ASSOCIATION of GOVERNMENT ACCOUNTANTS

WASHINGTON CHAPTER NEWSLETTER

About Our Speaker This Month

VIRGINIA B. ROBINSON is Executive Director of the Joint Financial Management Improvement Program (JFMIP). JFMIP is a joint undertaking of the Office of Management and Budget, Department of the Treasury, General Accounting Office and the Office of Personnel Management working cooperatively to improve financial management policies and practices in the Federal Government. Prior to joining JFMIP in January 1988, she was Associate Director, Accounting and Financial Management Division, at the U.S. General Accounting Office.

Before moving to the General Accounting Office, her latest position was with the Department of Energy where she was Chief of the Financial Systems Branch and Acting Director, Office of Financial Policy and Analysis. She worked for the Department of Commerce as a cost accountant and as a systems accountant. She worked as a supervisory accountant and auditor for the Navy Department.

Mrs. Robinson received a BA degree in accounting from Howard University. She is an alumna of the Federal Executive Institute and also completed the Executive Development Program at the University of Maryland.

She taught cost accounting at Montgomery College. She is President of the Association of Government Accountants and is also a member of the American Institute of Certified Public Accountants, the D.C. Institute of CPAs and the Institute of Internal Auditors.

May 3, 1990

WASHINGTON CHAPTER LUNCHEON MEETING TO FEATURE

Virginia B. Robinson
National AGA President

Mrs. Robinson's presentation will address two topics: "Financial Management Initiatives" and "National AGA Activities."

TOUCHDOWN CLUB
2000 L St. N.W.
(Near Farragut West Metro Stop)

Social Period:	11:30 a.m. (Cash Bar)
Luncheon:	12:00 p.m.
Cost:	$16.00 (Members)
	$18.00 (Non-members)

Reservations Recommended
Call 376-2161 thru May 1
NON-MEMBERS WELCOME!
(Uncancelled "No-Shows" will be billed)

This is the last meeting of this season. Meetings for the 1990/1991 season will commence in September.

Time is slipping by quickly. If you haven't already done so, be sure to register *now* for AGA's Annual Professional Development Conference. This year's PDC is scheduled for June 4-6, 1990, in Nashville, Tennessee. Come and join national and international decision-makers when they meet for AGA's "40th Anniversary" PDC. Contact AGA on 703/684-6931 for registration information.

PRESIDENT'S MESSAGE

Doris Chew
(376-5415)

This month's luncheon meeting will feature **Virginia Robinson,** Executive Director of the Joint Financial Management Improvement Program and National President of AGA, who will speak on current financial management issues and National AGA activities. This meeting will be highlighted by our annual chapter awards to outstanding leaders in financial management and chapter service. **Larry Wilson,** the Chapter Awards Director, along with his committee members, have devoted a lot of time and effort in the selection of these award recipients. The members of the Awards Committee were: **Patrick Conklin, Joe Donlon, Adam Shaw,** and **Sus Uyeda.**

During the past year, our Chapter has had to face many challenges. I would like to express my sincere appreciation to each of you, who through your active support and commitment, has contributed in helping us achieve our goals. Even though we scaled back on our expenditures during the past few months, the Chapter has made a number of accomplishments. The Chapter's membership has increased; also, attendance at the monthly luncheon meetings has increased, in large part due to the outstanding speakers who have made presentations on a wide variety of topics. Our distinguished speakers included a judge, the deputy secretary of the Department of Transportation, the director of the Office of Personnel Management, a general counsel discussing HUD management reforms, and the director of personnel at the White House. The Chapter may have had its first press coverage when **Danny Wall,** the former head of the Office of Thrift Supervision, gave his views on the saving and loan crisis at one of the chapter's luncheon meetings.

We have sponsored high quality educational events on timely topics, such as management controls, financial information for management use, and the standard general ledger. In addition, we have worked cooperatively with more professional organizations (American Association for Budget and Program Analysis, D.C. Institute of Certified Public Accountants, American Society of Military Comptrollers, and the Independent Agency Financial Managers' Council) during this past year to co-sponsor meetings and/or educational events. Our Research Committee is undertaking a project that will profile the skills and knowledge required of government financial managers, so that we can lay some groundwork for a recruitment program to attract highly qualified individuals into the federal financial management community.

The History Committee drafted an overview of the Washington Chapter's history and achievements in improving governmental financial management and serving members, and we expect that this pamphlet will be produced to commemorate our 40th anniversary in September of this year. This report summarizes the founding of the organization, what we are, what has been done, and the impact of our history on future directions for the organization.

