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Outline of Remarks

Securities and Exchange Commission Hearings

September 20, 2000

Re: Comment File No. S7-13-00

1. Historical Perspective
   a. Effectiveness of Accounting Communication, (Praeger, 1967)
   b. Letter to Senator Charles Schumer, July 31, 2000 relating to the
      Controversy and various related materials
2. The Hubris of the Accounting Establishment
   a. "Prove the Negative"
   b. Would we accept a corresponding challenge in:
      1. The Executive, Legislative or Judiciary Branches of our Government?
      2. For tire manufacturing, healthcare, food and drugs, journalism, . . . , . . .
         industries? (fill in the blanks)
3. The “Perception” vs. “In Fact” Mantra

a. A case of Denial and/or Hyperbole and/or Disingenuousness and/or Mendacity

b. Some cases of “In Fact”

1. From my *Unaccountable Accounting* (Harper & Row, 1972)
   Westec, “Back Office Mess in Wall Street”

2. More recent examples Arkansas and Oklahoma
   - Farmers Cooperative (leading to RICO proceedings before the U.S. Supreme Court case involving Arthur Young)
   - Disney Accountings as discussed in my *Barron’s* article (March 23, 1998)
   - I sense that the conflict existed in the CUC (Cendant) controversies
4. **Quo Vadis?**

(In descending order of preference)

a. **Absolute** Divestiture, i.e., No "Strategic" or Other Entangling Alliances

And then demand that the profession of certified public accountancy re-dedicate itself to the independent audit as surrogates in behalf of all stakeholders. This is the covenant which we are presumed to have undertaken with society – let us fulfill it without let or hindrance.

Such a rededication to the CPA as a professional should put an end to our quest for an XYZ license.

Further, the renaissance of the independent audit as a vital social responsibility should prove salutary for relevant research and teaching of accountancy *qua* accountancy in the groves of academe.

b. **Assure Absolute Transparency:**

- The independent audit committees should be required to disclose to the stockholders, *et al.*, all arrangements with the independent auditors and the related fee arrangements. (It may also be appropriate for the committee to report to the shareholders, *et al.* regarding the sensitive areas of discussion called for by the Kirk Report)

- Ban any agreements of confidentiality in the wake of judgments as settlements involving auditors' liability
c. Abort the requirement for an audit by independent (sic!) certified public accountants and proclaim "CAVEAT EMPTOR!" (Here my "accountancy manifesto for the Third Millennium" (Accounting Today, March 13 – April 2, 2000) would be relevant.)