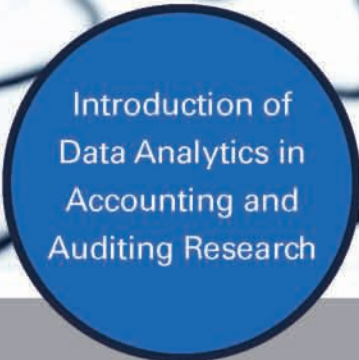


Accounting & Auditing Research

Tools & Strategies

Ninth Edition

THOMAS R. WEIRICH | THOMAS C. PEARSON | NATALIE T. CHURYK



Introduction of
Data Analytics in
Accounting and
Auditing Research

WILEY

ACCOUNTING & AUDITING RESEARCH

NINTH
EDITION

TOOLS & STRATEGIES

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PREFACE

Dramatic changes have occurred in the accounting and business environment, especially over the last decade, and data analytics have affected all areas of accounting and business practices. U.S. GAAP was condensed in the FASB Accounting Standards Codification™, accounting standards have changed faster than ever, mastery of international financial reporting standards became important, auditing standards at the PCAOB continued to evolve in new directions, a “clarity project” reformed many auditing standards for nonpublic companies, authorities that accountants must research generally continued to expand, and the need for specialized online database research skills continued to increase. Even dramatic changes in the CPA examination have occurred so that simulations are 50 percent of most sections of an exam that is now more focused on critical thinking skills and analysis.

In response to the changes, understanding how to perform accounting, auditing, tax, and financial related research is more important than ever. Students and young professionals need practice applying knowledge of research techniques to problems or issues allowing them to develop effective research and analysis skills without fear of penalties that increasingly apply in the real world. Success in the profession depends on one’s ability to effectively and efficiently research, analyze, communicate, and master other key business skills.

Accounting & Auditing Research: Tools & Strategies, Ninth Edition is an invaluable, step-by-step guide to practical professional research, both in understanding the authorities that govern effective methodology for research and the professional research environment. This text focuses on today’s professional research using online databases, supplemented with other tools in conducting research and analysis. The text is more user friendly and powerful than ever. The subtitle, *Tools and Strategies*, hints at the text’s awesome integration of teaching and learning capabilities. Thus, as described below, *Accounting & Auditing Research: Tools & Strategies* helps users develop skills to find authoritative solutions to accounting, auditing, fraud investigations, tax, and business problems.

Accounting & Auditing Research: Tools & Strategies, Ninth Edition helps develop various skills through reading and practice in applying the information presented. The text reemphasizes the knowledge needed for practical skill development. For example, the text enhances the reader’s critical thinking and effective writing skills through text examples and chapter exercises. Research and analysis skills are also developed by completing exercises presented at the end of each chapter. The skills developed in this text help prepare students to conduct research for their future careers and for the CPA Examination task-based simulations and document review questions.

New, Revised, and Expanded Features of the Ninth Edition

This Ninth Edition of *Accounting & Auditing Research* has been carefully updated as to new developments in the authoritative literature including end-of-chapter case studies for financial and international research, and further adds data analytics perspectives throughout. The authors believe that data analytics will have a significant impact on the accounting profession including research as discussed and illustrated throughout this new edition of the text. This edition also presents an expanded chapter on tax research and revised chapters especially on various online databases. While the emphasis of *Accounting & Auditing Research: Tools & Strategies* remains on providing useful guidance and information in conducting practical professional

research, enhancements and updates reflect significant changes in accounting research sources, technological advancements, and common professional practices.

Revised for greater effectiveness and readability, the text has enhanced the research tips, quick facts, and problems for assisting the learning process. Research Tips presented in sidebar boxes throughout the text help in doing common research tasks effectively and efficiently. Quick Facts sidebar boxes summarize and expand on chapter concepts to provide new and useful research information. Various exercises are presented at the end of each chapter to reinforce the material and further develop one's skills. The Ninth Edition provides powerful insights and learning tools for developing high-quality applied professional research.

