

All papers will be double-blind reviewed. The deadline for submission is **June 15, 1999**. The results of the reviews will be provided to authors by

September 1. For information or to submit a paper, please contact Professor Gary Spraakman, Program Committee Chair, 1999 AAH Research Conference, Atkinson College, York University, Toronto, ON, M3J 1P3, Canada; Telephone: (416) 736-5210; Fax: (416) 736-5963; Email: GaryS@YorkU.ca.

**Conference Registration Form
The Academy of Accounting Historians
1999 Research Conference
Toronto Harbour Castle Hotel
November 18–20, 1999**

Your Name and Address:

Registration Fee: Member: Can. \$125 or U.S. \$85 Students: Can. \$25 or U.S. \$20.

Registration fee includes: reception on Thursday night (Nov. 18); continental breakfast, lunch, and dinner on Friday (Nov. 19); continental breakfast and lunch on Saturday (Nov. 20); and a copy of the Conference *Proceedings*.

☐ Cheque enclosed ☐ Mastercard ☐ VISA Expiration Date:

Signature:

Card No:

Note, if paying registration by cheque in Canadian funds (\$125), please make the cheque payable to York University. If paying by cheque in U.S. funds (\$85), please make it payable to the Academy of Accounting Historians. If paying by credit card, the charge will be in U.S. funds.

Hotel Registration: ☐ \$135 Can. single/double ☐ \$145 Can. triple ☐
\$155 Can. quad

Arrival Date Time Departure Date

☐ MasterCard ☐ Visa ☐ Other, please indicate

Card No

Expiration Date

Signature

If paying by credit card, the charge will be in Canadian funds. Note: reservations will be held until 6 pm unless guaranteed by a one-night deposit or a credit card. Participants can make their own hotel reservations by dialing toll free (800) WESTIN-1. Be sure to mention the Academy of Accounting Historians conference in order to get our special rate.

Please send the completed form to Professor Gary Spraakman, Atkinson College, York University, Toronto, ON, M3J 1P3, Canada or fax to (416) 736-5963.



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By-Laws Amendment

At the Section business meeting in New Orleans in August 1998, concern was expressed that there would be no Chair-elect during one-half of the Section Chair's two-year term. Should the Chair need a stand-in to perform her or his duties, there would be no one duly designated to serve that role during the first year of the Chair's term. The members in attendance at the meeting endorsed the idea of changing the bylaws to extend the term for the Chair-elect from one to two years. The following amendment to the Section bylaws will be voted upon at the annual business meeting in San Diego this coming August.

SECTION VI.1.b:

The first sentence, which currently reads:

The Chair-elect shall serve a one-year term as an apprentice Chair and, upon completion of this term, shall become the Chair of the Section,

shall be amended to read,

The Chair-elect shall serve **a two-year** term as an apprentice Chair and, upon completion of this term, shall become the Chair of the Section.

The second sentence of **SECTION VI.1.b**, which currently reads:

Elections for Chair-elect will occur every other year, i.e., at the end of the first year of the current Chair's two-year term,

shall be amended to read:

Elections for Chair-elect will occur every **two years**.

In addition, the following motion will be offered to authorize the election of a new Chair-elect at the 2000 Section business meeting at the 2000 AAA Annual Meeting in Philadelphia:

Moved that a special election be held for Chair-elect in 2000 so that the two-year terms of Chairs-elect will henceforth correspond to the two-year terms of Chairs.



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Have You Read...?

Sarah D. Stanwick, Auburn University

The following articles should be of interest to members of the Public Interest Section of the American Accounting Association. Thanks to all who continue to send in articles included in this column. If you would like your published research to be included in this column, please mail the information to: Sarah D. Stanwick, Associate Professor, School of Accountancy, 345 College of Business, Auburn University, Auburn, AL 36849-5247.

Affirmative Action

Corns, A., and A. Schotter. 1999. Can affirmative action be cost effective? An experimental examination of price-preference auctions. *The American Economic Review* 89 (1): 291–305.

KEYWORDS: Economic theory; Affirmative action; Human resource planning.

