

COMMUNICATION IN THE ACCOUNTING PROFESSION

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ABSTRACT

This report examines the communication practices used by the accounting profession. The report is broken down into four main parts: the introduction, research methods, results and discussion, and the conclusion.

The introduction contains the overall purpose of the report. The purpose is to discover the different types of common communication used in the accounting profession. The introduction also contains the problem motivating the research, the scope of the research, a preview of the reports sections, and a literature review that summarizes relevant literature found.

My research methods consisted of searching the library and internet for accounting documents that facilitate communication between members. Some of these documents were financial reports, certified public accountant (CPA) requirements, and generally accepted accounting principles (GAAP) guidelines. I also conducted a personal interview with a CPA, Paula Augustin, for oral research on the topic. Paula emphasized the communication importance of email between accountants in the current profession.

My research results supported the fact that accounting is a broad profession that is constantly under revision. Members of this field must attempt to remain up to date on the newest guidelines set. Next I conducted a close analysis on a written document from a financial report. This document was the shareholder letter prepared by the Chief Executive Officer/President of the company. It explained why the company results of the past year differed and announced the expectations for the upcoming year to the company shareholders. There were various key elements in this letter that appealed to the reader's emotions, reasoning, and opinion of the writer's character.

In conclusion of my discourse report on accounting I have determined that there are several options available to those in the accounting field. With so many different aspects of the profession, efficient and orderly communication is essential. This reflects my findings of email being a common channel of communication in the field today because of its efficiency, and the CPA requirement of continuing education.

INTRODUCTION

Purpose

This report is an examination of communication practices in the accounting field. The purpose of my report is to discover the different types of common communication used in the accounting profession. By conducting this research I will have a better understanding of the line of work I will be entering into some day.

Problem

Accounting is respected profession that is a crucial part of a businesses success. Financial statements are heavily relied on by investors and management, meaning they carry high expectations of accuracy and consistency. All of the elements that make up the financial statements must be prepared under the generally accepted accounting principles (GAAP), unless clearly stated otherwise. GAAP accounting procedures are subject to change from time to time, so it is critical that members of the profession remain up to date with the changes and follow the new guidelines. My research of the communication within the accounting profession is necessary to determine how this is accomplished.

Scope

My report looks at daily accounting communication practices along with those used for annual financial reporting. My focus is on the analysis of a written document from the accounting profession. This document is the shareholder letter from the 2001 annual report of Rural Cellular Company.

Literature Review

The literature I found was primarily from accounting organizations on the internet. These organizations included the American Institute of Certified Public Accountants and New Accountants USA. The form was generally informative articles written by a member of the accounting profession to all other members and people interested in or influenced by accounting practices. Articles ranged from new GAAP rules to the upcoming changes of the Certified Public Accountant examination. These articles represent the common goal of the accounting community to remain current with new practices and provide quality information.

Report Sections

My report will contain the following sections:

- My methods of researching for the report.
- Research results and an analysis of a written accounting document.
- My overall new knowledge of the accounting profession and the conclusion of my report.

METHODS

General Division of Methods

When approaching this paper I first made a list of all the sources I could use to research this topic. My list contained searching for documents under these general methods:

Library Research

Library research was my first research step and it consisted of using the available search engines on the library's website for journals related to my discourse field. I was able to find several electronic journals related to accounting, such as Accounting Review, CPA Journal, Journal of Accountancy, and the Journal of Accounting Research. Through these journals I got a feel for what kind of accounting information and documents are being published.

Internet Research

My second research method was searching the internet. This ended up being the best research method for finding accounting documents. I used search engines such as MSN and Google and searched for topics along the lines of Accounting Documents, Accounting Associations, and Accounting Organizations. On the internet I was able to find articles relating to the basics of the profession, recent problems/issues, new practices, and various financial reports for publicly traded companies. It can be overwhelming when first taking a glance at a financial report. They are usually around 80 pages and contain multiple text documents, graphs, and financial figures. After analyzing a few I was able to see the patterns and specific elements that made up each annual report. I then analyzed these elements and determined the significance of each part relative to my report. As an emic analyzer I became interested in the financial reports annual letter to the shareholders. This is a letter is written by the Chief Executive Officer of the company and addressed to the company's stockholders including the overall results of the company over the past period.

