

"A Day in the Life"

# Takin' Care of Business

# #12



CPA... Imagine the possibilities!



## Learning Activity

**Understanding CPA Services:** Students learn what CPAs do by identifying the service being provided by a CPA firm in one scenario, then, in another scenario, by determining the CPA service needed by a client.

## Learning Objectives

1. Understand the aspects of business that CPAs are engaged in and the variety of services that CPAs provide.
2. Identify the service being provided by a CPA.
3. Identify the appropriate CPA service needed by a company or individual.

## Academic Standard

“Students understand how accounting principles and the knowledge of accounting are applied to evaluate the needs of organizations and individuals and to make decisions.” (NBEA)

## Assessment

Students will work in teams and act as a CPA firm to: (1) identify the service being provided to a client by the CPA firm, and (2) identify the service that the CPA firm should provide to a client.

## Business Skill

Marketing: By having a focus on clients and the overall business market, CPAs are able to anticipate and meet the changing needs of clients and employers, and position themselves to serve new and evolving market opportunities.

# Procedure

- Show the *Takin' Care of Business* video to your class and distribute the career guides to your students. Using the career guide, discuss the various services provided by CPAs, the industries that CPAs work in, the positions CPAs hold, and the earning potential a CPA possesses. In addition, discuss the requirements for becoming a CPA and identify the organizations that provide additional information and material about career opportunities in accounting and as a CPA.
- Distribute a copy of the Overview to your students to read in class.
- Divide your class into teams and have each team select a CPA firm name and team spokesperson.
- Distribute copies of Activity #12 and explain the rules of the game. Explain that for each situation there can be more than one answer, BUT there is one answer that is best. The CPA firm (team) with the highest dollar total (score) is the most successful firm and the “winner” of the game!

## TEACHING-TIPS

Students create “flashcards” for each possible answer (i.e., the CPA services introduced in the Topic Overview) using notebook paper. For each situation, allot teams 60 seconds to select an answer, which each team spokesperson will identify using their flashcard.

*Jeopardy Round!* Allow student teams to secretly wager an amount up to but not exceeding their accumulated total prior to reading and answering the last situation (Job A10 and Job B10) in each round.

For more information about the services CPAs provide, visit the AICPA at [www.aicpa.org](http://www.aicpa.org).



# Overview

The accounting profession is one of the most respected and rewarding career paths available to students. At the pinnacle of the accounting profession is the **Certified Public Accountant (CPA)**. CPAs are versatile business strategists who provide valuable insight and information to individuals and companies working to improve their financial position or business performance. CPAs work for public accounting firms, corporations and private businesses, government agencies, education institutions, and not-for-profit organizations.

CPAs perform certain **core services**: **Assurance Services and Information Integrity, Technology Services, Management Consulting and Performance Management, Financial Planning, and International Services.**

**Assurance Services and Information Integrity:** CPAs provide services that improve and assure the quality of information used in making business decisions. The CPA's assurance has traditionally been applied to financial statements in the form of an audit.

An **audit** is the process of verifying the accuracy and legitimacy of the accounting practices used by a company.

The purpose is to determine whether the company's financial statements, which include the Income Statement, Balance Sheet, Statement of Stockholder's Equity, and Statement of Cash Flows, have been prepared and stated in accordance with specified accounting criteria. CPAs refer to this "specified accounting criteria" as **GAAP**, or **Generally Accepted Accounting Principles**. The Securities and Exchange Commission requires **public companies** — ones that sell their stock in public financial markets such as the New York Stock Exchange — to undergo an annual audit of their financial statements by an independent CPA.

In addition to traditional audit services, new exciting niche areas have increased the demand for the expertise of CPAs. The new assurance services that CPAs provide — WebTrust<sup>SM/TM</sup>, SysTrust<sup>SM</sup>, Performance View, and ElderCare — require a multitude of skills and knowledge, such as technology in the case of WebTrust and SysTrust, which CPAs have gained through their education and work experience.