Dickens, L. 1999. Beyond the business case: A three-pronged approach to equality action. *Human Resource Management Journal* 9 (1): 9–19.

KEYWORDS: Affirmative action; Human resource planning; Employment policies.

White, C. S., and J. H. Macomber. 1999. Quality improvement and equal opportunity: Must they be at odds? *National Productivity Review* 18 (2): 47–52.

KEYWORDS: Employment discrimination; Quality improvement goals; Equal opportunity.

Environmental Issues

Buente, D. T., and M. M. Crough. 1999. Significant environmental law developments affecting lenders and fiduciaries 1997–1998. *The Secured*

Lender 55 (2): 64–74.

KEYWORDS: Environmental liability; Environmental cleanup; Lender liability.

Henriques, I., and P. Sadowsky. 1999. The relationship between environmental commitment and managerial perceptions of stakeholder importance. *Academy of Management Journal* 42 (1): 87–99.

KEYWORDS: Environmental protection; Social responsibility; Stakeholder theory.

Lehman, G. 1999. Disclosing new worlds: A role for social and environmental accounting and auditing. *Accounting, Organizations and Society* 24 (3): 217–241.

KEYWORDS: Environmental accounting; Social accounting; Social policy.

Sharma, S., A. Pablo, and H. Vredenburg. 1999. Corporate environmental responsiveness strategies: The importance of issue interpretation and organizational context. *The Journal of Applied Behavioral Science* 35 (1): 87–108.

KEYWORDS: Environmental cleanup; Organizational behavior; Strategic planning.

Ethics

Cialdini, R. B. 1999. Of tricks and tumors: Some little-recognized costs of dishonest use of effective social influence. *Psychology & Marketing* 16 (2): 91–98.

KEYWORDS: Business ethics; Social-influence principles; Social responsibility.

Fudge, R. S., and J. L. Schlacter. 1999. Motivating employees to act ethically: An expectancy theory approach. *Journal of Business Ethics* 18 (3): 295–304.

KEYWORDS: Decision making; Motivation; Corporate culture.

Rutledge, R. W., and K. E. Karim. 1999. The influence of self-interest and ethical considerations on managers' evaluation judgments. *Accounting, Organizations and Society* 24 (2): 173–184.

KEYWORDS: Cognitive moral development theory; Agency theory; Management decision making.

Schaefer, A. G., and A. J. Zaller. 1999. Why ethics tools don't work. *Nonprofit World* 17 (2): 42–50.

KEYWORDS: Ethics audit; Social responsibility; Corporate responsibility.

Zych, J. M. 1999. Integrating ethical issues with managerial decision making in the classroom: Product support program decisions. *Journal of Business Ethics* 18 (3): 255–266.

KEYWORDS: Ethical dilemmas; Decision making; Social responsibility.

Gender Issues

Stanko, B. B., and M. Schneider. 1999. Sexual harassment in the public

accounting profession? *Journal of Business Ethics* 18 (2): 185–200.
KEYWORDS: Sexual harassment; Public accounting, Gender issues.

Social Issues

Arrington, G. R. 1999. Socially conscious investments by private pension plans. *Employee Benefits Journal* 24 (1): 13–16.
KEYWORDS: Social investing; Corporate responsibility; Investment analysis.

Seiling, J. G. 1999. Reaping the rewards of rewarding work. *The Journal for Quality and Participation* 22 (2): 16–20.
KEYWORDS: Organizational behavior; Social responsibility; Corporate culture.



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The AICPA's Prosecution of Dr. Abraham Briloff, Some Observations

Dwight M. Owsen, ABD, U. Portsmouth, U.K.

Over the last two years or more, the AICPA has been investigating and admonishing Dr. Abraham Briloff for a letter published in *Accounting Today*. While the details of this controversy can be found in various reports, editorials and letters to the editor in *Accounting Today*, this case needs to be considered for some of its implications. In addition, this case has some important elements to consider in the historical life of the AICPA and the profession, especially in the area of enforcement of rules, ethics and accounting judgment.

