

Volume 30, No. 2
Spring 2002



PUBLIC INTEREST

Public Interest Section, American Accounting Association
Sarah D. Stanwick, Editor, Auburn University

TABLE OF CONTENTS

- [Message from the Chair, Sara Reiter](#)
- [New Online Voting: Slate of Officers for 2002-2003](#)
- [Policy Update: Public Interest Section's Policies for New Scholar Fellowships](#)
- [Reminder: New Directions for Accounting Ethics Research - Seventh Annual Symposium on Ethics in Accounting and Accounting Exemplar Award Luncheon](#)
- [Call for Papers: Eighth Annual Symposium on Ethics in Accounting](#)
- [Worth Repeating: Contributions Being Accepted for Public Interest Section](#)
Carol F. Venable
- [Section Journal News and Abstracts: *Accounting and the Public Interest*](#)
- Guest Columnists:
 1. [These Dangerous Times](#)
Tim Fogarty, Case Western Reserve University
 2. [These Dangerous Times: A Second to That Notion](#)
Paul F. Williams, North Carolina State University
 3. [The Impact of CPA2BIZ on the Profession's Credibility](#)
Dwight M. Owsen, Louisiana State University and William E. Shafer, Pepperdine University
- [Public Interest Section Officers for 2001-2002](#)

[Back to the Public Interest Section Home Page](#)

Message from the Chair, Sara Reiter

I am pleased to announce that the Public Interest Section was able to fund three attendees at the Emerging Scholar Symposium at the Critical Perspectives on Accounting Conference in April: Katarzyna MacLulich from Heriot-Watt University, Indra Abeysekera - Macquarie University and Patty McNicholas - Monash University. In addition to the \$3,000 budgeted by the Section, \$1,300 of donations were received for this purpose. There will be a second round of funding awards timed to be able to include applicants to the Professionalism and Ethics conference in August. It is not too late to apply for funding or to contribute additional funds! I want to thank the awards committee- Linda Thorne, Alan Mayper, Robert Milbrath and Steve Filling-for all their hard work.

At the Annual Meeting in San Antonio in August, please look out for the Public Interest paper sessions. We plan to cosponsor the Exemplar Awards luncheon again this year. Also, please plan to attend our business meeting as we will have some very important budget and policy decisions to make. Joel Demski decided that section business meetings will not be scheduled during concurrent sessions at the August meetings because of facility-size constraints. This means our section meeting will be at an "off" time-to be announced-so it is particularly important for us to make a special effort to attend. Before the Annual Meeting you will all have access to a meeting agenda, a proposed budget, and various policy proposals for discussion. I am looking forward to seeing you all in San Antonio!

[Back to Table of Contents](#)



PUBLIC INTEREST

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New Online Voting: Slate of Officers for 2002-2003

In accordance with our bylaws we will be electing our 2002-2003 officers via an online vote or a mail vote. The nominating committee has selected the following slate of candidates for elected offices of the Public Interest Section:

Chair-Elect: C. Richard Baker: University of Massachusetts Dartmouth

Vice Chair/Director of Education and Research: Pamela B. Roush, University of Central Florida

Secretary/Treasurer: Susan P. Ravenscroft, Iowa State University

No nominations were received from the membership. Please access the web site <http://aaahq.org/surveys/PIBallot/ballot2002.cfm> to vote or print the [PDF version](#) of the ballot reproduced below, complete it, and mail to Steven Filling at the address included below.

Ballot - Public Interest Section Officers 2002-2003

_____ Chair-Elect: C. Richard Baker

_____ Vice Chair/Director of Education and Research: Pamela B. Roush

_____ Secretary/Treasurer: Susan P. Ravenscroft

Please vote online at <http://aaahq.org/surveys/PIBallot/ballot2002.cfm> or return your marked ballot to:

Professor Steven Filling
Department of Accounting and Finance
California State University, Stanislaus
801 West Monte Vista
Turlock, CA 95382

Your online vote must be received by midnight on **July 15, 2002** or must be postmarked by **July 15, 2002**.

