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### Acceptance Remarks

Grant W. Newton

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## ACCEPTANCE OF THE DISTINGUISHED SERVICE AWARD FOR LIFETIME ACHIEVEMENT

*Grant W. Newton\**

First, I wish to thank the editors of *Emory Bankruptcy Developments Journal* and Keith Shapiro<sup>†</sup> for selecting me as the recipient of the *Journal's* 2016 Distinguished Service Award for Lifetime Achievement. It was an honor to be introduced by Keith. I have known Keith since the AIRA<sup>1</sup> was formed over 40 years ago. Keith helped us file all of the necessary documents for formation of the AIRA and continues to serve as the AIRA's general counsel. During my work in teaching and consulting, I have read a large number of articles from the *Emory Bankruptcy Developments Journal*, but I never dreamed of receiving this award.

I also want to thank this year's Editor-in-Chief, Armstead Lewis, and Linhadley Eljach, the Executive Marketing Editor, for making all the arrangements for my wife Valda and me to come to Atlanta to receive the award. Normally, when I travel to make a presentation, I journey alone—I get off the plane, grab my bag, go to the taxi stand, and check into a hotel without exchanging more than a few words with anyone. Not so here—I was welcomed by a second year law student, Jacob Dean, who greeted us at the airport and took us to the Emory Conference Center Hotel, where we were made to feel at home.

Talking to Jacob took me back to my own experiences as a student and grad student. When I graduated from University of North Alabama with a degree in accounting, I did not know what I was going to do, but I knew one thing for certain—I did NOT want to teach. I had a cousin who was a teacher and many teachers in grade school and Sunday school whom I respected, but I just didn't identify with teaching or see myself as being a "teacher." I never really thought seriously about it, but I just thought I wouldn't enjoy teaching.

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\* Professor Emeritus of Accounting, Pepperdine University. These remarks were delivered on April 7, 2016, at the Annual Banquet of the *Emory Bankruptcy Developments Journal*.

† Keith J. Shapiro is the Vice President of Greenberg Traurig. He is also the Chairman of the Chicago office, National Chairman of Strategic Recruitment and Co-Chair of the firm's Business Reorganization & Financial Restructuring Practice. He serves as Alumni Advisor to the *Emory Bankruptcy Developments Journal*.

<sup>1</sup> The Association of Insolvency & Restructuring Advisors.

So, when I was offered an assistantship at the University of Mississippi that involved teaching, I turned it down and accepted an offer from the University of Alabama that did *not* involve teaching—they said they wanted someone to do research, which is what I thought I wanted to do. I really liked the idea of doing research, so I was really excited as I prepared to go to the University of Alabama to start my graduate studies and work as a research assistant.

Now, unknown to me, about two weeks before the fall semester started, a telegram was sent to me in my home town of Lexington, Alabama, that was to alter my entire career. My wife pointed out to me that many of you have probably never gotten a telegram. In those days—I hate to tell you how many years ago—in rural Alabama, a telegram was the equivalent of an email or a text message in today's environment. It was an urgent message telling me to arrive at the University of Alabama a week early to attend an orientation and pick up my textbooks because they needed me to teach instead of do research. But, I never received the telegram.

So, I arrived on campus the day before classes began, and when I went to register that afternoon, I was asked why I arrived late and missed the orientation for graduate student teachers. I was also told that the class I was to teach started at 8:00 a.m. the next morning. As you can imagine, I was in complete shock. I was given a key to an office—which was a large room with 8 to 10 desks—where I picked out a desk that was not already occupied, started to read the first chapter of the financial accounting textbook, and began preparing a teaching outline for the first time in my life.

To my surprise, the next morning I found I enjoyed teaching! As a result, I have spent most of my career teaching—as an accounting professor at universities including the University of Alabama, the University of Bridgeport (Connecticut), California State University, and Pepperdine University. I have also taught as an instructor of professional courses for firms and organizations, especially the AIRA and the AICPA.<sup>2</sup> I have taken some time off for research in my work as a financial advisor and consultant, but I have truly enjoyed teaching, and I am thankful for the opportunity to teach and work with so many students over the years. I have learned a great deal from my students and fellow instructors!

The next phase of my education and career, however, *did* involve research. In the late 1960s, I was in search of dissertation topic and became interested in

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<sup>2</sup> The American Institute of Certified Public Accountants.

doing something on social accounting. I made a trip to Washington, D.C. and met with individuals from the EEOC,<sup>3</sup> which had begun operations in July of 1965, one year after the passage of the Civil Rights Act of 1964.<sup>4</sup> I was interested in looking at the economic benefit to society, and how to account for those benefits, in the implementation of the recently passed equal employment opportunity laws.

