AN EVALUATION OF SEC ACCOUNTING POLICIES AND REGULATION

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John Evans contends that the regulatory relationship that has evolved between the SEC and the accounting profession has resulted in satisfactory accounting standards by enabling the government to utilize the expertise within the accounting profession at limited expense to the government. He supports the Commission's position that the accounting profession should be given the opportunity to self-regulate, but cautions that constant involvement on the part of the SEC is necessary. In his conclusion, Evans makes several recommendations for improving self-regulation.

1. Introduction

The Securities and Exchange Commission [1] (Commission) has been subject to praise and criticism throughout its first fifty years for the way it has responded to its responsibility of assuring appropriate disclosure in financial statements. Financial statements are the heart of an informational system designed to provide a basis for rational investment decisions. Having served as a member of the Commission for nearly eleven years, it is my belief that, although the Commission has made mistakes and has sometimes been slow to act, it has been a relatively successful regulator of accounting matters.

Since the Commission was established in 1934, there has been a tension between it and the accounting profession. This tension was portrayed some time ago by a cartoon in which a person who may have been an accountant, a company official, or perhaps a member of the Financial Accounting Standards Board is lying on a couch in a psychiatrist's office. He is saying, "[T]he SEC refused to accept our generally accepted accounting principles." No doubt the intent of the cartoon was to illustrate the concern of some in the accounting profession or the business community that the Commission was wielding a heavy hand over the accounting profession and dictating acceptable accounting principles. The comment, "[T]he SEC refused to accept our generally accepted accounting principles," however, actually embodies the essence of a unique regulatory concept. The basis for this concept is a complex relationship

between a profession and a government agency in the establishment of principles to be used in financial statements and procedures which should be followed to enhance the reliability of such statements.

This article examines the nature and evolution of the relationship between the accounting profession and the Commission. The analysis reveals a federal regulatory body which must continually balance the need for effective and appropriate standards against the preference for private-sector self-regulation, a difficult task indeed. Although the Commission has not performed flawlessly since its inception, the accounting profession, and hence the public, have certainly benefited from the Commission’s efforts. The article closes with several recommendations for cultivating successful self-regulatory efforts.

2. Background

2.1. Statutory mandate

The pattern of joint involvement and responsibility originated in the Securities Act of 1933 [2]. The Act required that prospectuses for the raising of capital from public investors include balance sheets and profit and loss statements “certified by an independent public or certified accountant” and be presented “in such detail and such form as the Commission shall prescribe” [3].

To be more specific, the Securities Act authorized the Commission to prescribe:

The items or details to be shown in the balance sheet and earnings statement, and the methods to be followed in the preparation of accounts, the appraisal or valuation of assets and liabilities, in the determination of depreciation and depletion, in the differentiation of recurring and nonrecurring income, in the differentiation of investment and operating income, and in the preparation, where the Commission deems it necessary or desirable, of consolidated balance sheets or income accounts of any person directly or indirectly controlling or controlled by the issuer, or any person with a direct or indirect common control with the issuer [4].

Similarly, the Securities Exchange Act of 1934 [5] granted the Commission explicit authority to prescribe the form and content of required registration statements, periodic reports and proxy and other information statements, including financial statements contained therein. The Securities Exchange Act also specified that financial statements in annual reports are to be “certified, if required by the rules and regulations of the Commission, by independent public accountants” [6]. This mandate gives the Commission rulemaking authority with respect to audits leading to the required certification.

Unlike the various Companies Acts [7], which generally define required financial statements in considerable detail, federal securities laws gave the
Commission extensive discretionary authority to establish accounting requirements and to deal with evolving accounting issues. The securities laws did not, however, mandate that the Commission adopt accounting principles or auditing standards.

2.2. Reliance on the accounting profession

Having been granted this broad discretionary authority, it is easy to imagine how pervasive the Commission’s presence in the accounting profession could have become. One of the most fundamental policy questions considered by the Commission in its early years was whether it would be in the public interest for the Commission to establish a uniform system of accounting standards.

The Commission’s first Chief Accountant, Carman Blough, argued that the development of accounting principles should be left to the accounting profession [8]. He believed that because practicing accountants faced accounting and auditing problems on a daily basis they should be responsible for resolving such problems [9]. At the fiftieth anniversary of the American Institute of Accountants in 1937, he stated:

I have emphasized at numerous times that the policy of the Securities and Exchange Commission was to encourage the accountants to develop uniformity of procedure themselves, in which case we would follow. We expected to be able to follow the better thought in the profession, and only as a last resort would the Commission feel the necessity to step in [10].