During late 1998, I wrote up some notes on what was occurring then. In the broadest chronology, the practice that Abe has with his daughter was peer-reviewed for a compilation for a client in the year 1993. In January 1997, Dr. Briloff wrote a letter to the editor. Through disclosures by Dr. Briloff, we learned he was being investigated by the AICPA-based on a membership complaint; this too was reported in *Accounting Today*. At this point of the discussion, Dr. Briloff had met with officials from the AICPA's accounting division following a visit to his practice from one of their representatives.

This commentary flows from that time and concerns how this matter might embarrass the profession and threaten the membership. Other elements of this case covered in my opinion pieces in *Accounting Today* relate to rule

enforcement vs. accounting judgment, first amendment rights and the function performed by iconoclastic critics in self-regulating professions in place of additional governmental regulation.

Embarrasses the Profession

Some observers of the profession will undoubtedly see the AICPA investigation and trial of Dr. Briloff as a groundless, mean-spirited, partisan attack on one of the great accounting educators and writers of our time. The attack itself wastes the public confidence that the AICPA has built up with great effort and millions of its members' dollars. Moreover, the AICPA persecution is embarrassing the profession among those whose goodwill we need in order to practice: creditors, investors, preparers, the general public and, unfortunately, our many competitors. This story made it to the *New York Times* business section.

More alarming is that this may be providing a powerful, misguided example to our already fierce competitors. These include bankers, insurance agents, lawyers, management consultants and system consultants, who, in special circumstances, might be able to do a better job in our attest function. This is excepting the fact that business and the public still trust us more. If actuaries, attorneys, bankers, computer analysts, economists (remember Federal Chairman Greenspan's recent comments about weakening banking accounting standards), financial analysts, insurance agents, management consultants and others, by themselves or in conjunction, do at least as good a job of auditing as CPAs in certain circumstances, our auditing monopoly could be threatened. They could also hire CPAs themselves and again convince Congress to end the CPA monopoly on attestation services for financial statements. It is the good image of the profession that keeps these others legally out of our business.

Role of a Profession's Prophets

Public persecution of our moral iconoclasts takes the ethical high ground away from the profession and makes us vulnerable to the other professions represented in Congress, who see our attest function as the Trojan Horse into their profession. The public, especially the investment community, is likely to see Dr. Briloff as more creditable than his AICPA persecutors. This fact alone should have warned the AICPA off a long time before this. In addition, while ethics critic to the profession, he may temporarily aggravate some. Many practitioners have come to the conclusion that accounting is more effective, relevant and much more profitable because of Dr. Briloff's more than 50 years of critical conscience for the profession. His exquisite prose—almost poetry—and his stature in taking on the largest economic actors have done much to convince government policy makers not to intervene in the private self-government of the profession.

The Management of the AICPA

This persecution of Abraham Briloff also puts the honor and management skills of our profession in question. Much of our very profitable consulting business builds on the costly but necessary quality of our auditing assignments that Briloff's criticism did so much to elicit. Moreover, AICPA persecution of its critics means that most members will perceive that they will

not likely be able to express their concerns without retaliation, much less get their concerns acted upon.

The Ethics Division Punishment

Dr. Briloff refutes each of the five charges by providing concrete, well-reasoned arguments as to why good accounting judgment required some adjustment. In addition, the penalties assigned Dr. Briloff by the AICPA are suspect. The AICPA is putting Dr. Briloff on probation for a whole year as they snoop and pry into his practice and silence him. They are also requiring him to take 31 hours of course work. This again seems to many an example of personal vengeance. For one moment, reading the AICPA penalties assigned to Dr. Briloff, I thought that the AICPA was imaginative enough in their punishment sentencing to ask the accounting pioneer to teach rather than study 31 hours in AICPA courses. Alas, the imagination and the tact of the AICPA failed. They could have taken advantage of Dr. Briloff's nature to help the profession to slide in their rule-enforcing goal. In addition, the penalty seemed excessive in other ways. A former AICPA president, Maurice Stans of Watergate, was a criminal convicted of five misdemeanors from his professional life and the AICPA did not level any penalty against him.