[Back to Table of Contents](#)

Policy Update: Public Interest Section's Policies for New Scholar Fellowships

THE PUBLIC INTEREST SECTION IS PROUD TO ANNOUNCE A FELLOWSHIP PROGRAM TO SPONSOR NEW SCHOLARS WITH INTERESTS IN PUBLIC INTEREST RESEARCH:

- **ELIGIBILITY** Students currently enrolled in a Doctoral Program (with a primary interest in accounting) or Faculty who have graduated with their Doctoral Degree within five years.
- **FELLOWSHIP** reimbursement of up to \$1,000 for travel-related expenses, including travel, meals, and lodging. (Conference registration is excluded, except for identified costs related to meals and lodging.) Any conference that has a significant component related to the Public Interest will be considered for these fellowships.
- **APPLICATION** The application from the student includes: Name; Email address; a copy of the Conference Announcement and Call for Papers; current affiliation; Doctoral Program Affiliation (or where degree was earned from); Dissertation Chair and Committee Members, Dissertation Title (or Topic or areas of interest if predissertation stage); estimated budget for reimbursable expenses; a paragraph statement of why they want to attend the conference and the benefits they hope to derive; a paragraph statement of why they should receive funding from the Public Interest Section and their interest in the Section; what their level of participation is in the conference (e.g., participant, etc.); and other sources of funding received for the conference. The application will be electronic, and should be received at least 45 days before the convening of the conference. Send to lthorne@schulich.yorku.ca.
- **ENDORSEMENT** An endorsement to be received from a faculty member verifying the status of the student and recommending their participation. The applicant should obtain this.
- **SELECTION** A standing committee of the Section (size and duration of service determined by the Executive Committee, however, membership of the committee should include at least one current officer) should evaluate whether: (1) the conference, for which funds are being requested, meets the objectives for fellowship support and (2) the applicant merits Public Interest Section support. The committee can set their own criteria for evaluation of the application. Funding should be provided on a first-come first-served basis. The Public Interest Section treasurer will inform the committee the amount of funds available for the Fellowships. Fellowships may be made for up to \$1,000. Approved applicants should be notified by email (as soon as possible) and told that they will need to provide copies of receipts for the reimbursement. Unused budgeted funds and donations from one budget year should be carried over to the next budget year.
- **PAYMENT** Applicants will need to send copies of receipts to the treasurer of the Public Interest Section to be reimbursed. No advance payments can be made. Reimbursements will be made as fast as the AAA processes them.
- **PUBLICITY** Availability of the Fellowship will be announced annually in newsletters of all academic organizations (e.g., AAA, AAANZ, CAAA, EAA, etc).

[Back to Table of Contents](#)

REMINDER:

New Directions for Accounting Ethics Research Seventh Annual Symposium on Ethics in Accounting and Accounting Exemplar Award Luncheon

The Seventh Annual Professionalism and Ethics Symposium will be held on Tuesday, August 13, 2002, 1:00 pm-7:00 pm and Wednesday, August 14, 2002, 7:00am-12 pm. The purpose of the Symposium is to explore new frontiers of ethics research in an accounting context. Researchers and practitioners interested in ethics in an accounting setting will be able to discuss research ideas, exchange information, network, and discuss emerging issues encountered in practice. The Accounting Exemplar Award Luncheon will be held at the conclusion of the Symposium. Tickets to the luncheon are included with your CPE registration or you may purchase tickets separately with your registration to the Annual Meeting.

[Back to Table of Contents](#)

CALL FOR PAPERS
Eighth Symposium on Ethics in Accounting-
Ethics in the Post-Enron Era
Call for Papers: Friday, March 7, 2003

The Professionalism and Ethics Committee of the AAA invites papers for the Eighth Symposium on Ethics in Accounting, to be held immediately preceding the 2003 AAA Annual Meeting in Hawaii. Because of the current importance of the issue, we hope to devote at least one session to focus on ethics in the post-Enron era. We also welcome papers examining any other aspect of ethics in accounting. At the author's discretion, papers will also be considered for publication in either *Research on Accounting Ethics* OR *Accounting and the Public Interest*.

Scope and Aims of Symposium

The purpose of the symposium is to explore new frontiers of ethics research in an accounting context. The symposium will provide an opportunity for researchers and practitioners interested in ethics in an accounting setting to discuss recent research, exchange information, to network, and to discuss emerging issues encountered in practice. Research, case, and educational paper submissions are welcome from all members.