Major Research Databases Utilized in This Edition

ACL™ (Educational Version)—This audit software package is one of the most widely used audit software packages in the world. Both auditors and fraud examiners, as well as most accounting firms and internal audit departments, use it. Access through the text's website is provided by a downloadable executable file of the full educational version.

AICPA Library—This invaluable database, as presented in Chapter 8, includes a comprehensive collection of the AICPA literature consisting of Professional Standards, Accounting Trends and Techniques, Technical Practice Aids, Auditing and Accounting Guides, and Audit Alerts.

Checkpoint®—This professional tax database is covered extensively in Chapter 7. The database contains a comprehensive research library for primary sources and secondary sources in federal taxation, as well as various specialized libraries.

EDGAR—This database is updated and hosted by the SEC. It allows for extensive research of company filings.

e-IFRS—This database is extensively covered in Chapter 5 and is used to examine international standards (IFRS).

FASB CODIFICATION™ RESEARCH System—This database enables comprehensive, but not complete, research on accounting issues for the private sector.

IDEA®—This versatile research database is a powerful data analysis tool used for more effective audits.

Nexis Uni®—This versatile research database is subset of the widely recognized commercial LexisNexis® databases. Both databases are presented in Chapter 6. In addition to various topical areas of law, the database has a business library that provides extensive information on public companies.

Accounting Curriculum Development of Research and Analytical Skills

Adopted over the years by many universities, *Accounting & Auditing Research: Tools & Strategies* has also assisted many public accounting firms and corporations in their staff training programs. The text guides the reader, step-by-step, through the research process. Faculty recognizing the essential need to incorporate research and analytical skills in the accounting curriculum will want their students to use this text for a comprehensive and systematic approach for students to learn research skills and analysis needed in the profession.

This text has versatile usage in most areas of the accounting curriculum. Many faculty assign the text to supplement traditional accounting courses, such as intermediate accounting, advanced accounting, governmental accounting, auditing, theory, tax, or other courses. Alternatively, *Accounting & Auditing Research: Tools & Strategies, Ninth Edition* provides the information, insights, and research opportunities for a separate accounting and auditing research course.

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Introduction to Applied Professional Research

1

LEARNING OBJECTIVES

After completing this chapter, you should understand:

- The importance of research in the daily activities of the professional accountant.
- The definition and nature of professional accounting research.
- The navigation steps to narrow one's research.
- The U.S. Securities and Exchange Commission's view on the importance of research.
- The role of research within a public accounting firm or within an accounting department of a business or governmental entity.
- The basic steps of the research process.
- The importance of critical thinking and effective communication skills.
- The role of data analytics in accounting and auditing research.
- The importance of research on the U.S. Certified Public Accountant (CPA) exam.

Today's accounting professionals, like other professionals, are witnessing a major transformation due to changes in the law, new services, technologies, and an ever increasing number of professional standards. In the altered accounting and auditing landscape brought about by these dramatic changes, understanding how to perform accounting, auditing, tax, and business research is more important than ever. To develop effective skills in research and analysis, students and professionals need to apply their knowledge of research to everyday practical problems. In addition to accounting, auditing, and tax compliance, accountants are involved in such services as attestation reviews, forensic accounting, fraud examinations, and tax planning. Listening effectively and understanding opposing points of view are also critical skills for accountants, who often must present and defend their views through formal and informal communications. Professional research and communication skills are essential in this environment.

Varying views and interpretations exist as to the meaning of the term *research*. In the accounting profession, research points to what accounting practitioners do as a normal, everyday part of their job. In today's environment, to become proficient in accounting, auditing, and tax research, they must possess the skills required to use various professional databases, which are increasingly available on the web. Using professional databases for research is even required in the CPA exam.

The professional accountant, whether in public accounting, industry, or government, frequently becomes involved with the investigation and analysis of an accounting, auditing, or tax issue. Resolving these issues requires formulating a clear definition of the problem, using

QUICK FACTS

Accounting research combines the use of accounting theory and existing authoritative accounting literature.

professional databases to search for the relevant authorities, reviewing the authoritative literature, evaluating alternatives, drawing conclusions, and communicating the results. This research process often requires an analysis of very complex and detailed issues, and researching such issues challenges the professional's critical thinking abilities. The professional must therefore possess the expertise to understand the relevant facts and render a professional judgment, even when no single definitive answer or solution exists. In such cases, the researcher applies professional judgment in the development of an answer to the issue or problem at hand.

