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Conflicts of interest have been brought into dramatic focus by such recent events as the dismissal from office of corporate and government officials and the prosecution of certain companies and their officers. In daily practice, the certified public accountant (hereinafter referred to as CPA) faces problems and decisions involving conflicting interests in which he must seek a solution. In considering the position taken by the CPA in any area of conflicting interests, his role in our economic society must be clearly understood.

A primary task of the CPA is to examine factual data, customarily presented in the form of financial statements, and express his opinion thereon. In doing so, he acts as an independent analyst and reporter, rather than as an advocate of the stockholders or board of directors who engage him. While his report may be addressed to management or to the stockholders, it is apparent that it has significance and utility to other groups as well. These other interested parties include the company's employees, bondholders, lending agencies, the investing public at large and governmental agencies. These groups are diverse, but they rely upon the CPA's impartial opinion.[1]

Let us consider then, some of the areas of conflict which the CPA encounters in serving these special interests and the considerations which may guide him to an impartial solution of them. In doing so, specific areas of conflict can be recognized, such as financial interests in clients and other client relationships which challenge the accountant's independence; requests for the independent accountant to render services in the field of management decision-making; relationships within and between client companies and their employees, which may be questionable; and the existence of flexible and alternative accounting and reporting practices permissible under generally accepted accounting principles.

Challenges to the Accountant's Independence

Having spoken of the CPA's independent role in economic society, it is appropriate that we consider the meaning of independence and the many and varied nature of the assaults upon it. The concept of independence is defined in the rules of professional conduct of the American Institute of Certified Public Accountants,[2] the various state societies, the rules and regulations of the Securi-

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1 See Ultramares Corp. v. Touche, 255 N.Y. 170, 174 N.E. 441 (1931).

2 Rules of Professional Conduct, American Institute of Certified Public Accountants (As revised Jan. 20, 1958):

> Rule 13. A member shall not express his opinion on financial statement of any enterprise financed in whole or in part by public distribution of securities, if he owns or is committed to acquire a financial interest in the enterprise which is substantial either in relation to its capital or to his own personal fortune, or if a member of his immediate family owns or is committed to acquire a substantial interest in the enterprise.

A subsequent provision of this rule further states that a CPA shall not express his opinion as to a company's credit if he has such a relation to it.

ties and Exchange Commission[3] and in the policies of individual accountants and their firms. These rules vary considerably. The American Institute's rule requires that its members shall not express opinions on financial statements which are used for credit purposes, or on financial statements of any enterprise financed in whole or in part by public distribution of securities, if he, or a member of his immediate family owns, or is committed to acquire, a financial interest in the enterprise which is substantial either in relation to its capital or to his own personal fortune.

The rules of professional conduct of some state societies are stricter than this. The Illinois Society of Certified Public Accountants, for example, requires that neither a member nor a firm of which he is a partner shall express an opinion on financial statements unless he and his firm are, in fact, independent. The rule explains that a member will not be considered independent with respect to any client

> in which he, his partners, or members of their immediate families living in the same household, have any financial interest, direct or indirect, or with which he or his partners are or were, during the period of report, connected as promoter, underwriter, voting trustee, director, officer, or employee.

There is a movement within the American Institute to adopt a similarly strict definition of independence. The Illinois Society's definition of independence, incidentally, coincides with that of the Securities and Exchange Commission, as set forth in its rule on qualification of accountants permitted to certify financial statements filed with the Commission.[4]

Individual accountants and their firms have, likewise, formulated policies regarding independence. My firm has published policies which its partners, managers, and staff must observe to safeguard and insure the firm's independence. That we believe ourselves to be independent is not enough; we must, in fact, be independent and appear to be independent. This means that we must zealously avoid any kind of client relationship which might bring our independence into question.

A few examples of our policies and practices will help to illustrate the point. A most important requirement is that none of our partners and managers, or any member of their immediate family or relatives living in the same house, should own any securities or other interest in client companies however small that interest might be. To enforce this requirement, we circularize our partners and managers annually to ascertain that they have no such interest. When a new client engages our services, we consult our files to ascertain that no partner

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3 17 CFR 210.2-01(b):

> The Commission will not recognize any certified public accountant or public accountant as independent who is not in fact independent. For example, an accountant will be considered not independent with respect to any person or any of its parents or subsidiaries in whom he has, or had during the period of the report, any direct financial interest or any material indirect financial interest; or with whom he is, or was during such period, connected as a promoter, underwriter, voting trustee, director, officer, or employee.