For community service, we have continued to provide assistance in preparing tax returns for the low income, elderly and non-English speaking taxpayers in our communities. We have also taught two courses on the basic principles of accounting and business management to the small business community for this area. We presented a scholarship award to an outstanding college student, and we have established a network with local area universities and colleges. The network will introduce government service and financial management opportunities to the students today and give graduate students the opportunity to do more research on government financial management issues. Through your generosity, we donated funds to assist the earthquake victims in the Bay Area through our sister chapter in San Francisco.

The Chapter has continued its fine tradition of providing quality services to its members by offering reduced fees for education programs and meetings, as well as a high quality newsletter. Our employment referral program has assisted members and employers in the recruitment of qualified workers in financial management positions. All of these achievements were accomplished through the hardworking efforts of the many individuals on the Chapter Executive Committee and subcommittees. Since there are so many people who have unselfishly given their time, talents and skills, I will not name them all but I would like to thank each of you for your contribution in serving this Chapter. Among the many who have served admirably for the Chapter, I would like to recognize three individuals:

For the James Saylor Chapter Service Awards:

Diane Bray, for her outstanding contribution in various capacities on the Chapter Executive Committee throughout the past five years, and her outstanding contribution in making the Leadership Conference, sponsored by National and the Capital Region chapters, a huge success.

Samuel Mok, for his service and commitment in arranging for an outstanding program of speakers who brought diversified viewpoints and addressed emerging issues, and who also increased the attendance at our monthly meetings during the past two years.

For the Presidential Special Award:

Warren Cottingham, for his outstanding performance in organizing and executing the Chapter's luncheon meetings.

It has been a distinct honor and a rewarding experience serving as your President during this past year, and I thank you for this opportunity. As we face the many challenges ahead, I hope that you will volunteer your assistance to **Joyce Shelton,** our incoming President, as well as to the new Executive Committee, to make the Chapter even better. To be successful, our professional organization needs your active involvement. Thank you once again, and have a great summer!

Chapter Executive Council Minutes of the March 22, 1990 Meeting

Secretary's Report: Following an editorial change to the minutes of the last meeting, Joyce Shelton made a motion to approve the minutes. Evelyn Brown seconded the motion, and the CEC voted its approval.

Treasurer's Report: Bob Rogers presented the revenue and expense statements and the statements of financial position for January and February 1990. A motion to accept the Treasurer's report was made by Joe Rothschild, seconded by Susan Lee, and accepted by the CEC. The CEC has two Assistant Treasurers, Yash Parekh and Geri Beard, who will be assisting Mr. Rogers in the billings and collections for future seminars. Joel Dorfman, last year's Treasurer, is also following up on outstanding receivables from the May 2, 1989 seminar.

Programs: Dr. Gail Young is the April luncheon meeting speaker, which will be co-sponsored by the Independent Agencies' Financial Managers Council.

Meetings: Mr. Cottingham stated that the Touchdown Club is reserved for 1990-91 and 1991-92 meetings.

Education: The agenda and registration forms for the April 30 Conference, co-sponsored by DCICPA and ASMC, were distributed. Peggy Smith, the Chair of Cooperation with Professional Organizations, is coordinating this effort. Secretary Manuel Lujan is the keynote speaker.

Membership: Mr. Marks noted that most inquiries come from past members who did not renew and were dropped. The invoices for the full year's dues were mailed out by National in February.

Student Awards: Ms. Lynch reported that she, Don Richardson, and Joyce Shelton reviewed the student award applications and selected Ms. Elizabeth Cole as the winner. The committee awarded her the full $1,000 scholarship. In addition to working fulltime while getting her degree, Ms. Cole indicated an interest in revamping the federal financial systems. An invitation to join us for our April luncheon was extended to all 13 applicants.

Chapter Awards: Mr. Wilson stated that he and his committee members extended the award nomination period to March 26. He also noted that the committee was sensitive to selecting small agency awardees as well as large agency or department recipients.

Chapter Recognition: Ms. Bowles noted that we would easily reach our goal of 10,000 points.

Other: Mr. Mok suggested that the chapter consider participating as one of the organizations in the Combined Federal Campaign since it now accepts 501 c (3) nonprofit organizations. The chapter could earmark contributions received from CFC for the student scholarships and other public service activities. The deadline to be included in the 1990 CFC campaign is April 15. However, due to differing views of CEC members, the concensus was to forego the 1990 deadline and discuss it at a future CEC meeting after more research is done.

Next CEC Meeting: April 26, at 12 noon.

Reminder—

You received a flyer in early April announcing the April 30 joint conference on ''Financial Management Initiatives for the 90s'' sponsored by the AGA Capital Region, ASMC, and DCICPA. The conference is to be held at the George Washington University Marvin Center, with registration beginning at 7:30 a.m. The fee for the full day (including lunch) is $75 for members and $85 for non-members. CPE credits are available. Contact Geri Beard on (202) 376-5415 for additional information.