What is Research?

Professional accountants conduct applied research primarily to practice issues. The objective of conducting any type of research, including professional accounting, auditing, and tax research, is a systematic investigation of an issue or problem utilizing the researcher's professional judgment. Here are two cases of generalized research problems that serve as examples of the types of research questions confronting the accounting practitioner:

1. A client is engaged in land sales, primarily commercial and agricultural. The company recently acquired a retail land sales project under an agreement stating that, if the company did not desire to pursue the project, the property could be returned with no liability to the company. After the company invests a considerable amount of money into the project, the state of the economy concerning the market for retail land sales declines, and the company decides to return the land. As a result, the client turns to you, the CPA, and requests the proper accounting treatment of the returned project. At issue is whether the abandonment represents a disposal of a segment of the business, an unusual and nonrecurring extraordinary loss, or an ordinary loss. The client may also want to understand the tax consequences.
2. A controller for a construction contracting company faces a problem. The company pays for rights allowing it to extract a specified volume of landfill from a project for a specified period of time. How should the company classify the payments for such landfill rights in its financial statements?¹

Research is often classified as either theoretical or applied. *Theoretical research* investigates questions that appear interesting to the researcher, generally an academician, but that may have little or no current practical application. Theoretical researchers attempt to create new knowledge in a subject area, sometimes using empirical data based on experimentation or observation. For example, a theoretical researcher may conduct a controlled experiment to investigate the hypothesis that the U.S. Securities Exchange Commission's Regulation Fair Disclosure (FD) on public management earnings forecasts is asymmetric.² Thus, theoretical research adds to the body of knowledge and may ultimately contribute directly or indirectly to practical problem solutions. Theoretical research using empirical research studies based on experimentation or observation are frequently reviewed and evaluated by standard-setting bodies in drafting authoritative accounting and auditing pronouncements.

Applied research, the focus of this text, investigates an issue of immediate practical importance. One type of applied research is known as *a priori (before-the-fact) research*, which is conducted before the client actually enters into a transaction. For example, assume that a public accounting firm needs to evaluate a client's proposed new accounting treatment for environmental costs. The client expects an answer within two days on the acceptability of the new method and its impact on

¹AICPA, *Technical Practice Aids*.

²Heflin, Frank, William Kross, and Inho Suk, "Asymmetric Effects of Regulation FD on Management Earnings Forecasts", *The Accounting Review*, 91, no. 1 (Jan 2016)

the financial statements. In such a case, a member of the accounting firm's professional staff would investigate to determine whether the authoritative literature addresses the issue. If no authoritative pronouncement exists, the accountant would develop a theoretical justification for or against the new method.

Applied research relating to a completed event is known as *a posteriori* (after-the-fact) research. For example, a client may request assistance preparing his or her tax return for a transaction that was already executed. Frequently, many advantages accrue to conducting a priori rather than a posteriori research. For example, if research reveals that a proposed transaction will have an unfavorable impact on financial statements, the client can abandon the transaction or possibly restructure it to avoid undesirable consequences. These options are not available, however, after a transaction is completed.

Society needs both theoretical and applied research. Both types of research require sound research design to effectively and efficiently resolve the issue under investigation. No matter how knowledgeable professionals become in any aspect of accounting, auditing, or tax, they will always face research challenges. However, using a systematic research approach will greatly help in resolving the problem.

QUICK FACTS

Professional accountants conduct primarily applied research related to practice issues.