A prize will be awarded for best paper and a separate award will be presented for the best paper authored by a Ph.D. student. Both presentation and forum sessions will be included in the program. All faculty and doctoral students are invited to attend, with a waiver of enrollment fees for doctoral students. Doctoral students are invited to attend with registration covered by the Professionalism and Ethics Committee.

Location and Dates

The symposium will be held in Hawaii as a CPE session, immediately prior to the 2003 AAA Annual Meeting. The meetings will be held in the main convention hotel, or within a convenient walking distance from the hotel.

Details for Paper Submission

Dawn Massey at Fairfield University (dmassey@mail.fairfield.edu) is coordinator for the conference. One (1) copy of the completed manuscript should be transmitted as an attached Word file to Dawn Massey (dmassey@mail.fairfield.edu) on or before **Friday, March 7, 2003**. To preserve the anonymity of the review process, please remove any references to authors on the cover page and in the body of the paper.

A nonrefundable submission fee of U.S.\$20 (made payable to the American Accounting Association) should be submitted concurrently to:

Dawn W. Massey
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Fax: (203) 254-4105

Please indicate in your submission cover letter whether you want your submission to be concurrently considered for publication in either *Research on Accounting Ethics* OR *Accounting and the Public Interest*. The Editors of these journals have graciously agreed to waive the initial journal submission fee.

[Back to Table of Contents](#)

Worth Repeating: Contributions Are Being Accepted for Public Interest Section

Contributions Now Accepted for Student Travel and Journal Support
By Carol F. Venable

Members now have a new opportunity to make tax-deductible contributions to promote public interest research. AAA Headquarters recently notified the Section that two temporarily restricted funds have been established to accept contributions. The first fund will support the Section's journal. The second will support student travel to attend research conferences related to the public interest. The idea to set up these funds arose in August at the annual business meeting after members expressed a desire to support the Section.

Checks should be made out to the "American Accounting Association" with a notation identifying the "Public Interest Section" and the purpose of the contribution, either "Journal Support" or "Student Travel." Members can use one check to contribute to both funds by designating the amount that should go to each fund.

Your tax-deductible contribution for the Public Interest Section funds should be sent to the American Accounting Association at 5717 Bessie Drive, Sarasota Florida 34233-2399.

[Back to Table of Contents](#)

Section Journal News and Abstracts: *Accounting and the Public Interest*

The first volume of the Section's new academic research journal, *Accounting and the Public Interest* was issued in 2001. We are pleased with the quality and diversity of the papers represented therein and believe that this is an excellent beginning for the journal. The future success of the journal primarily depends on the support of the membership in terms of quality manuscript submissions. If you have quality manuscripts that fall within the scope of the journal, I would urge you to consider submitting them for publication in *Accounting and the Public Interest*. We have generally been able to complete the first round of reviews within 4 to 6 weeks. The journal's scope and editorial policy as well as instructions to authors are available on the journal's web site located under "Publications" on the American Accounting Association's home page. Manuscripts are to be submitted electronically (preferably via email and an attached Word file) to the editor (Jesse Dillard) at jdillard@bus.ucf.edu. If you have questions, please feel free to contact the editor, Jesse Dillard, at (407) 823-0596. There is no submission fee for Public Interest Section members.

Below are the abstracts of the articles published in Volume 1 (2001). Full text is available on the [American Accounting Association web site](#) (click on "Publications" and "Browse"). If you have problems, please feel free to contact Jesse Dillard or the author(s).

Abstracts

Accounting and the Public Interest

2001 Issue

A "Close Reading" Protocol to Identify Perception-Fashioning Rhetoric in Web Site Financial Reporting: The Case of Microsoft® (1:1-16)
Russell Craig, Lucia Garrott, and Joel Amernic

ABSTRACT: This paper describes a protocol by which to conduct a "close reading" critique of financial reporting on a corporate web site. The proposed protocol helps identify the rhetorical and metaphorical features of web sites and draws attention to their potential to influence social cognition. The paper complements and extends the "close reading" example provided by Amernic (1998) and is influenced by the approach to deconstruction outlined by Martin (1990). Application of the protocol is demonstrated through a "close reading" of aspects of the financial reporting on the Microsoft Corporation web site. The "close reading" reveals some of the benefits that are likely to emerge from arousing a greater consciousness of the subtle and persuasory nature of the hypertools used to effect Internet-based financial reporting.