**WebTrust:** CPAs conduct an examination of Internet-based systems that carries the professional equivalent of a financial statement audit. WebTrust, an assurance service, is designed to build confidence among consumers and businesses purchasing goods and services over the Internet. The **WebTrust seal of approval** is given to companies that comply with stated procedures, thus assuring consumers that they can transact business electronically with confidence.

**SysTrust:** CPAs examine the reliability of information systems and provide assurance that transactions are processed accurately, without security and privacy concerns.

**Performance View:** CPAs identify the critical factors that will lead to success in a business and then measure, track and analyze them in order to assess the progress made in achieving specific goals and targets.

**ElderCare:** Through ElderCare, CPAs provide assurance to children and family members that elderly family members, no longer able to live independently, will have long-term care. The CPA, working with other professionals, such as healthcare practitioners and attorneys, coordinates and assures the quality of services provided to the elderly person.

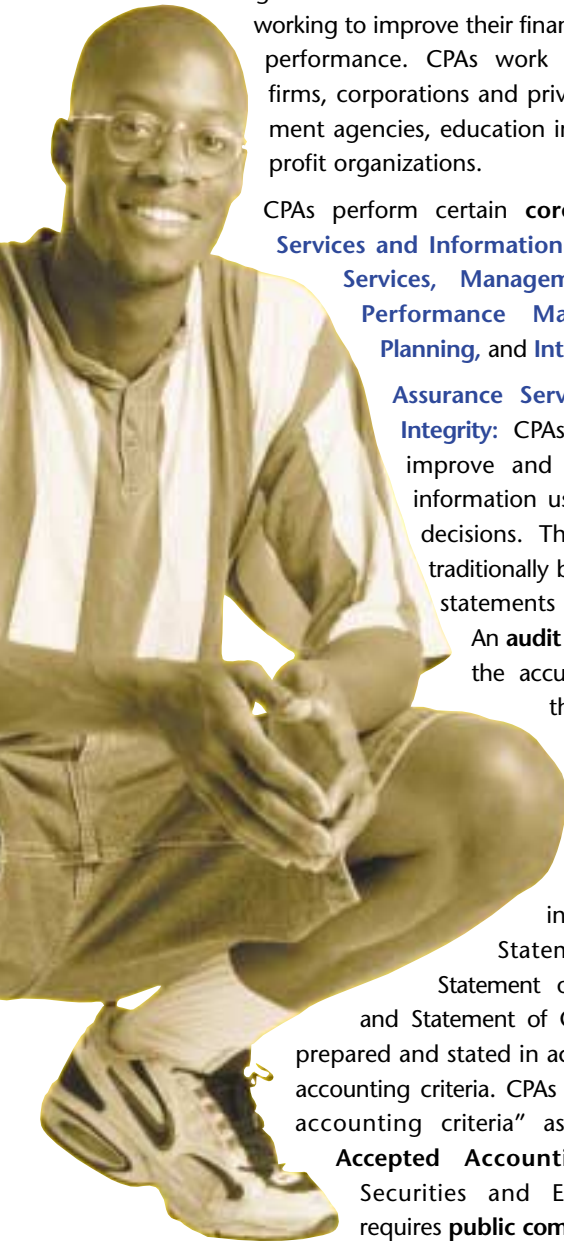
**Technology Services:** CPAs provide services that help businesses accomplish their goals by designing and implementing computer systems and software applications that improve business performance and decision-making.

**Management Consulting and Performance Management:** CPAs utilize their strong problem-solving skills and broad business knowledge to provide objective advice and insight to any company on a wide range of management and performance issues. For instance, CPAs provide services that deal with business valuation, operational efficiency, strategic planning, organizational restructuring, business risk assessment, and mergers and acquisitions.

**Forensic Accounting** also falls under the management consulting umbrella. In forensic accounting, also known as investigative or fraud auditing, CPAs search beneath the accounting records, analyzing the "paper trail" for evidence of criminal conduct.