In April of 1938, by a vote of three to two, the Commission announced in Accounting Series Release (hereinafter ASR) 4 [11] its decision to encourage the observance of generally accepted accounting principles. The Release stated that financial statements which were prepared in accordance with accounting principles for which there was no substantial authoritative support would be presumed to be misleading notwithstanding disclosure [12]. If the registrant and the Commission differed as to the proper accounting treatment, the Commission would accept disclosure in lieu of a change in financial statements if substantial authoritative support for the proposed accounting principle existed and if the Commission had not expressed a contrary view in an official release [13]. This decision, which has set the pattern for the relationship between the SEC and the accounting profession in establishing accounting principles, was not made lightly, but on the basis of several years’ experience and significant debate.

ASR No. 4 was a good decision because it embodied the important principle of relying whenever possible on private sector initiative, but recognized as well the necessity of active Commission supervision to assure appropriate standards for the protection of investors. In this way, the government can make use of expertise within the private accounting profession for the development of principles and standards with limited government involvement and expense.
Although this relationship has not operated perfectly over the years, it has resulted in satisfactory accounting standards. In order for such a regulatory system to function properly, members of the accounting profession must look beyond their natural interests of pleasing clients and maximizing profits. Such a system cannot be created or maintained without active Commission participation. Nevertheless, the Commission must be sensitive to the fact that if involvement in the process becomes too pervasive, the private sector's efforts will be undermined. This balance has been difficult for the Commission to maintain.

Beginning in 1939, the private sector, through the American Institute of Accountants' Committee on Accounting Procedures, a standard-setting body, has generally been given the opportunity to establish accounting standards. Support for Accounting Series Release 150 [14], which recognized the Institute's successor, the Financial Accounting Standards Board (FASB or Board) [15], as the private sector standard-setting body, was based on the view that the private sector generally has the resources and the understanding to fulfill the standard-setting role more efficiently than does the government.

2.3. The Commission's role

The Commission has looked to the private sector body for the initiative in establishing and improving accounting standards with the expectation that such standards will promote the interests of investors. The Commission, however, could not and has not delegated its responsibility to assure that appropriate standards are developed and that adequate financial information is provided to investors. The Commission, therefore, must promulgate disclosure requirements and carefully monitor the activities and decisions of the private sector standard-setting body.

ASR 150 clearly stated that "the Commission has the responsibility to assure that investors are provided adequate information" and that the "Commission will continue to identify areas where investor information needs exist and will determine the appropriate methods of disclosure to meet these needs" [16]. Moreover, the Commission noted that if it were necessary to depart from statements specified in the release in order to prevent misleading financial statements, the Commission might require the use of other principles [17].

2.3.1. Need for more response

There have been times when the Commission could have been more vigilant in its responsibilities. For example, the Commission could have acted more promptly in the late 1960s and early 1970s to deal with inadequacies in accounting principles such as the use of the "pooling" method of accounting and other accounting alternatives [18]. At that time, the activities of the accounting profession became subject to question because it was not prepared...
to deal with situations in which corporate executives used various accounting alternatives to inflate reported earnings, structure complex businesses, and promote real estate and franchising ventures such as occurred in the National Student Marketing, Four Seasons Nursing Home, Talley Industries, and Stirling Homex cases [19]. In these cases, investors suffered losses, and legal claims were made and sustained which showed accounting and auditing failures by public accounting firms.

The Commission, however, was not entirely to blame. It must be remembered that during this period the Commission was preoccupied with the "back-office" paperwork crisis that brought about a virtual collapse in the operations of securities markets and the bankruptcy of many substantial brokerage firms [20].

2.3.2. Commission's increased involvement

In the early 1970s, the Commission became more involved in the establishment of accounting principles and disclosure standards. Several factors contributed to this change. The members in the Commission were changed. A more active Chief Accountant, John C. Burton, was appointed. The Commission was virtually forced to become more active because of investor losses in companies which had been able to exaggerate reported earnings and conceal financial problems and because of permissive accounting standards and lax auditing procedures. In addition to the problems already referred to, there were a number of major corporate failures including Penn Central, Equity Funding, and Franklin National Bank which caused significant investor losses [21]. Questions were raised as to why the accountants charged with performing an independent audit of these companies had failed to detect or report on the developing problems. Some questioned whether accountants had participated actively with management in a fraud. Moreover, the Commission discovered that many major corporations had used corporate funds for illegal political contributions and improper or questionable payments in order to obtain business [22].