4 17 CFR 210.2-01.

or manager has a financial interest in the new client. Any partner or manager who is found to have such an interest is required to dispose of it promptly. Likewise, no partner or manager can serve a client as director, officer or employee.

Our staffmen, too, are encouraged to avoid investments in client companies; however, we do not prohibit their making such investments, since these men are not in policy-making positions, nor do they have responsibilities for our opinions on financial statements. We do require, however, that no staffman be assigned to an engagement where he has a financial interest in the client, and it is the staffman's responsibility to see that he accepts no such assignment.

The matter of our independence is not confined to current relationships between our personnel and our clients. Occasionally, for example, a partner or manager resigns to accept a position with a client. Whenever one of our men considers employment with a client, he is required to inform us immediately. During the period that a man is considering such employment, he must consult with another partner or manager on all important matters requiring his decision; in fact, he may even be relieved of supervisory responsibilities. If he decides to accept employment with the client, he is immediately relieved of all responsibility for service to that client.

In summary, these rules of professional conduct and policies have been adopted to protect the accountant from possible conflicts of interest between himself and his firm and the client he seeks to serve, as well as to protect the diverse interests in society that rely upon his reports and opinions.

The Demand For Services Outside the Expertise of the Accountant

The accountant is often subject to demands for performance of services in areas bordering on the practice of public accountancy. These demands have become more numerous and more persistent as the certified public accountant has gained stature in the business community. This would seem to be a gratifying development, perhaps, but it may produce a number of conflicts within the CPA's own practice. Often the purpose of such demands is to gain the prestige of the CPA to lend authenticity to financial estimates and projections where the substance may be questioned.

To better understand the nature of these conflicts, let us recall that we have described the CPA as an independent analyst and reporter of factual data. To express an opinion on a company's financial statements, the accountant analyzes, tests and evaluates a tremendous assortment of historical facts and figures. Sometimes his judgments may be influenced by his expectations of future events based on historical trends and occurrences.

It is a short step from the position of analyst of historical data to the position of forecaster of future events. Probably all of us at one time or another have prepared personal budgets estimating our future income and expenses based on past experience and our hope for the future, but here is the important distinction. In our personal lives, as in business, forecasting is a management function. When the CPA takes that crucial step, he foregoes his role as analyst and reporter of management's stewardship and joins the management team.

Now, I am not saying that budgeting and forecasting are forbidden territory to the CPA. I am saying that his activities in this area might easily give rise to serious conflicts of interest. When management seeks the services and counsel of its accountants in installing a budgetary system, the qualified accountant is in a position to render a distinct service. But when management asks for the accountant's assistance in determining the figures, it asks for the performance of a service which the accountant is neither competent to render nor, with clear conscience, ought to render. Today's budget and the business decisions it encompasses will become tomorrow's actual results. The diverse interests in our society cannot expect the CPA to participate in decision-making and later to report impartially on the results.

Businesses today are calling for advice and help to perform market surveys, to determine security valuations, to prepare budgets and operating forecasts, and to perform a variety of other activities often referred to as "management services." Some accountants believe that they can perform these services without impairment of, or reflection upon, their independence. It is not easy to refuse an engagement which may enhance the auditor's prestige as well as his financial well-being. It is not easy to decline to serve a valued client where the accountant feels qualified to do so. These conflicts have to be resolved by the individual accountant in a manner that preserves and strengthens his independent role in society. But, inevitably, when an accountant enters a field where he does not possess expertise, he surely compromises his independence and increases the risk to those who rely upon him.

Other Questionable or Improper Relationships Revealed to the CPA

In the course of his practice, the CPA sometimes discovers questionable or improper relationships involving his clients and other parties. Some examples of such relationships have gained widespread publicity in recent months. Cases where corporate officers or key employees had financial interests in their company's suppliers or customers have become quite familiar.[5] Stockholders, employees and the general public have been quick to recognize the impropriety of such relationships.[6] While the CPA has not always been instrumental in discovering such relationships, since they may exist without any chance of being discovered by customary auditing techniques, he has inevitably been drawn into the controversy. Stockholders have been asking the accountant what steps he has undertaken to reveal such relationships. The responsibility for avoidance of improper relationships, of course, falls squarely upon management. The accountant, however, can perform a valuable service for his client in recommending procedures and practices that will help to curtail questionable activities.[7] For example, a number of companies have requested their accountants to investigate and evaluate the company's purchasing procedures