The Role and Perceptions of Independent Audit Partners in the Governmental Audit Market (1:17-41)
Suzanne H. Lowensohn and Frank Collins

ABSTRACT: Audits are the primary means of monitoring that public funds are appropriately spent by governmental entities. Currently, independent auditors (rather than governmental auditors) are the primary suppliers of governmental audit services, despite the fact that many of them view governmental audits as "secondary" (AICPA 1987). Furthermore, nongovernmental auditors are believed to be less "independent"

and more prone to lose sight of the programmatic demand to safeguard the public trust (Power 1997) than governmental auditors. To better understand the supply of governmental audit services, this study investigates independent audit firm partner opinions of governmental audits and their motivation to pursue these engagements. Multiple regression results of our data reveal that partners are more likely to pursue governmental audits if they believe that desirable intrinsic and extrinsic rewards are attainable through performing these audits. Furthermore, environmental risk factors--an active political climate and authoritative changes--reduce partner motivation to pursue governmental audits. It is suggested that environmental risk factors disrupt the comfortable principal/agent relationship of the auditor and auditee because the relationships have become decoupled (abstracted) from the audit's programmatic mission.

A Special-Purpose Taxonomy of Corporate Social Performance Concepts (1:42-72)

Brett A. Stone

ABSTRACT: The first iteration of a nonstatic special-purpose taxonomy of corporate social performance concepts is developed from a mailed, self-administered survey completed by managers of U.S. socially responsible mutual funds. The study combines the traditionally disparate research areas of Corporate Social Performance and Socially Responsible Investing. As a partial update of Rockness and Williams (1988), a descriptive account is presented of what mutual fund managers regard as the social issues that constitute corporate social performance. The resulting taxonomy represents an empirically derived framework useful in considering social accounting in general and accounting standard setting in particular.

The Impact of Regulatory and Audit Environment on Managers' Discretionary Accounting Choices: The Case of SFAS No. 106 (1:73-96)

Sharad Asthana

ABSTRACT: This paper studies the impact of a firm's regulatory and audit environment on managers' discretion in choosing from the set of actuarial choices available under Statement of Financial Accounting Standards No. 106. Data disclosed by 500 firms under SFAS No. 106 during the period 1993-96 is used for the tests. Correlation, portfolio, and fixed-effects regression analyses are conducted on this data. The results show that the magnitude of the discretionary component of the postretirement benefit obligation is negatively associated with the extent of the external regulations and auditor quality. Tests on the market response to the disclosed postretirement benefit obligation show that the market values only the nondiscretionary component of the obligation. This research provides evidence that federal regulation and independent audits serve as useful watchdogs of the public interest. Proper financial disclosures also lead to increased transparency and market efficiency in detecting and correcting for the effects of opportunistic actions of managers.

State Conformity with Provisions of the 1997 Uniform Accountancy Act: Theory and Evidence (1:97-114)

Robin W. Roberts, James M. Kurtenbach, and Lloyd "Pat" Seaton III

ABSTRACT: In this study we use theories of professional regulation to examine state conformity with model provisions of the 1997 Uniform Accountancy Act (UAA). We posit that three of the 1997 UAA provisions restricted the licensing of certified public accountants (CPAs) because they increased educational requirements and that three provisions were economic-service-related because they enhanced interstate and international reciprocity. We contrast public interest, quality demand, and capture theories to develop contemporaneous empirical measures to explain the degree to which a state's laws conformed to each set of provisions. We found that our three capture-theory variables--(1) the ratio of the number of CPAs to the number noncertified public accountants (NPA) in a given state, (2) the percentage of CPAs who belong to a state's Society of CPAs, and (3) the percent of a state's population over 25 years of age without a college education--were directly related to a state's conformity with restrictive provisions of the UAA. The overall model for economic-service-related provisions was marginally significant, however, we further argue that these latter results also may be evidence of regulatory capture.