Personal Interview

While my third research method, the interview, helped me to determine how an accountant spends their time at work, it did not allow me to collect documents applicable to this report due to company confidentiality. My interview focused on communication via email in the interviewees accounting career. This communication media was used most often because of its efficiency. Email was commonly used to ask questions, share results, and explain the reasoning behind new practices.

My research process moved from direct sources of information at the library to a very broad span of information on the internet. I finished up my research with the interview of a CPA to tie together all the information gathered I had gathered through a professional's perspective. Once completing my research I felt that I had a good insight of what the accounting profession entails and the communication practices that are commonly used.

RESULTS AND DISCUSSION

The Discourse Field of Accounting

Living in a highly developed economy creates a great need for accountants. There are two different sectors of the accounting population. Two thirds of accountants that make up the profession are employed by businesses, government agencies, and nonprofit organizations (1). The other one third are Certified Public Accountants (CPAs) which work for independent organizations that offer accounting and auditing services to the public. To become a CPA you must graduate from college with an accounting major, pass the two-day national CPA exam, and then complete one or two years of professional employment experience (2). After meeting all of these requirements you are presented with a permit from your state to practice as a CPA. To remain certified you must fulfill the continuing education hour requirement specified. It is a great accomplishment to become a CPA that requires a lot of time and dedication. CPAs have additional occupational opportunities and other related benefits over non-CPA accountants.

In the preparation of financial statements an important element to remember is that they must follow GAAP. GAAP includes the respected ground rules for measuring profit and for reporting asset and liability amounts. When reading a financial report it can be accepted that it was prepared following GAAP, unless it clearly discloses that it prepared under another basis. All financial statements are required to be audited annually by outside CPAs to ensure the rules of GAAP are being followed.

There are also internal revenue service (IRS) career possibilities for accountants. The IRS hires accountants to serve as their revenue agents and criminal investigation special agents.

Discourse Practices

Financial reports are the final product of the years accounting efforts. All elements of a business are consolidated to determine the overall financial position. Important elements of financial reports include the company's income statement, balance sheet, and statement of cash flows. The income statement provides a summary of the sales revenue and expenses, ending with the net profit earned or loss suffered for the period. The balance sheet contains the balances in the business's assets, liabilities, and owners' equity accounts at the end of the period. Then summarized sources and uses of cash during the period are put together to make up the statement of cash flows.

Through the information gathered various financial ratios are used to make comparisons between companies and business standards. This provides a way to put different sized businesses on the same level and determine their future potential.

Resolving Recent Accounting Problems

In 2001 the accounting profession closely observed multiple business scandals unfold, including the well known accounting firm Arthur Andersen. In response during July of 2002 Congress passed and President Bush signed a historic corporate governance/accounting bill that has created implications for both Wall Street and the accounting profession (3). The bill titled Sarbanes-Oxley creates a fourth accounting organization with the ability to influence the accounting profession. The Securities and Exchange Commission (SEC) is responsible for overseeing the newly created “Public Company Accounting Oversight Board.” The board is assigned to watch over the audit practices of public companies to protect the investor’s best interests. Sarbanes-Oxley Act prohibits a registered public accounting firm from providing any non-audit service to a company while concurrently offering audit services (3). Right away accounting firms might suffer a loss from this new prohibition, but in the long run the business will even out between firms. This was a vital move by the government to re-establish the consumer confidence in accepting accounting information to be reliable and truthful.

Interview of an Accounting Professional

I interviewed Paula Augustin, a CPA that works for a privately owned business. As a financial analyst and advisor Paula spends the greatest amount of her time writing. The majority of this writing is actually spent emailing. According to P. Augustin (personal communication, February 21, 2004) email is the most common communication media used because it provides effective results while reducing work related interruptions. Sometimes situations call for other channels than email that are more appropriate for the issue. Paula writes documents on management decisions, solution to problems, and for other outside communication purposes. Her audiences mainly include fellow employees, managers, and outsourced professionals. Overall the importance of email as a communication media was emphasized in the accounting profession again and again.