In some cases, there were omissions or fictitious entries and inadequate disclosure of material facts in corporate books and records to conceal the actual uses to which these corporate assets were put. The Commission brought enforcement actions against a number of corporations, developed a voluntary disclosure program, and proposed legislation to clarify the responsibilities of corporations to maintain accurate books and records and effective internal controls over corporate assets [23].

The Commission was severely criticized by some government agencies and departments, as well as by corporations, securities attorneys, and some in the accounting profession who claimed that the Commission was trying to make ethical judgments for the corporate community. The Commission's concern, however, was investor protection through proper corporate accountability and
disclosure of the use of corporate assets. The fact that this had the side-effect of upgrading corporate ethical conduct was an additional benefit.

During the 1970s the Commission was also more active in acting on its own or in prodding the accounting profession to act in areas of accounting where it believed private sector participants were falling short in providing information necessary to make investment decisions. For example, in 1973 the Commission issued ASR 147 [24] requiring lessees to disclose the present value of their financing lease obligations and the effect of capitalizing such leases on net income. In 1974, ASR 163 [25] imposed a moratorium on interest capitalization until the FASB could act on the issue. ASR 166 [26] discussed accounting for unusual risks and uncertainties due to large losses on loans, real estate investments and corporate stocks by banks, real estate investment trusts, and insurance companies. In ASR 177 [27], the Commission required certain large companies to disclose specified quarterly financial information in notes to their annual financial statements and established auditor association with quarterly data.

2.3.3. Overruling of FASB decisions

In addition to prodding the FASB, the Commission has also overruled FASB decisions when it believed such action was necessary for investor protection. In 1976, for example, the Commission required the disclosure of certain replacement cost information because it did not agree with the FASB's position that adjusting for changes in the general price level was sufficient. In 1978, responding to the Energy Policy and Conservation Act of 1975 [28], which directed the Commission to assure the establishment of satisfactory accounting practices for oil and gas producers, the Commission overruled the FASB's choice of the successful efforts method of accounting as the only appropriate method. Nevertheless, in keeping with its desire to permit the private sector to do as much as it is willing to do, the Commission has often withdrawn its requirements when the private sector standard-setting body has issued an appropriate standard or requirement.

3. Improved private efforts

3.1. Commission support for private efforts

Responding to accounting problems in the early and mid-1970s, Congressional Committees held hearings. By 1977 both Senate and House Committees had issued reports which questioned the SEC's reliance on rulemaking by private sector organizations, alleged a pervasive lack of independence on the part of the accounting profession, and proposed a much more active federal government role in accounting and auditing standard-setting and in the
regulation of the accounting profession [29]. In addition, legislation was
drafted to establish a formal self-regulatory organization, patterned after the
National Association of Securities Dealers, for accountants practicing before
the Commission.

To its credit, however, the Commission did not bow to this congressional
pressure to repudiate its policy of relying primarily on the private accounting
profession to establish and conform its activities to appropriate accounting and
auditing standards. Nor did the Commission believe it would be appropriate to
enact federal legislation which would have modified the authority of state
boards of accountancy to license public and certified public accountants, and
which would have established direct federal regulation of accountants.

With respect to auditing practices, Harold Williams, the Chairman of the
Commission, testified that:

The Commission does not believe it should attempt to define, by rule, the procedures to be
followed and the judgments to be made before an accountant can properly assert that an
audit was performed in accordance with generally accepted auditing standards. The key
issues are professionalism and judgment rather than prescribed procedures, and the
deficiencies which the Commission has observed have resulted primarily from the failure to
comply with established standards [30].

The Commission took the position that the accounting profession should be
given an opportunity to show whether it could correct its own deficiencies
before Congress determined that additional government involvement was
necessary [31]. In testimony before Congress, the Commission pledged to
improve its efforts to monitor the quality of accounting and auditing practice
and to report periodically to Congress [32]. This monitoring effort would be
directed primarily toward the accounting rulemaking process and the efforts of
the American Institute of Certified Public Accountants to establish a frame-
work to improve auditing [33]. The Commission's actions were in response to
adverse public opinion and the prospect of legislation establishing a more
formal and independent organization.