5 See Note, 36 NOTRE DAME LAWYER 343 (1961).
6 The Wall Street Journal, Apr. 28, 1961, p. 1, col. 6.
7 See Austin, *Relations Between Lawyers and CPAs in Income-Tax Practice,* 91 J. ACCOUNTANCY 805, 807 (1951).

and to recommend steps to strengthen controls in this area. Many companies have also instituted their own investigations, which often include a circularization of directors, officers, and key employees, so that they may be informed of possible conflicting interests and take appropriate action to resolve them. Accountants have been helpful in suggesting the nature and procedure of such inquiries.

The accountant often encounters areas of conflict between clients, and sometimes as a result is unable to render service because of the differing views of clients. An example exists in the currently publicized lawsuits involving public utilities and certain electrical equipment manufacturers. Other examples exist with respect to clients and governmental regulatory and taxing bodies. There is no real conflict of interest here, since the accountant as an independent fact finder could serve if factual data could be secured. The differing and conflicting viewpoints in these cases, the difficulty of obtaining factual data and the intensity of the opposing parties, however, make it impossible for the accountant to serve and still retain the appearance and substance of independence.

Finally, another type of conflicting interest of which the accountant may become aware in the course of his work is one involving unauthorized or unsupported transactions. Obviously, this is an internal conflict, one between officers or employees, on the one hand, and, usually, directors and stockholders, on the other. Sometimes these unauthorized or unsupported transactions are indicative of weak controls or a breakdown of procedures rather than of questionable or improper activities. There are many cases, however, where an officer or employee violated his position of trust for personal gain. Improper use of an expense account is a familiar example. When the accountant finds that an officer or employee has been reimbursed for expenses for which no adequate explanation or support has been offered, he is obliged to report his findings to the individual's superior. In cases involving corporate officers, the CPA is obligated to inform the board of directors, or even in some circumstances perhaps, the shareholders themselves, so that they may either approve the questionable transactions, or take whatever other action they deem appropriate.

The Impact of Alternative Accounting and Reporting Practices on Decision-Making

It is fundamental that the accountant be accepted as an independent fact finder and reporter serving many segments of society impartially and fairly. It might then be presumed that accountants of integrity and intelligence examining the same facts would arrive at and report the same financial results. But this is not the case, and a great conflict in the profession has been joined because alternative accounting practices are accepted by many accountants. This conflict within the profession has great impact upon business, the public and other users of financial reports because they are not adequately informed as to the great swings in financial results that flow from alternative accounting practices.

Financial statements come under the scrutiny of business managers, moneylenders, financial analysts, investors, labor leaders, and government officials, who form conclusions based on what these statements reveal to them. For the reliability and fairness of these financial statements, they depend upon the CPA who states that, in his opinion, the financial statements present fairly the financial position and results of operations of the company in conformity with generally accepted accounting principles applied on a consistent basis. The accounting profession is very much concerned today with the meaning of that phrase "generally accepted accounting principles."

The phrase "generally accepted accounting principles" has never been adequately defined. Over the years, alternative and sometimes contradictory accounting principles have gained general acceptance. Business management has considerable latitude or flexibility in adopting the accounting and reporting practices which best serve its interests. Specifically, these alternative practices are available in determining the method of inventory valuation, plant and equipment depreciation policy, recognition of research costs, and reporting of extraordinary transactions of a nonoperating nature, to name only a few.

A simple example illustrates the point. Below are comparative income statements of two hypothetical companies, *A* and *B*. The companies are vigorous competitors of nearly equal size. They manufacture their products with comparable efficiency using similar plant and equipment. Their sales volume is assumed to be the same for the year under review. Costs and expenses, however, vary widely, or so it appears in their statements. As a result Company *A* reports a net profit of $3.2 million, or $3.20 a share, while Company *B* reports a net profit of $5 million, or $5.00 a share, a substantial difference. Is Company *B's* apparently better showing indicative of greater earning power or better management? Not necessarily — for purposes of this discussion the material difference in reported net profits of the two companies is attributable to different accounting policies.