Pooling and Rescinded or Forgone Stock Repurchases (1:115-133)

Stephen R. Moehrle, Jennifer A. Reynolds-Moehrle, and James S. Wallace

ABSTRACT: Securities and Exchange Commission (SEC) Staff Accounting Bulletin (SAB) No. 96 requires that firms rescind stock repurchase plans to receive pooling treatment for a business acquisition. In this study, we document the additional opportunity cost to pooling imposed by SAB No. 96 and revisit the purchase vs. pooling question with the additional consideration. Specifically, we examine whether firms should rescind or forgo stock repurchase plans to qualify to pool or simply accept purchase accounting treatment for mergers. We begin by establishing why firms choose to pool. We find that, consistent with anecdotal evidence in the financial press, firms pool to avoid the decreased earnings caused by amortization of goodwill that is recorded in a purchase. Next, given this motivation for pooling, we examine the purchase vs. pooling decision with the additional consideration imposed by the prohibition of stock repurchases. Our results suggest that forgoing stock repurchases to pool may not be in the best interest of shareholders. These findings support the decision of the FASB to eliminate pooling as an alternative.

[Back to Table of Contents](#)

Guest Columnist**These Dangerous Times**

Tim Fogarty

Case Western Reserve University

Since the mid 1980s I have attended the AAA Annual Meeting every year but one. In that time, I have heard a fair number of presentations by the incoming AAA presidents. For the most part, these were as eminently forgettable as most things said by our leaders in Washington D.C. This mostly comes with the territory and is perhaps exacerbated by the part-time feature of these guild appointments. Last year in Atlanta, the speech by Joel Demski distinctly fell out of this pattern. However, the purpose of this essay is not to praise the courage it took to say something, but to question its substance, especially as it pertains to the Public Interest Section.

In a nutshell, Professor Demski critiqued the growing tendency toward the fragmentation of academic accounting. Contrary to the wisdom encapsulated in the expression "Let a thousand flowers bloom," this critique expounded on the losses that occur when a discipline is doing a large number of very different things. The not-too-hidden agenda in these remarks was that the AAA should begin initiatives to reverse the proliferation of interest and the scattering of intellectual focus.

The emergence of such a plan reverses the recent history of the Association. Over the last ten years, the Sections of the AAA have increased in the salience to the membership. Notable here is the rise of midyear meetings that tend to be well received, primarily because they serve to recognize the synergy of scholarship in a way that cannot be done at the more diffuse Annual Meeting. Until Demski's speech, the idea that the Sections were among the most positive things about the AAA was widespread among the people I know.

The action imperatives that come from Demski's speech are also inconsistent with very recent developments within the organization. For example, the endorsement of the Minority Faculty and Diversity section is hard to reconcile with the demands for focus if it reaches the full vision of its advocates. Likewise, the decision to reduce the membership requirements for existing sections now seems a step in the opposite direction. Juxtaposing Demski's remarks with a new section and the validation of small sections seems to me the sign that the organization is running over its tail.

Two proposals are working their way into the vanguard of Demski's vision. First, the decision to impose a \$50 submission fee for the Annual Meeting should be a chilling effect for the scholarship that exists at the margins of the accounting discipline. Whereas this year we were eased into this with an early submission reduced fee, watch for the other shoe to drop next year. Now seems a rather curious time to be doing anything that adds even the smallest disincentive to work in the discipline. Now that electronic paper processing has begun, it is hard to conjure an alternative rationale for the fee. The second initiative involves the blurring of the lines between the Sections in the organization of sessions of the Annual Meeting. We do not know how this will play out, but it seems a clear symbolic statement that the Sections do not control the organization of this research. Some "invisible hand" from above will be needed that tells us what is truly at stake about the research. We need to be careful when we delegate the power to define the boundaries. I also fully expect that this is an incremental step toward further change the unify the control over this gate keeping.

The only way that I can reconcile what is occurring in the message is that the members can have whatever

subgroupings they want as long as they do not confuse what they are doing with accounting research. In my mind, there is a two-step process at work. The first is an erasure of the lines that define a particular research community. The second is the exclusion of those that do not fit someone's idea of what should be our work.

The Public Interest Section is one of the most exposed communities of scholars to strategies that are aimed at finding the "Holy Grail" of accounting research. It is an eclectic collection of scholars that draws their inspiration from a variety of places, and does not aspire to be cohesive or connected. The strength of the Public Interest Section is in its diversity and in its willingness to oppose the conventional wisdom. It should be opposed to those who would purport to have a paradigm.