Document Analysis

Financial reports are of great importance in the accounting profession. One part of the annual financial report is the shareholder letter. This letter is written by the Chief Executive Officer/President of the company and is addressed to the shareholders, employees, customers, communities, and suppliers (4). The purpose of this document is to gain support and generate interest in the company. Gaining support and emphasizing the positive events that occurred over the past year is a typified response and genre of the shareholders letter. Rural Cellular Corporation's shareholder letter presented exigence right in the beginning through the 9/11 catastrophe statement. One major constraint on the document is that it has to cover the entire period's outcome yet should always remain positive and brief. The audience expects a reasonable explanation for the downfalls suffered but most of all they want to hear that the problem has been taken care of and next year will be improved.

The persuasive elements of the shareholders letter are consistent throughout the document. The verbal strategy of the initial heading "A Challenging Year, A Responsive Strategy" uses pathos, the appeal based on emotion, to set the reader in the right frame of mind before reading the letter. Pathos are emphasized again at the end of the letter to ensure next year's goals are to improve performance and maximize shareholders value. This is an attempt to make the audience remain confident and satisfied with their investment in RCC. Ethos, an appeal based on the writer's character, can also be seen at the end of the letter when the statement about growth and operating excellence remaining the value drivers is stated. This makes the appeal that the writer is a trusted, good moral character that is searching for advancement opportunities as a hard worker should. Finally the appeal based on reasoning, logos, is evident in the beginning of the letter where it clearly states the reasons why RCC did not meet the industry analyst expectations. The numerical data on the first page also supports logos. The letter's overall structure presentation is bad news up front with explanations/rationalizations, then good news, and concluding with the expectations of future growth. Each heading is in a bold font emphasizing a visual importance of the topic covered.

CONCLUSION

Summary of Findings

In my discourse field report on accounting I have discovered the various sectors of the profession that an accountant can choose as a career. This includes working for a private business to becoming an IRS special agent. There is a great deal of work necessary to become a CPA but this enables a person to expand their employment potential. I also learned about the impact and importance GAAP plays in the accounting profession. GAAP annual changes emphasize the importance of communication in this career. To stay current and up to date a person must know how to access this information. One way for CPAs to achieve this is through the requirement of continuing education. I also found that financial reports are actually simple once a person understands the presentation pattern. These reports contain elements useful to management and investors that allow companies of all different sizes to be comparable by ratio figures. The recent problems associated with the failure of Arthur Andersen led to the 2002 Sarbanes Oxley Act. This act created a Public Company Accounting Board that will help to protect investors from the tragedies suffered in 2001 due to scandalous accounting practices. The main focus of this act is to prohibit a registered public accounting firm from providing any non-audit service to a company while concurrently offering audit services. Through my oral research with CPA Paula Augustin I found the current importance of email in the professional accounting career. My close document analysis revealed how much the shareholder letter, an element of the financial report, appeals to person's emotions, reasoning, and opinion of the writer's character. I discovered how the letters structure and presentation is used to mold the reader's perspective about the company the way desired by the CEO/President.

Conclusions

Through my research I have learned that accounting is a far more diversified career that relies on communication practices more than I imagined. My research also taught me that becoming a CPA takes some serious preparation and experience. I also learned why the continuing education requirement to remain a CPA is a crucial element. I have come to the conclusion through my research that communication is a key element of the accounting profession that tends to be overlooked. It is impossible to realize the importance of communication until you force yourself into an outsider's view of the profession and specifically look for these practices. Once you remove yourself from the working ant mentality it is then possible to see the elements of a profession that make up its productive community.

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Rural Cellular Corporation 2001 Annual Report

[Shareholder letter]

**TO OUR SHAREHOLDERS,
EMPLOYEES, CUSTOMERS, COMMUNITIES
AND SUPPLIERS**

A Challenging Year, A Responsive Strategy

2001 was a year that changed our world in many ways. Rural Cellular Corporation is proud to be part of the wireless phone industry that, during the 9/11 catastrophe and its aftermath, enabled Americans to stay in touch with each other and to come together as a nation. 2001 was also a year of economic challenges, with a recession building through the year and increasing competitive pressure in our industry. Despite this, RCC continued to expand, to enhance our service quality and to improve our financial performance.

