

NEWS RELEASE

FOR IMMEDIATE RELEASE

CPA FINANCIAL EXECUTIVES FORESEE CONTINUING DECLINE IN THE U.S. ECONOMY

Outlook Dims for Finance, Real Estate, Retail Businesses

NEW YORK (Feb. 20, 2008) – Expectations for the U.S. economy turned sharply negative among senior-level executive CPAs as the outlook for finance, real estate and retail trade declined in the first quarter, according to the latest Business and Industry Economic Outlook Survey of the American Institute of Certified Public Accountants and the University of North Carolina’s Kenan-Flagler Business School.

For the first time since the AICPA survey began in December 2005, pessimists outnumbered optimists and did so by nearly a five-to-one margin. The economy emerged as the top issue facing lawmakers and U.S. presidential candidates.

A 59 percent majority of CPA respondents said they were pessimistic or very pessimistic about the economic outlook for the U.S. over the next 12 months. Meanwhile the new survey found only 11 percent of CPAs in executive positions expressed optimism about the economy.

“This is a strong signal from CPA financial executives serving in business and industry that they think the U.S. economy is slowing down,” said Arleen Thomas, senior vice president of the AICPA. “At the same time, CPAs express more confidence in their own businesses, suggesting the downturn may not be as deep as some may fear.”

Forty-six percent of executive CPAs said they were optimistic or very optimistic about their organization’s economic prospects over the next 12 months, while 21 percent said they were pessimistic or very pessimistic. Most organizations still expect some growth in revenue, profits and employment.

“The good news is that executives anticipate increases in revenues, net income and employment for their firms in the next 12 months,” said Mark Lang, PhD, a professor of accounting at UNC Kenan-Flagler.

-more-

“The bad news is that they expect a downturn for the economy as a whole. In the end, the implications for the U.S. economy depend on which assessment is more accurate,” Lang said.

A 57 percent majority said the economic stimulus package passed by Congress was necessary to forestall a recession. Asked to identify the top three issues facing U.S. policymakers in this election year, a third of respondents named economic growth, energy prices, and the value of the U.S. dollar as key concerns.

Methodology

More than 1,500 CPAs who are senior-level executives responded to the latest Business and Industry Economic Outlook Survey conducted via an online questionnaire Jan. 18 to Feb. 10. The margin of error was plus-or-minus 3 percentage points.

CPAs who hold leadership positions as chief executives, chief operating officers, chief financial officers or controllers in their companies hold well-informed expectations for both the U.S. economy and their organizations.

More information and full poll results are available on the AICPA Financial Management Center Web site at <http://fmcenter.aicpa.org/>.

International Standards

In a new partnership with the University of North Carolina at Chapel Hill’s Kenan-Flagler Business School, the AICPA poll contained a survey within a survey asking a set of questions about executive CPA views on U.S. use of international accounting standards.

The Securities and Exchange Commission is considering allowing U.S. firms to begin reporting under international standards in place of U.S. generally accepted accounting principles. CPA financial executives responding to the poll said they support the adoption of International Financial Reporting Standards in general, but are cautious about adopting IFRS for their companies.

“Overall, while there appears to be solid support for IFRS in principle, relatively few firms are prepared to apply it in practice and there is a good deal of uncertainty about the likely effect,” said Lang, who teaches and conducts research in financial accounting.

-more-

Most respondents, 58 percent, supported the SEC's decision to allow foreign registrants to file in the U.S. under IFRS without submitting a reconciliation statement to U.S. GAAP.

"The move towards International Financial Reporting Standards has gained momentum very rapidly since the Securities and Exchange Commission's decision to eliminate the reconciliation requirement for foreign filers," Thomas said.

"The AICPA is committed to providing the leadership, advocacy and education that our members expect as we navigate what will be a very significant change in the profession," Thomas said.

About UNC Kenan-Flagler

The University of North Carolina at Chapel Hill's Kenan-Flagler Business School is known for innovative research and extraordinary learning experiences. Its commitment to developing socially responsible, results-driven leaders distinguishes its programs, which educate people at every stage of their careers.

UNC Kenan-Flagler prepares business leaders to manage successfully in the global business environment through its Master of Accounting, MBA, MBA for Executives undergraduate BSBA, PhD and Executive Development programs. The Frank Hawkins Kenan Institute of Private Enterprise helps business and government tackle problems with impact on society.

<http://www.kenan-flagler.unc.edu/>

Lang served in advisory roles to the Financial Accounting Standards Board, Securities and Exchange Commission, International Accounting Standards Board, AICPA and the Chartered Financial Analyst Institute. His research appears in the *Journal of Finance*, *Journal of Accounting Research*, *Journal of Accounting and Economics*, *Quarterly Journal of Economics and Accounting Review*.

About the AICPA

The American Institute of Certified Public Accountants (www.aicpa.org) is the national, professional association of CPAs, with more than 350,000 members, including CPAs in business and industry, public practice, government, and education; student affiliates; and international associates.

It sets ethical standards for the profession and U.S. auditing standards for audits of private companies; federal, state and local governments; and non-profit organizations. It develops and grades the Uniform CPA Examination.

The AICPA is the sponsor of a national public-education effort called 360 Degrees of Financial Literacy (www.360financialliteracy.org), designed to improve the financial understanding of Americans at all age levels. A related campaign, Feed the Pig (www.feedthepig.org), cosponsored with the Ad Council, is designed to help Americans 25 – 34 save for long-term financial security.

The AICPA maintains offices in New York; Washington, D.C.; Durham, N.C.; Ewing, N.J.; and Lewisville, TX.

Media representatives are invited to visit the AICPA Online Media Center at www.aicpa.org/mediacenter.

Media Contacts:

AICPA:

William Roberts

202-434-9266

wroberts@aicpa.org

UNC Kenan-Flagler:

Allison Adams

919-962-7235

aadams@unc.edu