	Company A	*Company B*
Sales	$50,000,000	$50,400,000
Costs and expenses—		
Cost of goods sold	$30,000,000	$30,000,000
LIFO inventory reserve	2,000,000	—
Depreciation	3,000,000	2,000,000
Research costs	1,000,000	200,000
Officers' salaries	1,000,000	1,000,000
Selling expenses	7,000,000	7,000,000
	$44,000,000	$40,200,000
Profit before taxes	$ 6,000,000	$10,200,000
Provision for Federal income taxes	3,100,000	5,200,000
	$ 2,900,000	$ 5,000,000
Gain on sale of real estate (net of taxes)	300,000	—
Net profit	$ 3,200,000	$ 5,000,000
Per share (1,000,000 shares)	$ 3.20	$ 5.00

What impressions are likely to be formed by each of the special interest groups I have mentioned as they survey these operating results? Companies are competitive not only in their products and services, but in their financial position and operating results as well. Management feels a constant pressure to report ever more favorable earnings. Their attitude merely reflects the attitude of individual investors, who are gratified to see a steady growth in sales and earnings and, correspondingly, in the market values of their investments. When alternatives are equally available to a company and its competitors, the pressure for selection of the one that produces the more favorable showing is apparent, whether or not it is sounder or more readily supportable in the circumstances.

The CPA comes to grips with these conflicting interests as he seeks to promote a sound and equitable solution of them. Shall the accountant give his blessings to any and all of these alternative practices as long as they are "generally accepted"? Or shall he strive for adoption of those practices which, in his independent judgment, are sound and best reflect the economic facts in the circumstances whether or not the results are gratifying to one special interest or another? The pressures brought to bear upon the accountant by the owners and management of his clients are sometimes extreme, but the independent accountant must maintain his beliefs if he has integrity.

As an independent public accountant, I believe that financial statements should be prepared on the basis of sound accounting principles and should be as useful as possible to all segments of our society. In determining net income, I believe that these objectives are achieved only with a proper matching of revenues with the costs incurred to produce them. Furthermore, I believe that such a proper matching is best attained when the revenues and costs are stated in dollars of the same purchasing power. Referring to the example of the comparative income statements of Company *A* and Company *B*, let's look at the caption "LIFO inventory reserve." Company *A* values its inventories by the last-in, first-out method, which means, basically, that it matches the current costs of the products it sells with the current revenues earned from their sale. The costs assigned to the inventory on hand remain at a relatively constant amount, assuming that the quantity of inventories on hand likewise remains fairly stable. These quantities of inventories on hand might be termed a normal stock necessary to the operation of a going concern. Their carrying value varies according to the quantity on hand, for the most part, rather than to changes in price levels. In times of rising prices, under the LIFO method of inventory valuation, the increasing costs of goods are matched with the revenues realized from their sale and, as we all know, rising prices typically march step by step with rising costs.

Company *B*, on the other hand, values its inventories by the first-in, first-out method, which means that it matches the oldest costs of its products with the current revenues realized from their sale, and the inventories remaining on hand are valued at the most recent or current costs. In an inflationary period, while sales prices and revenues increase in response to higher product costs, these higher costs are assigned to the inventory remaining on hand and the older lower costs are matched with sales revenues. Thus, in inflationary period, companies which follow the FIFO method of inventory valuation realize what we accountants call inventory profits arising from increased price levels.

In our example, Company *A* has recognized the higher cost of its products amounting to $2 million as current costs. Company *B* has assigned these higher costs to its inventories and will match them against the sales of a future period. The effect on the income statements of the two companies, resulting from the use of these alternative methods of inventory valuation, is a difference of about $1 per share after giving effect to federal income taxes.

Both of these methods of inventory valuation have gained general acceptance not only in accounting circles, but also for federal income tax purposes. Some companies follow one method; some companies follow the other. We must question whether the availability and use of such alternative methods that produce such significantly different results can be squared with our objective of preparing financial statements that are sound and as useful as possible to all segments of society. Many accountants argue that any acceptable method may be followed as long as it is disclosed and followed consistently. Thus, it would seem that consistency and disclosure were more important than the soundness of the practice or the usefulness of the results. While it is recognized that every company must decide for itself which method of inventory valuation is most appropriate to its needs and circumstances, I believe that the income statement which gives recognition to changing price levels through a proper matching of current costs and current revenues, is more useful than the income statement which matches last year's costs with this year's revenues.

Look now at "Depreciation," the next caption in our hypothetical income statements. I have stated previously that Company *A* and Company *B* have comparable plant and equipment. Let us assume also that each company's productive facilities are about 15 years old, which means that for the most part, they were acquired immediately after the end of World War II. Each company's facilities, likewise, have about the same productive useful life. These productive facilities represent a part of the cost of the goods they produce. Through one or another methods of depreciation, the accountant attempts to match these costs of the productive facilities with the revenues derived from their use. It is the same problem of properly matching costs and revenues that we considered in discussing alternative methods of inventory valuation.