3.2. Private sector's response

I believe the Commission's position concerning the question of giving the
profession an opportunity to correct its deficiencies was a responsible one. The
profession has spent much time and money to upgrade its procedures and
performance. Perhaps the most important initiative undertaken by the account-
ing profession was the creation of the AICPA's Division for CPA Firms with
its SEC Practice Section and the Public Oversight Board (POB) [34] to oversee
the Section's peer review activities. When this structure was proposed as a
self-regulatory system by the profession, a number of weaknesses were pointed
out. In my opinion, the most basic problems were that the system would be
unlikely to achieve effective surveillance and discipline over the profession
because of antitrust considerations and a lack of enforcement authority.

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Moreover, serious problems of public perception would probably continue to exist because of the absence of nonindustry participation in the process.

The Commission has expressed its support for the SEC Practice Section. There is concern, however, about such problems as the objectivity of firm on firm peer reviews; the role of the Commission in the process to evaluate the adequacy of peer reviews; the exclusion from the scope of the review of certain engagements and work performed outside the United States; and the lack of visible evidence of disciplinary actions resulting either from peer reviews or investigations of reported audit failures by the Special Investigations Committee.

4. Recent changes by the Commission

In response to the strong interest shown by the Commission and Congress, significant improvements were made during the 1970s in both accounting standards and auditing practices. Pressure from Congress decreased in the late 1970s. About three and a half years ago the message coming from the Commission changed from one of continual prodding for improvements to one of deregulation and less Commission involvement in accounting matters.

As part of its continual process of evaluation and adjusting its rules and regulations to meet existing needs by adding new requirements and discarding those that are considered to be obsolete, the Commission made a number of changes. These changes included the recission of a rule requiring disclosure of nonaudit services performed by independent accountants for their audit clients, an announcement that the Commission was ending its consideration of a proposal requiring management to report on internal accounting controls, the recission of seventy-nine Accounting Series Releases which were no longer relevant, and continuation of an ongoing review and revision of Regulation S-X, which embodies the Commission’s principal accounting requirements.

I generally agreed with the changes that were made. I disagreed, however, with statements indicating that the types of disclosures that had been required should be determined by the private sector, and that if the FASB had considered an issue, the Commission should agree with the conclusion reached by the Board. I also disagreed with the characterization of changes made in the regular course of Commission review as a backing off by the Commission in its relationship with the private sector in establishing appropriate accounting standards and upgrading auditing practices. It is very likely that some of the recent attempts to manipulate reported profits through the use of alternative accounting methods would not have happened in the absence of statements indicating reduced vigilance of accounting matters at the Commission.

It is encouraging to see that a majority of the Commission has been willing to bring enforcement actions against registrants and accountants for account-
ing irregularities and deficient application of generally accepted accounting and auditing principles. Moreover, in response to comments revealing differences among members of the Commission with regard to the appropriate relationship between the Commission and the FASB, steps have been taken to increase Commission interaction with the Board. I hope that this communication indicates a recognition by members of the Commission that in order for the accounting profession and its institutions to be successful in self-regulation and in establishing and maintaining accounting principles and auditing standards, the Commission must be constantly involved with the private sector.

5. Problems with the standard-setting process

I agree with the view expressed by former FASB member, Ralph Walters, and others that the standard-setting process is not working as well as it should. The Board has an extremely difficult task and, like the Commission, it is criticized by all sides. Moreover, in my view, the Board has performed much better than previous private sector standard-setting bodies. It has also accomplished a great deal. Lately, however, it seems to have become bogged down on major issues while spending time on relatively less important matters. Pension accounting has been on the Board’s agenda for more than ten years. The Commission referred interim reporting to the Board about seven years ago. Since the Board did not decide the issue, however, the Commission had to do so. Other important issues the Board has yet to deal with are differences in accounting for inventories, depreciation, leases, and business combinations.

Some of these issues have been deferred until after decisions are made on the conceptual framework project [35]. Unfortunately, it appears that, like its predecessors, the FASB is unable to establish a satisfactory conceptual framework, and without the resolution of basic recognition and measurement issues, it is difficult to deal with major agenda items and provide timely guidance on emerging problems.