**Financial Planning:** As a financial planner, the CPA assists clients in identifying financial objectives and advising them of the risk, liquidity, management and tax characteristics of investments. Examples of financial planning services include developing investment strategies, tax consulting, insurance analysis and retirement planning. The CPA also assists clients with preparing income tax returns.

**International Services:** CPAs provide international consulting services, such as the development and implementation of operating procedures that are in accordance with the laws, rules and regulations of a foreign country. Serving multinational businesses requires an understanding of the business practices of different countries and cultures.



# Activities

Your team is a CPA firm and the individuals and companies listed below are your clients.

## ROUND - 1

For each of the independent situations, identify the CPA service that you are providing for your client. For each correct answer, award your firm \$10,000! For each incorrect answer, award zero dollars.

## ROUND - 2

For each of the independent situations, identify the CPA service that your client needs. For each correct answer, award your firm \$10,000. For each incorrect answer, deduct \$10,000 from your firm's total!

Use the table to the right to score your CPA firm's results and remember that for each situation there can be more than one answer, BUT there is one answer that is best.

Round 1: Identify the Service that Your CPA Firm is Providing		Round 2: What Service Does Your Client Need?	
Job A1	\$	Round 1 Total \$	
Job A2	\$	Job B1	\$
Job A3	\$	Job B2	\$
Job A4	\$	Job B3	\$
Job A5	\$	Job B4	\$
Job A6	\$	Job B5	\$
Job A7	\$	Job B6	\$
Job A8	\$	Job B7	\$
Job A9	\$	Job B8	\$
Job A10	\$	Job B9	\$
Round 1 Total \$		Job B10	\$
		Grand Total	\$

## ROUND - 1 : IDENTIFY THE SERVICE THAT YOUR CPA FIRM IS PERFORMING.

**Job# A1.** The Wyatt Corporation has engaged your services. Their financial statements report a cash balance of \$1 million. You contact Wyatt's bank to verify that the balance is accurate.

**Job# A2.** The Casden Company plans to invest \$5 million in a new computer system over the next year. You review Casden's operations, systems and technology needs. Next, you research and determine the type of information and computer system to purchase.

**Job# A3.** Adam and Alexis have engaged your services and agree to meet with you. At the meeting, you request the following information from Adam and Alexis: age; yearly salary; number of children; mortgage amount, credit card balances and other debt; type and amount of investments; expected retirement age.

**Job# A4.** The Eldridge Group, a domestic company based in New York City, is a retailer of home furnishings. On their behalf, you research possible international distribution channels and the tax laws of various European countries.

**Job# A5.** The Nyles Production Team, Inc., a manufacturer of bicycle racing equipment, has engaged your services. You are conducting productivity tests, including performance, operational and efficiency studies to determine the true cost to produce the equipment that Nyles sells.

**Job# A6.** Joel, an enterprising college student, has invented a new and improved computer chip and established his own company, called ChipWare. Andrews Corporation, a manufacturer of computer hardware, approached Joel regarding the purchase of ChipWare. Joel has engaged your firm to research the best alternatives for completing this transaction.

**Job# A7.** The Reeves Corporation has purchased the latest automated inventory control system and has engaged you to conduct training sessions at the Reeves Corporation to explain the uses of the system and demonstrate how to operate the system. You will conduct the seminars every Tuesday for three months.



**Job# A8.** The Verda Group is a real estate partnership that has engaged your firm. The Verda Group earns less than most real estate companies, but has been assessed tax penalties by the Internal Revenue Service the past two years. Your firm has requested from the Verda Group tax returns for the past five years and has planned monthly and quarterly meetings with them.

**Job# A9.** Tahoe Inc. is a national retailer of fine men's clothing. During the past year, Tahoe has

expanded its stores from 72 to 98. Tahoe is now considering developing a Web site to advertise its clothing and provide customers the opportunity to place orders and purchase clothing over the Internet. Tahoe has contacted you to determine the cost, feasibility, and technological requirements of developing a Web site, including assuring customers that their site will be secure.