But the depreciation problem has a slightly different twist. Before, we were talking about matching the costs of today's purchases with the earnings from today's sales. Now, we still have today's selling prices, and we want to match them with today's costs of equivalent productive facilities, but our plant and equipment is recorded in 1946 dollars.

In charging depreciation of $3 million against current operations, Company *A* has recognized the erosion of the dollar's purchasing power as a result of inflation. Company *A* has determined that $3 million in 1961 represents purchasing power equivalent to $2 million in 1946, and has concluded that its depreciation provision of $3 million more realistically measures the cost of its productive facilities consumed in operations than a provision based solely on historical cost. Company *B's* depreciation charge, of course, is based solely on historical cost and gives no recognition to the impact of inflation on the dollar's purchasing power.

Now, in recognizing the effect of price level changes, Company *A* is a real pioneer. Its depreciation policy is not in accordance with generally accepted accounting principles and Company *A's* accountant, in expressing his opinion on Company *A's* income statement, is obliged to report this policy and to disclose its effect upon the income statement. Although the American Institute of Certified Public Accountants is continually studying this problem of price level depreciation, its stated position has been, and remains, that inflation has not yet gone so far that original dollar costs have lost their practical significance. The Securities and Exchange Commission takes the same position as that of the American Institute.[8]

Thus, as matters stand today, companies, like Company *A*, have little authoritative support for their belief that depreciation equivalent to the purchasing power that existed when the related productive facilities were acquired, must be charged to current operations before a true profit is realized. Many, perhaps most accountants, believe that it is the responsibility of business management to educate stockholders, employees, investors, and the other special interests we have mentioned, to understand that sufficient earnings must be retained in the business to provide for replacement of productive facilities at current costs. They suggest that supplementary schedules, footnotes, and the like, are proper vehicles for explaining the need for retaining earnings. If enough readers of financial statements can be persuaded successfully to digest the fine print, perhaps this educational goal can be achieved. Nevertheless, we seriously question whether income statements which continue to reflect depreciation charges based solely on historical costs really fulfill our objectives of soundness, fairness, and maximum usefulness to all segments of society.

Returning to our hypothetical income statement, notice that Company *A* has charged research costs amounting to $1 million against current operations, while Company *B* has charged only $200,000 of research costs against current operations. We assume that each company has incurred an equal amount of expense in connection with its research and development program, but again, the two companies have gone separate ways in accounting for these research costs. Company *A* has charged all of its research costs against current operations, while Company *B* has chosen to capitalize its research costs and amortize them over a five-year period. There is room for both practices under the umbrella of generally accepted accounting principles and both practices are permissible in determining income for federal income tax purposes as well.

We cannot be critical of either company's practice without knowledge and understanding of the facts. In the rapidly changing technology of today, the successful future of many business enterprises is dependent upon a continuing program of research and experimentation. It may be that the results of Company *A's* program are highly speculative and bear little promise of future usefulness. Accordingly, Company *A* has decided to write-off its costs

8 RAPPAPORT, SEC ACCOUNTING PRACTICE AND PROCEDURE 260 (1956).

currently. It may be that Company *B's* program has yielded a new process or machine from which the company will derive added revenues in years to come. Accordingly, Company *B* has elected to defer a portion of these costs to future periods when they will be charged against these added revenues. If these are the facts, we must agree that each company's policy is sound and fair.

In practice, unfortunately, many companies have often been guided more by conservatism than by the objectives of fairness and soundness. Accountants, too, have generally approved the practice of writing off research and development costs as they are incurred, primarily because of the difficulty of determining whether the costs have any real future benefit and, if so, how to match the deferred costs with the related revenues. We are dealing again with the problem of properly matching related costs and revenues.

Perhaps this sounds like a problem of accounting theory that bears no relationship to our problem of conflicting interests. The problem of properly matching research costs and related revenues, however, also involves management's accountability for the costs incurred. If research costs and related revenues are not properly matched from one year to the next, the mismatching may have a material affect on the income statements of successive years with consequent distortions of net profit. How then would stockholders, investors and other interested parties properly evaluate the company's results of operations? We believe that it is the responsibility of management to adopt an accounting policy for research and development costs that is sound. It is likewise, the CPA's responsibility to promote the adoption of such sound policies.