In a recent Major Issues Conference held by the Commission, John C. Burton, Dean of the Graduate School of Business of Columbia University and former Chief Accountant of the Commission, suggested that the revolution in information and communication technology may make concerns about the establishment of accounting principles obsolete by the end of the century. While that may be true, in the interest of investor protection, there are important measurement issues that need resolution in the interim.

6. Recommendations for cultivating successful self-regulatory efforts

The Commission will have to keep pressure on the accounting profession in order for it to be successful in its efforts to regulate its members’ activities.
After several years' experience, the AICPA's SEC Practice Section peer review process seems to be working fairly well. There is general agreement that it has been effective in improving quality control systems in firms which are members of the Section. Nevertheless, defenders of the process always appear to be in the position of claiming that the public does not understand the role of auditors, their limitations, or how well the profession is regulating its members' activities.

If the public has misperceived the effectiveness of the profession in regulating its members, it is up to the profession to dispel that misperception. Certainly, no system of regulation can provide assurance that all audits will be adequately performed. Thus it is unfair to consider every audit failure as evidence that the system is not working. On the other hand, the profession must understand that it is not unreasonable for members of Congress and the SEC, as well as the public, to expect evidence, beyond self-serving statements from those involved in its operation, that the system is working. It is also unsatisfactory to claim that since the system focuses on remedies and the avoidance of future deficiencies rather than punishment, it cannot be compared with public or government regulation, but that it is actually more effective. It is well known that the primary federal regulator, the SEC, also focuses on remedies and the avoidance of future deficiencies. Most of the SEC's actions result in settlements to that effect. The SEC's most powerful sanction, an injunction, is simply a court order not to do the same thing again. Settlements or injunctions may also include certain undertakings or agreements to remedy an unsatisfactory condition. In the most egregious cases, the Commission may restrict an accountant from practicing before it, but even that rather rare action is remedial in purpose.

To be satisfied that the self-regulatory system is effective, there must be some objective evidence. The desire not to adversely impact reviewed firms through publicity is understandable. The Commission has always had the same concern with its enforcement actions. If, however, it is true that reviews and investigations result, in many cases, in desirable changes, there should be a way to publicly expose these facts without exposing reviewers, investigators, and the reviewed firm to unacceptable liability or unfair public reaction.

The public also has an interest in knowing whether the profession can deal with the tendency that some accounting firms have of acting more like ordinary commercial business ventures focusing on profits rather than professional organizations with a public trust as the basis of their existence. Public trust cannot be maintained if accounting firms succumb to the efforts of some corporate officials to shop for a favorable opinion on a specific transaction. This problem cannot be resolved by individual firms without the help of some regulatory body. I believe that the Public Oversight Board could provide the help by expanding the scope of peer reviews to examine transaction-specific opinions that have been given. The POB could also recommend that firms
establish a code of ethical conduct and expand the peer review to ensure compliance with such a code. If the POB cannot help solve the problem, then the Commission must step in.

To be fully effective, the responsibilities of the POB could be expanded beyond supervision of peer reviews to supervision of the entire accounting profession. When the POB perceives a problem, therefore, the Board could become involved in its resolution more directly. The Commission could have an important part in seeing that such changes occur.

7. Conclusion

In conclusion, it is my view that there have been times when the Commission has been slow to respond to accounting problems. It may also have deferred to the private sector on occasions when it should have acted on its own. Such mistakes, however, are part of the process involved in relying on the private sector for appropriate accounting standards and of supporting the concept of self-regulation.

I believe that the benefits of such a regulatory relationship exceed its costs. The accounting profession has greater expertise than any government body could have. In addition, because the members of the accounting profession have constant interaction with public corporations, they are more able to recognize areas that need attention quickly. On the other hand, there are often financial incentives for competitors to approve questionable accounting treatment. Also, membership in private sector regulatory institutions is voluntary. In addition, private sector standard-setting is financed by those who may have a biased interest in the outcome. Appropriate accounting standards and auditing practices, therefore, require constant Commission support of the preferable elements in the profession and direct Commission rules, regulations, and enforcement actions that create a risk for noncompliance.

Notes

[1] The SEC was created by the Securities Exchange Act of 1934, 15 U.S.C. § 78(d) (1976). The SEC is a government agency responsible for regulating trade in securities. Its primary purpose is to protect investors from the type of fraudulent practices which led to the stock market crash of 1929.