**Job# A10.** Michael Rodney has engaged your services. Michael Rodney owns 13 car dealerships. Rodney's dealerships sell the following cars: Rolls Royce, Lamborghini, Porsche, and Mercedes Benz. The financial statements of Rodney's dealerships report Inventory of \$22.5 million. You travel to each of the 13 dealerships to "witness" that the Inventory figure is fairly presented.

## **PART-2: WHAT SERVICE DOES YOUR CLIENT NEED?**

**Job# B1.** Edith is 67. She lives alone, in a house in Pennsylvania. She has four children who live in California, Maine, North Carolina and Texas. Edith's children are concerned about her healthcare and finances.

**Job# B2.** The Wilson Company started a fast food restaurant called "Willy's" and is in its fifth year of operation. Sales at Willy's have increased every year and the Wilson Company is now considering opening additional restaurants or offering franchises or both.

**Job# B3.** The Rumba Company manufactures distinctive chinaware patterns. Rumba has been quite successful in the United States and now plans to distribute its chinaware in Europe and eventually set up a facility in Italy.

**Job# B4.** Margaret is the controller of a large sports arena. While she was on her honeymoon, a temporary employee was hired to fulfill her role. Margaret believes funds from a recent concert were embezzled because they are recorded in the computer ledgers but do not show up on the bank statement.

**Job# B5.** Joan and Jim, who are both employed, are expecting their first child in March. Joan and Jim hope to have a second child as well and send both children to college and graduate school.

**Job# B6.** The Wallford Company is owned by five individuals and has been in operation for ten years. The owners now plan to offer stock of the Wallford Company on the New York Stock Exchange in order to raise additional capital.

**Job# B7.** The Central Partnership is a free Web-based dating service that has experienced tremendous growth in the last two years. It now wishes to sell gifts and other products over its site and wants to assure customers that the site is secure.

**Job# B8.** Joe, a college graduate, started his own insurance agency ten years ago. At the time, Joe had one office with two employees and filed applications with the insurance companies manually. Joe now has eight offices in three states with over 100 employees and is finding that the manual system of filing insurance applications is inefficient.

**Job# B9.** The Rodgers Corporation is a profitable, well-known exercise and fitness business. The company, however, has had difficulty hiring and retaining quality personnel. On average, most new hires leave the company after three years.

**Job# B10.** Sweet Pea, Inc., a large domestic producer of fruits and vegetables, is a public company. According to Securities and Exchange Commission (SEC) guidelines, public companies must report quarterly earnings and produce an annual report.

## **ROUND - 1 :** IDENTIFY THE SERVICE THAT YOUR CPA FIRM IS PERFORMING.

- Job# A1** Assurance Services — Auditing
- Job# A2** Technology Services
- Job# A3** Financial Planning — Investment Planning
- Job# A4** International Services
- Job# A5** Management Consulting — Operational Performance
- Job# A6** Management Consulting — Mergers and Acquisitions
- Job# A7** Technology Services
- Job# A8** Financial Planning — Tax Services
- Job# A9** Technology Services and Assurance Services — WebTrust
- Job# A10** Assurance Services — Auditing



## **ROUND - 2 :** WHAT SERVICE DOES YOUR CLIENT NEED?

- Job# B1** Assurance Services — ElderCare
- Job# B2** Management Consulting — Operational Procedures and Systems
- Job# B3** International Services
- Job# B4** Management Consulting — Forensic Accounting
- Job# B5** Financial Planning Services — Investment Planning
- Job# B6** Assurance Services — Financial statement preparation and compliance with SEC regulations regarding an IPO (Initial Public Offering)
- Job# B7** Assurance Services — WebTrust
- Job# B8** Technology Services — Personal computers, computer software, and networking
- Job# B9** Management Consulting — Human Resource (Personnel) Planning
- Job# B10** Assurance Services — Audit quarterly and annual financial statements and audit or prepare other SEC required financial reports