Plan to attend this April 30 educational event. It promises to be an excellent conference.

Did You Know. . .

Edited by Ron Young, Research Chair (275-9578)

In our accounting principles and standards research work in GAO insights on the evolution of accounting principles and standards are always of particular interest. Accordingly, we found engrossing an essay in *Truth in Accounting,* by Kenneth MacNeal, CPA, initially published in 1939. It was reprinted in 1970 by the University of Kansas as part of a ''Classics in Accounting'' reissuance project funded by Arthur Andersen.

A key theme of the essay is that accounting principles evolved in response to changing conditions and needs. The author divides the evolution of accounting principles into three eras. Consistent with this theme, the distinctions between the three eras result from changes in conditions and needs, as discussed below.

He characterizes accounting in the first era, extending from the Italians of the Middle ages to the early 19th century, as directed largely to ''counting the cost'' of a project or adventure. The accounting entity was a project—for example, a trading expedition—rather than an ongoing firm. The idea was to measure the costs of the project rather than the costs of a fiscal period. There were in this era, he notes, no sophisticated banking or financing arrangements as we understand them. This era, he notes, is characterized by the absence of accounting principles as we view the term.

The author notes however that a great deal of progress was made in this first era in the development of accounting methods. This was the era in which modern double entry bookkeeping was first expounded, by Pacioli, a Franciscan monk. His treatise on the subject was published in Venice in 1494, under the precocious title, ''Everything About Arithmetic, Geometry and Proportion''. With the passage of time, the tide of trade turned north to England, Holland, and Germany. The first English book on bookkeeping was published in 1543, and included Pacioli's debit/credit concepts. In that same year, a Dutch author, in 1588, introduced the compound journal entry.

Some of the titles of works published in this first era are, from our present day view, quaint and amusing. For example, a late 18th century work entitled ''Jones' English System of

Bookkeeping by Single or Double Entry, in which it is impossible for an error of the most trifling amount to pass unnoticed''.

The author defines the second era as evolving with the industrial revolution, which was well under way by the early 19th century. He notes that in this era business was more stable; thus, the emergence of the concept of the firm as the accounting entity and the concept of the fiscal period. Credit became safer; bankers and tradesmen found that it was possible to grant credit to a firm's owner on the basis of the owner's worth. The practice evolved of requiring the owner to submit a statement of net worth and earnings. However, creditors wanted to be sure of an honest statement, and therefore required that it be prepared by an independent accountant, not in the employ of the owner. Thus, the profession of public accounting was born.

The author argues that this was the era in which the concept of conservatism in accounting became entrenched. An accountant's loyalty was to the owner and creditors. Since the accountant could satisfy the owner by ensuring that there was no overstatement of net worth or earnings, and since creditors were interested only in knowing that net worth was not less than reported, conservatism was an approach which met the needs of both the owner and creditors. We see in this era the entrenchment of such principles as valuation of assets at cost; valuation of inventories at lower of cost or market value; and recognition of gains only when realized.

The third era—the modern era—is the age of the corporation, which began in this country in the last quarter of the 19th century. The corporation was found to be a mode appropriate for accumulating the large pools of capital needed for capital intensive industries such as railroads and oil.

Thus, the author argues, the accountant's responsibility is no longer to creditors and entrepreneurs, but rather to stock and bond holders who have no inside information and are thus totally dependent on the independent auditor's report. At this point it is important to point out that the author had an ax to grind; he believed that conservatism results in a potential for statement users to be misled; conservatism, in his view, does not always result in fair measures of net worth and results.

Conservatism, the author believed, met the needs of an earlier era, but in the modern era it leaves stock and bond holders at the mercy of insiders who know the firm's true financial status and results.

A lot has happened since 1939 to ameliorate, the situation the author decries. The profession, through the AICPA and FASB, has devoted substantial resources to accounting development and codification of principles and standards. While conservatism is still a dominant value, current standards require a host of footnotes intended to ensure as full and complete a disclosure of a firm's status and results as is practicable. Further, it can be argued that most investors today rely on professional analysts.

What can we learn from this? In accounting, there are few absolute truths. Principles and standards should be developed with a view to the needs of the intended audience and a regard for changed conditions. In the development of federal principles and standards, our basic absolute truth consists of our objective, which is principles and standards which will result in as fair and meaningful a representation of the government's and individual agencies' financial status and results as is practicably possible. Beyond this, there is little that is 'cast in concrete'; open and inquiring minds are vital.

Note: Special thanks to Lee Beaty of GAO for helping research and draft this month's Did You Know feature.

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