These are three areas where alternative and sometimes directly opposite accounting practices can result in significant variations in reported net profit. In the first and third cases, both of the two practices described have won general acceptance. In the second case, the alternative which appears to us to be sounder in an economic sense, is not generally recognized. Be that as it may, our hypothetical companies *A* and *B,* have adopted a policy in each of these problem areas and the results for the year are in. Let's look again at what they show, remembering that both of our companies compete directly with each other in the same industry, have essentially the same productive facilities, and have attained the same volume of sales. Company *A* reports a net profit before federal income taxes of $6 million, but Company *B* reports a net profit before federal income taxes of $10.2 million, or more than 65% greater than Company *A*.

Each company had one other transaction that we should consider, however. Each company sold a piece of real estate during the year on which it realized a capital gain of $400,000. In reporting the results of this transaction in its income statement, Company *A* has chosen to set out this unusual and possibly nonrecurring capital gain, net of applicable federal income taxes, below the profit resulting from ordinary operations. Company *A's* management believes that it is important for the readers of its income statement to know that, of the total net profit of $3.2 million, ordinary operations produced $2.9 million and the remaining $300,000 was realized from the profitable sale of real estate.

Company *B,* on the other hand, has elected to report this transaction somewhat differently. While it is recognized that Company *B* is not in the business of selling real estate, its management, nevertheless, considers this transaction all a part of the year's business and has included the total capital gain of $400,000 in its profit arising from operations. Company *B's* provision for federal income taxes include the capital gains tax.

Obviously, the reported net profit of each company is unaffected by the manner of reporting the capital gain. The question may well be asked, however, as to which method of reporting is clearer and more meaningful.

One needs only to scan the financial pages of our daily newspapers to be aware of the significance which businessmen, and the public generally, attribute to reported net profit and earnings per share. We see companies reporting these figures annually, quarterly, and, indeed sometimes even monthly, whereas one must look to annual reports and interim mailings to shareholders for other details of a company's financial position or results of operations. In many competitive industries, a veritable contest, or race, occurs annually to be the first in print with the amounts of net profit and earnings per share.

This phenomenon highlights the significance of the amounts reported, yet we have seen how widely these amounts may vary because of alternative accounting and reporting practices. Nevertheless, the diverse interests in our society are making countless decisions every day on the basis of these reported results, whatever the method of their determination may be. Stockholders are comparing the results of their company with competing companies, are measuring and appraising management's performance, and are comparing the market value of their investment in relation to net profit and earnings per share. Financial analysts, and the investing public generally, are making the same determinations. Employees and their labor union leaders are continually demanding a larger share in the employer company's success. Companies in apparent financial difficulty, on the other hand, cite operating losses in resisting labor's demands, often to the point of calling for concessions from labor. Businesses in need of capital funds for replacement of productive facilities, or for expansion, attribute much of their appeal or lack of appeal to investors and lending institutions to good or poor earnings' records. Indeed, the financing of our national government, and some of our state governments, is geared to anticipated business earnings. We are all familiar with government forecasts of budget surpluses resulting from higher income tax receipts in times of prosperity and, conversely, of budget deficits when income tax receipts fall off in times of recession. The accountant must heed and must respond to the voices of all of these special interests as impartially as he seeks to promote the principles and practices that will yield financial statements, which, in his judgment, are sound and equitable and of maximum usefulness to all of these conflicting interests.

Conclusions

An aroused public opinion is asking hard questions and demanding straight answers about conflicts of interest in today's business world.[9] The

9 See Business Week, Oct. 8, 1960, p. 32.

CPA's practice takes him as a participant to the very heart of these conflicts. Some of these are being fought within his own profession. Others develop between his clients and the various elements of society which have some economic interest in them.[10] Others concern the accountant's own relationships with his clients and with the various elements of society.[11] The accountant is involved in still other conflicts between companies and within companies. In order to find acceptable solutions to the conflicts that surround him, the CPA must demonstrate a high degree of independence, free of bias and partiality. He must exercise keen judgment founded on sound principles. Finally, he must offer opinions that are as fair and as useful as possible to those who rely upon them.

10 For an excellent comment on the dual practice of law and accounting, see 39 TEX. L. REV. 59 (1960).

11 See Caron, *The CPA and Estate Planning*, 100 TRUSTS AND ESTATE 306 (1961).