

**Indiana CPA Society  
Case Competition 2007**

The AICPA Private Companies Practice Section (PCPS) regularly conducts research into issues that affect CPA firms. Recent results confirmed that given the number of baby-boomer CPAs who will retire in the next 10 years, the shortage of management staff, and the likely buyers' market for firms that will evolve, it is critical that many practitioners begin succession planning now in order to secure their firm's future. In the coming years, many current college accounting students will be faced with the decision of whether to build or buy a practice.

**The situation.** Winter, Winter, and Summer (WWS) is a Hammond, Indiana, accounting firm founded by Stan Winter and his good friend Bill Summer in 1980. Bill's wife, Jane, and Stan's brother Steve joined the firm as partners in 1990. Stan and Bill are 59, Steve is 45, and Jane is 56. None of the partner's offspring has followed in their parents' footsteps and chosen accounting as a profession. Bill and Jane, due to Bill's health, would like to exit the firm as soon as reasonably possible. Stan does not wish to continue expending the time commitment needed to operate a thriving practice and would like to retire within a few years. Ideally, Stan would like to sell the firm and transition out of the business gradually.

The firm currently has a very capable and trained staff of 12 other than the four partners. Bill and Jane oversee the firm's Tax, Compilation, and Write-up services; Stan, the firm's Audit and Review services; and Steve, the MAS and Business Consulting Services. The client base is predominantly small manufacturing companies, professional service providers, and agriculture companies (cooperatives and producers). The firm has an excellent reputation in the community and does not lack for client referrals. A couple of the 30 something managers have been considering leaving and starting their own firm.

Your team has been contracted by WWS to compose a succession plan for the firm's partners involving a sale of the firm. You have been provided the firm's most recent year end balance sheet and the last three full year's income statements.

Using the information provided in the case, industry publications, news articles, and other information available, please compose a succession plan for the sale of the firm to be presented to the four partners addressing the following issues:

1. Discuss the advantages / disadvantages (possible pitfalls) to a potential buyer of an existing practice.
2. Discuss ways the partner's can build value into the firm.
3. Discuss roles and responsibilities of the retired partners that may reasonably be expected by a purchaser.
4. How would you determine a value for the accounting firm? Discuss the following:
  - a. Factors considered
  - b. Resources utilized
  - c. Estimated preliminary value
  - d. Rationale for the ensuing value.