Research Questions

Individual companies and CPA firms conduct research to resolve specific accounting, auditing, and tax issues, either for themselves or for clients. The results of this research may lead to new firm policies or procedures in the application of existing authorities. In the research process, the practitioner/researcher must answer the following basic questions:

1. Do I have complete knowledge to answer the question, or must I conduct research to consult authoritative references?
2. What is the tax law or authoritative literature?
3. Does the law or authoritative literature address the issue under review?
4. Where can I find the law or authoritative literature and effectively and efficiently develop a conclusion?
5. Where can I find international accounting and auditing standards?
6. If no law or authoritative literature directly addresses the topic, what approach do I follow in reaching a conclusion?
7. What professional databases or other sources on the Internet should I access for the research process?
8. If more than one alternative solution exists, what alternative do I select?
9. Can I utilize data analytic tools to assist my research?
10. How do I document my findings or conclusions?

RESEARCH TIPS

Successful research requires asking and answering various questions to find and apply relevant authorities.

The purpose of this text is to provide an understanding of the research process and the research skills needed to answer these questions. The whats, whys, and hows of practical professional accounting, auditing, and tax research are discussed with an emphasis on the following topics:

- How do I research effectively?
- How do I apply a practical research methodology in a timely manner?
- What are the generally accepted accounting principles, auditing standards, and tax authorities?

- What constitutes substantial authoritative support?
- What are the available sources of authority for accounting, auditing, and tax?
- What databases are available for finding relevant authorities or assisting in researching a problem?
- What role does the Internet (the information superhighway) have in the modern research process?

In conducting research for an issue or question at hand, one of the primary tools utilized in financial accounting research is the Financial Accounting Standards Board (FASB) Codification System™ (discussed in detail in Chapter 4). In addition to understanding the Codification's structure, navigating through the authoritative literature is necessary to analyze a variety of questions or issues. A useful instrument to help focus or narrow your research is a navigation guide such as the one depicted in Figure 1.1.

In navigating the literature or Codification, researchers should first focus on the functional area(s) that will guide them to the appropriate professional literature and/or database, as well as the authoritative body that issued the related literature. For instance, is the problem or issue under review a financial accounting question, managerial accounting issue, or technical Securities and Exchange Commission (SEC) problem? Once the functional area is determined, the next step in the navigation is to determine the broad categorization of the topic, such as an asset, revenue, or expense issue. Then focusing on the subtopic allows for further segregation and navigation of the issue. For example, if the topical area is an expense issue, the subtopic might relate to cost of sales, compensation, or research and development.

The final phase in the navigation process is to focus on the section or nature of the content, which is often a recognition, measurement, or disclosure issue. For instance, if the functional area is financial accounting, the topic is assets, and the subtopic is financial instruments, the section or nature might address the proper measurement of the financial instrument either at cost or fair value. The navigation guide is explained in detail later in the text.

Also presented in the text is a practical research approach, along with discussions of various research tools and demonstrations of the approach using a number of end-of-chapter questions

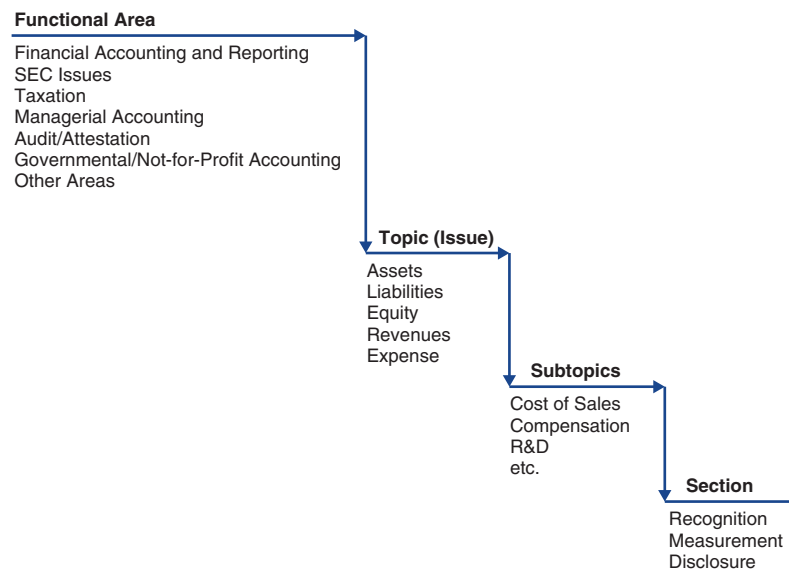


FIGURE 1.1 Research Navigation Guide.