[Back to Table of Contents](#)

Guest Columnist**These Dangerous Times: A Second to That Notion**

Paul F. Williams
North Carolina State University

Like Tim Fogarty, I have been attending AAA Annual Meetings for quite some time. My first was in 1975 and I have missed only a few since then. I can vouch that Tim is quite correct: those anointed to be leaders of the AAA have been singularly uninspired (which is a criterion for selection). Tim's analogy to Washington is a bit unfair to Washington because we do remember what some of our national leaders have said. What American doesn't know who said:

"Four score and seven years ago....", or

"The only thing we have to fear is....", or

"Ask not what your country can do for you...."?

After all, we did get the Emancipation Proclamation, a New Deal, a Civil Rights Act, and the funding for the creation of the Internet out of Washington. The AAA, however, has never had Lincolnesque leadership nor Rooseveltian imagination. When we think about AAA leadership, Warren G. Harding comes more readily to mind. That is why Demski's initiatives are atypically ambitious for the executive group of the AAA and, as Tim so correctly warns us, something to be regarded with anxious suspicion.

Sections have always been reluctantly accepted by the central government of the AAA. There was a time that many older members of the Public Interest Section remember all too well when a substantial number of our intellectual elite adamantly opposed the proliferation of sections. This was based on the conviction that giving people their heads could lead to a sully of the quality of accounting scholarship and the danger that subversive ideas would be associated with the AAA. The issue with the central planners is always the issue of control—control over the intellectual agenda, control over resources, and control over the academic reputation system in the U.S. Eventually, however, it dawned on the central government that the action was indeed in the sections and that a "cover charge" could be imposed on anyone who wanted what the sections (not the AAA) had to offer. Open opposition to new sections subsided because section membership provided the incentive for many people to pay the tax levied by the central government in order to join a section.

A problem that more sections have created is their growing demand for space at the Annual Meeting. Over time more of the scholarly program of the Annual Meeting has been given over to section agendas and to the discretion of the section program directors. Thus, the intellectual riff-raff are increasingly depriving the truly worthy of a line on their CVs, and, even worse, inadvertently placing an AAA stamp of approval on some scholarship that is simply "politically incorrect." (Political correctness is, after all, not the exclusive province of the "left.") This is what President Demski refers to in his inaugural address as our "tribal tendencies." Now, of course, in every other social science such tribal tendencies are the order of the day and the source of what intellectual vitality they have. But in President Demski's view, this tribalism is unhealthy, a thing that ideally should not be, or, if it is to be, one that should not be permitted to threaten the "quality" (i.e., mimicry of economics) of accounting scholarship. Thus, the sections must be reined in and brought under the direction of those who know best what accounting scholarship should be.

The paradox of this position is that the alleged malaise, the lack of scholarly progress that justifies this action, is the creation of an elite structure, which has created over the last 35 years the system of doctoral education producing the elite scholars who comprise and benefit from this malaise. All academic disciplines are stratified, some more than others, with their "elite" schools producing the most "able" and "successful" scholars. In accounting, which is also extremely stratified in the U.S., the elite has managed the academy into its current condition of admitted morbidity. And the incredible solution being proposed is that the current structure exercises even more control! Perhaps it is time for all of us to retire to Bedlam. This raises the substantive question of the current elite's fitness to continue to unilaterally manage the academy.

The fear I share with Tim is that the new policy is a first move that bodes ill for our section and many others. When the JAR conferences, inspired by the same intellectual certitudes of the present elite, were first organized dissenting voices from practice and other social sciences were invited to participate. Eventually, unable to deal intellectually with the dissenting voices, the organizers of the JAR conferences simply excluded them. The same fate may await us if we don't resist this latest policy as strenuously as we can.

[Back to Table of Contents](#)

Guest Columnist**The Impact of CPA2BIZ on the Profession's Credibility**

Dwight Owsen
Louisiana State University

William E. Shafer
Pepperdine University

As most readers are undoubtedly aware, the AICPA recently consummated a for-profit spin-off in which Barry Melancon and other members of Institute management were either given or allowed to make bargain purchases of equity stakes in the new company. The AICPA president was also awarded the position of chairperson of this new entity, and various services and resources of the AICPA were given, licensed, or sold to this for profit corporation, CPA2BIZ. This web-based portal allows CPAs to market products and services to their clients and earn commissions from these sales. Outside observers, including former SEC chairman Arthur Levitt, saw a potential conflict of interest in this transaction.