Prologue

Back in late 1998 when these notes were taken, the Ethics Division of the AICPA had recently found Dr. Briloff guilty and assigned him several punishments, which he later appealed to the Joint Trial Board, where he again lost. This was reviewed by an ad hoc committee of the AICPA which kept the judgment against him but dropped any requirements for Dr. Briloff. Since this did little to address the policy concerns of Dr. Briloff in AICPA rules for small-practice compilations, Dr. Briloff is pursuing the matter today in the courts. Please send comments and questions to the author at dwight@qtm.net.



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The Sixth Interdisciplinary Perspectives on Accounting Conference

Manchester Federal School of Business and Management
UMIST/University of Manchester
July 9-12, 2000
Call for Papers

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Asia-Pacific Journal of Accounting & Economics

Symposium 2000

(APJAE Symposium 2000)

3-4 January 2000, Hong Kong

Call for Papers

The Accounting and Corporate Law Centre and Department of Accountancy, City University of Hong Kong, will jointly organize a symposium to be held at the City University of Hong Kong, 3–4 January 2000. The symposium will launch the *Asia Pacific Journal of Accounting & Economics (APJAE)* and the theme will be “**Corporate Governance Issues in the Asia Pacific Region and Beyond.**”

Papers submitted for the symposium should contain original research which rigorously applies economic or legal theories to corporate governance issues and related accounting and auditing problems. Empirical papers are particularly encouraged. Accepted papers will be published in the inaugural issue of the *APJAE*, subject to the editors' approval. The *APJAE* will replace the *Asia Pacific Journal of Accounting*, as of 1 January 2000 to reflect the journal's expanded scope and content.

The symposium will provide accommodation at the University guest house for three days, waiver of registration fees and expense reimbursement of US\$3,000, for one author of each accepted paper. In addition to presentations of papers, the symposium will include a China Accounting Forum with a panel of scholars and government officials from China who will discuss recent accounting developments in China and their legal and economic implications.

The *Asia-Pacific Journal of Accounting & Economics (APJAE)* is dedicated to publishing high-quality original research that rigorously applies economic and legal theory to accounting issues and problems, with an emphasis on empirical research. In addition to a special focus on issues relevant to the Asia Pacific region, the journal also encourages submissions pertaining to contracts, corporate governance, capital markets and financial institutions, as these relate to accounting and auditing.

About the Public Interest Section

Objectives

- Promote interaction among members of the academic and professional communities interested in the interface of accounting with social, economic, ethical and political consequences of corporate activity, and in exploring the social and ethical roles and responsibilities of the accounting profession.
- Encourage research in public interest accounting by identifying areas in need of research, providing a forum for the exchange of ideas and findings, and providing opportunities for exposure of research results.
- Present programs which create and expand an awareness of the profession's responsibility to society.
- Develop and promote educational materials which foster an awareness of social and ethical issues in accounting students.
- Encourage interdisciplinary exchanges between accountants and members of other learned groups.

Activities

- Participation in national meetings
- Participation in regional meetings
- Newsletters
- Annual research retreat
- Workshops

History

The Public Interest Section of the American Accounting Association was founded in 1979 to advance awareness of the social responsibilities of the profession. The Section seeks to advance and support: social, ethical, and public policy accounting and reporting research; the assessment and recommendation of social measurement and reporting standards; the development of social and ethical curricula; and to provide assistance on public issues in which the accountant's unique expertise can be brought to bear.

Benefits of Membership

The Public Interest Section provides opportunities to:

- Stay current on the latest developments in social and ethical accounting and other Public Interest issues.
- Receive the newsletter of the Section containing information on current activities, research and education in Public Interest areas.
- Discuss research ideas with individuals with whom you share similar research interests.
- Participate in seminars, retreats, workshops and programs addressing Public Interest issues, both regionally and nationally.
- Contribute to the development of the professional accountant's sense of responsibility with respect to the Public Interest.

[Membership Application Form](#) (Printable with [Adobe Acrobat Reader](#))



PUBLIC INTEREST

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