ACCOUNTING GUIDANCEStandard Setter

Federal Accounting Standards Advisory Board (FASAB)

Financial Accounting Standards Board (FASB)

Governmental Accounting Standards Board (GASB)

International Accounting Standard Board (IASB)

U.S. Securities & Exchange Commission (SEC)

Responsibility

Responsible for accounting standards for federal government entities

Responsible for accounting standards for private and public companies

Responsible for accounting standards for state and local government entities

Responsible for the issuance of International Financial Reporting Standards

Responsible for accounting and disclosure standards for public companies in addition to standards of the FASB

AUDIT GUIDANCE

American Institute of CPAs (AICPA)

Governmental Accountability Office (GAO)

International Auditing & Assurance Board (IAASB)

Public Company Accounting Oversight Board (PCAOB)

Responsible for auditing standards for private company audits

Responsible for audits of governmental entities

Responsible for the establishment of international auditing standards

Responsible for auditing standards for public company audits

TAX GUIDANCEPrimary tax sources

Statutory sources

Administrative sources

Judicial sources

Items for research

the Internal Revenue Code, the U.S. Constitution, and tax treaties

Treasury Regulations, Revenue Rulings, and Revenue Procedures

Case decisions from the various courts

FIGURE 1.2 Authoritative Guidance for Research.

and exercises. The text also addresses the importance of critical thinking and effective writing skills that the researcher should possess and utilize in executing the research process. Specific tips on developing these skills are presented in subsequent chapters.

As you read the following chapters, Figure 1.2 presents an overview of the accounting, auditing and tax guidance that you will encounter in conducting your research.

Nature of Professional Research

This text focuses on applied research, known as *professional accounting research*. Today's practitioner must conduct research effectively and efficiently to arrive at appropriate and timely conclusions regarding the issues at hand. Effectiveness is critical in order to confirm:

- The proper recording, classification, and disclosure of economic events.
- Compliance with authoritative pronouncements.
- The absence of preferable alternative procedures.

Efficiency is needed to meet deadlines and manage research costs. Additional examples of issues frequently encountered by the practitioner include such questions as:

QUICK FACTS

The accounting researcher is an investigator with strong analytical and communication skills.

- What are the accounting, auditing, or tax implications of a new transaction?
- Does the accounting treatment of the transaction conform to generally accepted accounting principles (GAAP)?
- Does the tax treatment conform to the law?
- What are the disclosure requirements for the financial statements or tax returns?
- What is the auditor's responsibility when confronted with supplemental information presented in annual reports but not as part of the basic financial statements?
- What responsibilities and potential penalties do tax accountants face?
- How does an accountant proceed in a fraud investigation?

RESEARCH TIPS

Conducting research requires the use of electronic databases often available on the web.

Responding to these often complicated questions has generally become more difficult and time-consuming as the financial accounting and reporting requirements, auditing standards, and tax authorities increase in number and complexity. The research process is often complicated further when the accountant or auditor researches a practical issue or question for which no applicable authoritative literature exists.

As a researcher, the accountant should possess certain desirable characteristics that aid in the research process: inquisitiveness, open-mindedness, thoroughness, patience, and perseverance.³ *Inquisitiveness* is needed while gathering the relevant facts to obtain a clear picture of the research problem. Proper problem definition or issue identification is the most critical component in research. An improperly stated issue usually leads to the wrong conclusion, no matter how carefully the research process is executed. Likewise, the researcher needs to be *open-minded* and avoid drawing conclusions before the research process is completed. A preconceived solution can result in biased research in which the researcher merely seeks evidence to support the position rather than searching for the most appropriate solution. The researcher must carefully examine the facts, obtain and review authoritative literature, evaluate alternatives, and then draw conclusions based on the research evidence. The execution of an efficient research project requires *thoroughness* and *patience*. This requirement is emphasized both in the planning stage, where all relevant facts are identified, and in the research stage, where all extraneous information is controlled. Finally, the researcher must work *steadfastly* in order to finish the research on a timely basis.