The conflict centered on two systemic incentives that arise when not-for-profit organizations are converted to for-profit status. The first is that, if the leadership of the nonprofit acquires an ownership interest in the newly formed for-profit entity, they have an incentive to transfer assets at less than fair value, effectively diverting a portion of the assets for their personal enrichment. Second, if the nonprofit leadership has a continuing relationship with the newly formed for-profit entity, they may have an incentive to take actions that do not benefit the members of the nonprofit, but have the potential to increase the value of their for-profit equity. An example might be the support of easier CPA testing requirements or a new credential such as "XYZ" in order to increase the "captive" customer base for CPA2BIZ. Such conflicts among the profession's leadership might make it difficult for outsiders to believe that the AICPA can be a leader of accounting reforms that truly serve the public interest. Indeed, many questions were raised in the business press (including an article in the *New York Times*) regarding Melancon's moral credibility when he was placed in the spotlight after the Enron/Andersen debacle. As a result of such scrutiny, he announced that he would donate his equity interest in CPA2BIZ to charity. However, the motivation behind this action was also questioned in light of the fact that CPA2BIZ has reported large losses to date, and Melancon will be able to take a substantial tax deduction if he donates the stock before it becomes worthless.

Need for More Transparency at the AICPA

The appearance of corruption among AICPA management demonstrates the need for more transparency at the Institute. For example, initial reports indicated that Melancon had been given the CPA2BIZ stock. After criticisms of this transaction began surfacing, the AICPA then announced that he had paid for the stock, but outsiders could not find out how much. Rumor currently has it that he paid \$35 per share, and that the large outside investors paid perhaps 4 or 5 times that amount. Moreover, other AICPA insiders were also allowed to buy shares at this low price and received lucrative CPA2BIZ consulting contracts. Did these individuals also donate their shares to charity? Moreover, the original plan included giving Melancon (or allowing him to purchase) 1 percent of the CPA2BIZ stock, with another 16 percent going to "consultants." The question is: Who are these consultants and is this not yet another payoff of the political supporters of the AICPA president? To say that the AICPA has been less than forthcoming with the details of insider deals relating to CPA2BIZ would be an understatement.

Some observers feel that the obvious conflicts of interest arising from CPA2BIZ embarrassed the large and reputable companies associated with CPA2BIZ. These observers have also suggested that Melancon was privately convinced by these outside investors to publicly announce that he was donating his stock to charity as a means of "damage control" to save the venture's and the AICPA's reputation, but that he will get his money one way or another. These suppositions are based on cynical business logic rather than empirical evidence, but this type of talk further demonstrates the perceived level of integrity of the current AICPA leadership. If the AICPA is ever going to regain the trust of its membership, it will have to start by increasing the level of disclosure and transparency of all Institute transactions.

Melancon's Legacy

Barry Melancon has promised AICPA members a new vision and new directions for their profession. Undoubtedly this has been the goal of many of the Institute's initiatives during his term, e.g., the development of new assurance services and the CPA "vision process." However, leaving the organization's treasury vault door unprotected is not a good idea. Giving the president of a nonprofit professional association stock in a for-profit spin-off opens up nearly endless perceptions of corruption. This is because unlike public for-profit corporations where stock price provides a contrary force against managerial abuse, a not-for-profit organization has no countervailing force. Thus while packing the board with compliant trustees is not unknown in the corporate world, it is that much easier in the world of non-profits.

BDO Seidman has sued the AICPA over CPA2BIZ, charging that it is an unlawful attempt to monopolize services that are currently provided by the Institute's own members. The lawsuit also charges AICPA management with a breach of their fiduciary duty due to the insider stock deals of Melancon and members of his management team. When this information became available to the press, they openly questioned the integrity of Melancon and the entire CPA profession. This clearly demonstrates that the ultimate risk of having leaders that lack integrity is the loss of public confidence in the integrity of the CPA profession as a whole. How long will the majority of AICPA members remain complacent when the actions of their leaders are contributing to the demise of their profession?

[Back to Table of Contents](#)

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[Back to Table of Contents](#)