We continue to believe that growth and operating excellence are the long-term value drivers in our industry, and our strategy reflects our pursuit of these goals. Our focus in the past year has been on cost effective performance, and we are pleased with the progress we made.

As a result of our efforts this year, total revenue grew by 24 percent to \$441 million as compared to \$356 million in 2000 while roaming revenue grew 18 percent to \$117 million as compared to \$99 million in 2000. Our industry-leading earnings before interest, taxes, depreciation and amortization—or EBITDA—increased 38 percent to a record \$193 million.

While we are quite pleased with RCC's strong revenue growth in 2001 and our even stronger improvement in EBITDA, we recognize that our performance at RCC and that of our entire industry did not meet industry analyst expectations. The reasons—a weakened economy and increased competition—have been discussed at length in our communications through the year. But some things we accomplished in 2001 have not gotten as much attention:

- We were able to pay down our long-term debt by approximately \$50 million as a result of the sale of the Saco River ILEC in Maine and several PCS licenses in Oregon,

plus lower interest rates on our debt obligations. These assets were not considered to be part of our long-term strategy.

- We have been free cash flow positive in seven of our last eight quarters.
- We increased our roaming revenues by 18 percent as a result of effective roaming agreements and strategic network positioning in our service areas.
- We achieved a number of operating efficiencies that will enable us to move forward more effectively.

PRODUCTIVITY FOCUS IN 2001

Following our company's expansion created by the acquisition of Triton Cellular and Saco River Telephone and Telegraph Company, we found many opportunities for improved operating efficiency through consolidation—without diminishing our service to customers and without limiting our potential for growth. This streamlining included our systems, operations and corporate support.

The measures we implemented included:

- Consolidation of call centers in both our Northeast and Northwest Regions.
- Transition of our sales organization from a Territory Management approach to a Channel Management approach.
- Reduction of customer billing systems to two cellular and one long distance.
- Implementation of additional ERP applications throughout our service areas.

SERVICE MARKETING

We introduced a new marketing theme in 2001—Part of Life Here—which is also the theme of this annual report. It represents our commitment to keeping our communities in touch with what matters. For example, home zone plans provide unlimited airtime for calls made in the customer's own back yard. And as family members strive to stay connected, RCC responded by promoting multiple line accounts and added features to meet their day-to-day needs.

We are proud to have effectively doubled the percentage of our digital customers—which is clearly the wave of the future. At the end of 2001, approximately 62 percent of our customers, up from 33 percent, were using digital handsets—with significantly greater capacity for information and entertainment services.

COMMUNITY COMMITMENT

In the challenging environment of 2001, our commitment to our communities is as

important as ever and is evidenced by the following examples:

- RCC donates over 400 lines of service to CALL to PROTECT, a program of the Wireless Foundation, enabling victims of domestic violence to call for help. Through its auspices, RCC also sponsored talks on domestic violence by Denise Brown in our Midwest Region and supported the Race to End Domestic Abuse in our Northeast Region.
- We provide free mobile phones and airtime to community schools through the ClassLink program. ClassLink brings wireless technology into schools, improving communications within the school and helping teachers by providing better access to parents, the community and outside educational resources.
- RCC also supports the Donate A Phone Return Outreach Initiative ("ROI"). ROI is designed for wireless carriers to raise funds for charity through the collection of no longer used wireless phones.

LOOKING TO THE FUTURE

Our goals for 2002 are to improve our performance in revenues, earnings and other key metrics tracked by wireless industry analysts in order to maximize our shareholder value.

Our strategy continues to focus on mobile voice communication in a way that best serves the evolving needs of our markets. We will be responsive to market demand for wireless data and entertainment features and will continue to take measures to improve our organizational efficiency.

As a result of the now completed \$300 million senior subordinated note offering, we are fully funded and are comfortable that our future financial operations will operate within our debt covenants. Proceeds from the \$300 million senior subordinated note offering were used to pay down existing debt under our credit facility.

Because of our established infrastructure, we have a strategic role providing seamless integration of wireless services for all customers using our network. Growth and operating excellence remain the value drivers at RCC and with that in mind we are confident that we have the right foundation, the right strategy, and the right team, to address the demands and challenges both financially and competitively in our industry.

RICHARD P. EKSTRAND

President and
Chief Executive Officer