Perhaps the most important characteristic of the research process is its ability to add value to the services provided. A professional auditor not only renders an opinion on clients' financial statements but also identifies available reporting alternatives that may benefit them. A professional tax accountant not only prepares the returns but also suggests tax planning for future transactions. The ability of a researcher to provide relevant information becomes more important as the competition among accounting firms for clients intensifies and the potential significance and enforcement of penalties become increasingly common. Researchers who identify reporting alternatives that provide benefits or avoid pitfalls will provide a strong competitive edge for their employers. Providing these tangible benefits to clients through careful and thorough research is essential in today's accounting environment.

³Wanda Wallace, "A Profile of a Researcher," Auditor's Report, American Accounting Association (Fall 1984): 1-3.

Critical Thinking and Effective Communication

Researchers need to know how to think; that is, they must identify the problem or issue, gather the relevant facts, analyze the issue(s), synthesize and evaluate alternatives, develop an appropriate solution, and effectively communicate the desired information. Such abilities are essential for the professional accountant in providing services in today's complex, dynamic, and changing profession. In this environment, the professional accountant must possess the ability not only to think critically, which includes being able to grasp a variety of contexts and circumstances, but also apply and adapt various accounting, auditing, tax, and business concepts and principles to the circumstances in order to develop the best solutions. The development and nurturing of critical thinking skills will also contribute to the lifelong learning that today's professionals need to nurture.

Research efforts may culminate in memos or work papers, letters to clients, journal articles, or firm reports. Whatever its form, the dissemination of your research will require effective communication skills for both oral presentations and written documents. Your research output must demonstrate coherence, conciseness, appropriate use of Standard English, and achievement of the intended purpose. Critical thinking and effective writing skills are the focus of Chapter 2.

RESEARCH TIPS

Successful research requires critical thinking and effective communication.

Economic Consequences of Standards Setting

It is often desirable, if not necessary, to investigate the economic consequences of accounting standard setting. Without this exploration, the establishment of a particular accounting standard may produce unintentional or unforeseen economic consequences. And accounting standards can have far-reaching economic consequences, as was demonstrated by the Financial Accounting Standards Board (FASB) in addressing such issues as restructuring costs, financial instruments and fair value accounting, stock options, and postemployment benefits. Difficulties sometimes arise in the proper accounting for the economic substance of a transaction within the current accounting framework.

Because financial statements must conform to GAAP, the standard-setting bodies, such as the FASB or Governmental Accounting Standards Board (GASB), conduct research on the economic impact of any proposed standard. For example, the handling of off-balance sheet transactions has sometimes encouraged the selection of one business decision over another, producing results that may be less oriented to the users of financial statements.

In today's complex business and legal environment, the accounting and auditing researcher should understand the economic and social impact that accepted accounting alternatives may have on society in general and on individual entities in particular. Such economic and social concerns are becoming a greater factor in the evaluation and issuance of new accounting standards, as discussed more thoroughly in Chapter 4.

Role of Research in the Accounting Firm

Although accountants often conduct research in education, industry, and government, the particularly important areas for a public accounting firm are accounting, auditing, and tax. Reflecting today's society, significant changes have occurred in the accounting environment. The practitioner today requires increased knowledge because of the heightened complexity of many business transactions, the proliferation of new authoritative pronouncements, and advances in technology. As a result, practitioners should possess the ability to conduct efficient research. An accountant's

responsibility to conduct accounting/auditing research is analogous to an attorney's responsibility to conduct legal research. For example:

QUICK FACTS

The accounting practitioner may be held liable for inappropriate or incomplete accounting or tax research.