[9] Id.

The Securities and Exchange Commission today issued the following statement of its administrative policy with respect to financial statements:
In cases where financial statements filed with this Commission pursuant to its rules and regulations under the Securities Act of 1933 or the Securities Exchange Act of 1934 are prepared in accordance with accounting principles for which there is no substantial authoritative support, such financial statements will be presumed to be misleading or inaccurate despite disclosures contained in the certificate of the accountant or in footnotes to the statements provided the matters involved are materials. In cases where there is a difference of opinion between the Commission and the registrant as to the proper principles of accounting to be followed, disclosure will be accepted in lieu of correction of the financial statements themselves only if the points involved are such that there is substantial authoritative support for the practices followed by the registrant and the position of the Commission has not previously been expressed in rules, regulations, or other official releases of the Commission, including the published opinions of its chief accountant.

[12] Id.

[13] Id.


[15] The FASB was established by the American Institute of Certified Public Accountants in 1972. The FASB succeeded the Accounting Principles Board which in turn had succeeded the Committee on Accounting Principles.


[17] See id. “Other principles” refers to accounting principles that the SEC might deem appropriate to establish or require in order to assure that financial statements are not misleading.

The pooling of interest method of accounting for business combinations was the principal instrument used for combining corporations during the conglomerate merger movement. The pooling method could be abused by manipulating the accounting to create “instantaneous gains in per share earnings” for the acquiring corporation. Assets obtained from the acquired company might have been seriously undervalued on its books, and the acquiring firm could record the undervalued assets at the acquired company’s valuation, at the time of merger. Subsequently, if the assets were sold at a higher price than the recorded value, the difference would be registered as a profit. The profits were illusory, of course, because the acquiring company had paid for those assets, perhaps even at above market value, by purchasing the enterprise.

A second method of abuse in the pooling of interests was to add the earnings of both corporations while reducing the outstanding shares below original levels, which arithmetically increased the per share earnings of the merged firms. An eager stock market placed a premium on corporations showing consistent earnings “growth.” The hope for capital appreciation of “growth stocks” created high price-earnings ratios for “glamour” issues, prompting many corporations to follow the merger trail with gluttonous monotony. Given a stock market evaluation based on a multiple of 20 to 30 times earnings — sometimes higher — smaller firms were provided with the economic basis for acquiring larger firms through exchanges of stock or debt securities. The acquirer benefited by obtaining a larger earnings base upon which the multiple would then generate even higher total valuations, thus supporting further acquisitions. The acquired benefited through receipt of a higher-than-market valuation for the relinquished shares. Continued growth in earnings that stemmed
from successive mergers – for example, Gulf & Western made 26 acquisitions 1967–1968 – provided a speculative basis that was completely divorced from product or market realities.

National Student Marketing, Talley Industries and Stirling Homex involved investigations by the SEC into the questionable accounting practices of the management of these companies and the degree of culpability of their auditor, Peat, Marwick, Mitchell & Co. These cases are discussed in detail in SEC Accounting Release No. 173, Opinion and Order in a Proceeding Pursuant to Rule 2(e) of the Commission's Rules of Practice in the Matter of Peat, Marwick, Mitchell & Co. (July 2, 1975). National Student Marketing and Talley Industries were also involved in injunctive actions brought by the SEC. See National Student Marketing Corp., Civil Action No. 225.72 (D.D.C.); SEC v. Talley Industries, Inc., 73 Civ. 4603 (S.D.N.Y.).

SEC Study of Unsafe and Unsound Practices of Brokers and Dealers. House Doc. No. 231, 92 Cong., 1st Sess. (Dec. 1971). The crisis was caused by the inability of brokerage firms to account for, settle, and transfer securities as transactions took place. Over 150 New York Stock Exchange member firms failed. Among this number were such firms as Goodbody, F.I. Dupont, Hayden-Stone, and Dempsey Teagler.


SEC Accounting Series Rel. No. 163, Capitalization of Interest by Companies Other Than Public Utilities (Nov. 14, 1974).


Id. at 1777–78.

Id. at 1778–79.

The Public Oversight Board was created by the American Institute of Certified Public Accountants in 1977. Its purpose is to conduct peer reviews in order to maintain the quality of the profession.


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