- A lawyer should provide competent representation to a client. Competent representation requires the legal knowledge, skill, thoroughness, and preparation reasonably necessary for the representation.⁴
- A California court interpreted the research requirement to mean that each lawyer must have the ability to research the law completely, know the applicable legal principles, and find “the rules” which, although not commonly known, are discovered through standard research techniques.⁵ Thus, in the California case, the plaintiff recovered a judgment of \$100,000 in a malpractice suit that was based on the malpractice of the defendant in researching the applicable law.
- The U.S. Securities and Exchange Commission has also stressed the importance of effective accounting research through an enforcement action brought against an accountant. In Accounting and Auditing Enforcement Release No. 420, the SEC instituted a public administrative proceeding against a CPA. The SEC charged that the CPA failed to exercise due care in the conduct of an audit. The enforcement release specifically stated the following:

In determining whether the [company] valued the lease properly, the [CPA] failed to consult pertinent provisions of GAAP or any other accounting authorities. This failure to conduct any research on the appropriate method of valuation constitutes a failure to act with due professional care.

Thus, the professional accountant must possess the ability to use relevant sources to locate applicable authoritative pronouncements or law and to ascertain their current status. Due to the expanding complex environment and proliferation of pronouncements, many accounting firms have created a research specialization within the firm. Common approaches used in practice include the following:

RESEARCH TIPS

At times, conducting research will require consulting with research specialists.

1. The staff at the local office conducts day-to-day research, whereas industry-specific questions are referred to industry specialists within the firm.
2. Selected individuals in the local or regional office are designated as research specialists, and all research questions within the office or region are brought to their attention for research.
3. The accounting firm establishes at the firm's executive office a centralized research function that handles technical questions for the firm as a whole.
4. The firm maintains computerized files of previous research to provide consolidated expertise on how the firm has handled issues in the past.

The task of accurate and comprehensive research is often complex and challenging. However, one can meet the challenge by becoming familiar with the suggested research process to solve the accounting, auditing, or tax issues.

Figure 1.3 depicts a more in-depth look at a typical organizational structure for policy decision-making and research on accounting and auditing matters in a multioffice firm that maintains a research department. The responsibilities of a firm-wide accounting and auditing policy decision function include:

- Maintaining a high level of professional competence in accounting and auditing matters.
- Developing and rendering high-level policies and procedures on accounting and auditing issues for the firm.

⁴Model Rules of Professional Conduct of the American Bar Association, Rule One.

⁵*Smith and Lewis*, 13 Cal. 3d 349, 530 P.2d 589, 118 Cal Rptr. 621 (1975).



FIGURE 1.3 Organizational Framework for Policy Decision-Making and Research Within a Typical Multioffice Accounting Firm.

- Disseminating the firm's policies and procedures to appropriate personnel within the firm on a timely basis.
- Supervising the quality control of the firm's practice.

Research plays an important role in this decision-making process. A CPA firm's policy committee and executive subcommittee, as shown in Figure 1.3, generally consist of highly competent partners with many years of practical experience. The policy committee's primary function is to evaluate significant accounting and auditing issues and to establish firm-wide policies on these issues. The executive subcommittee's function is to handle the daily ongoing policy (lower-level) decisions for the firm as a whole. The responsibility of the accounting and auditing research personnel is to interpret firm policies in the context of specific client situations. Frequently, technical accounting and auditing issues that arise during the course of a client engagement are resolved through research conducted by personnel assigned to the engagement. When a local office cannot resolve a research matter satisfactorily, assistance is requested from the firm's specialized research units. These units conduct careful and comprehensive research in arriving at the firm's response to technical inquiries. This response is then disseminated to the various geographic offices of the firm for future reference in handling similar technical issues.

Practical accounting and auditing research is not confined to public accounting firms. All accountants should possess the ability to conduct effective research and develop logical and well-supported conclusions on a timely basis. The basic research process is similar whether the researcher is engaged in public accounting, management accounting, governmental accounting, auditing, or even taxation.

Skills Needed for the CPA Exam and Practice

In the licensing of a new CPA, state laws or regulations typically require a combination of education, examination, and experience. State legislatures, state boards of accountancy, the Public Company Accounting Oversight Board (PCAOB), and the American Institute of Certified Public Accountants (AICPA) have strived to assure the professional competencies of CPAs. The role that a CPA plays in society is so significant that several years ago the AICPA Board of Examiners identified certain skills that the beginning CPA must possess in order to protect the public