I went back to NYU<sup>5</sup> and walked into the office of my advisor, Dr. Lee Seidler, a professor in accounting. Dr. Seidler taught one of the first accounting courses offered in the U.S. dealing with social accounting, and I was actually somewhat in awe of him. I had taken his social accounting course and had read his book on social accounting.<sup>6</sup> I walked into his office intending to discuss my ideas with him and give him a copy of my dissertation proposal. I thought he would be excited about my proposal. This meeting, however, was when another unexpected turning point happened that altered the course of my career.

As soon as I entered Dr. Seidler's office, he asked me if I would be interested in writing my dissertation on accounting for chapter 11. Initially, I thought he was talking about chapter 11 in the advanced accounting textbook. As the conversation continued, I subsequently learned that he was talking about bankruptcy filings. The New York State Society of CPAs had a committee on bankruptcy. This committee was interested in funding a research project for a professor to develop a document on how to account for the activities of a company while in a chapter 11 bankruptcy, and how to report the results from a plan allowing the debtor to emerge from chapter 11. A member of the committee called Professor Seidler, just before I met with him, to see if he could find a graduate student to do this research. Although I never discussed my proposed social accounting topic with Dr. Seidler, I promptly agreed to do the research.

Then another twist in my path came up. Just as I was about to start the project, the New York Society of CPA's changed presidents. The new president told the Society's bankruptcy committee that no funds would be advanced to fund research in the area of bankruptcy. That gives you some idea

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<sup>3</sup> Equal Employment Opportunity Commission.

<sup>4</sup> Civil Rights Act of 1964, Pub. L. 88-352, July 2, 1964, 78 Stat. 255, 42 U.S.C.A. §§ 1988 – 200h—6.

<sup>5</sup> New York University.

<sup>6</sup> SOCIAL ACCOUNTING: THEORY, ISSUES, AND CASES (Lee J. Seidler & Lynn L. Seidler eds., Melville Publishing Co. 1975).

of the status of the bankruptcy profession for financial advisors, and mostly likely attorneys, in the 1960s.

This change of plans actually turned out to be a blessing. The members of the Bankruptcy Committee of the Society were disappointed in the action of the new president and, as a result, they gave me complete access to their bankruptcy clients' files to use in my research. They also arranged for me to meet with partners in their firms and partners from other firms involved in bankruptcy services to help in my research. I am still grateful for all of the assistance that I received from those professionals.

Once my dissertation was completed, a representative from Ronald Press—which was later acquired by John Wiley—asked me if they could publish my dissertation as a textbook for accounting professionals, which is now in its seventh edition.<sup>7</sup> Subsequently, I also published with Wiley a book on bankruptcy and insolvency taxation, with the assistance of Gilbert Bloom at first—and later Robert Liquerman, both with KPMG.<sup>8</sup> My project for the next year or so is to revise both of these books.

In thinking about this presentation, I decided to discuss three major aspects of my career in bankruptcy accounting that have been especially meaningful and gratifying.

*A. AICPA Task Force to Develop Statement of Position 90-7*

The first major area is being appointed by the AICPA to be on the task force that developed the AICPA's Statement of Position 90-7, dealing with Bankruptcy Accounting. This standard is now a part of Accounting Standards Codification § 852. As a member of the task force, I was able to help draft parts of this standard and several of us had the opportunity to meet with members of the Financial Accounting Standards Board. We discussed the content of the standard on two occasions with the Board before it was issued by the AICPA.

Those of you that are accountants or financial advisors will recognize that prior to the issuance of SOP 90-7, financial advisors had no guidelines to follow when reporting on the activities of a company in bankruptcy or

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<sup>7</sup> GRANT W. NEWTON, *BANKRUPTCY AND INSOLVENCY ACCOUNTING* (John Wiley & Sons eds., 7th ed. 2009).

<sup>8</sup> GRANT W. NEWTON & ROBERT LIQUERMAN, *BANKRUPTCY & INSOLVENCY TAXATION* (John Wiley & Sons eds., 4th ed. 2012).

experiencing financial difficulty. The two challenges that had to be addressed were how to report the activities of the debtor during chapter 11, and how to reflect the results of a plan of reorganization when the debtor emerges from chapter 11.

Some of the main issues addressed in developing SOP 90-7 were how to handle income from the discharge of debts, how to report costs associated with the restructuring, and how to adjust the balance sheet to reflect the value of the assets and the amount of the liabilities that survived the bankruptcy. These matters are all relatively familiar now, but at first, no real guidance existed.

*B. Certified Insolvency and Restructuring Advisor Certificate and Certification in Distressed Business Valuation*

The second major area I was thankful to be a part of was playing a part with the AIRA in establishing two formal programs to certify financial advisors working in bankruptcy and restructuring. The first was the Certified Insolvency and Restructuring Advisor certificate (“CIRA”), and the second was the Certification in Distressed Business Valuation (“CDBV”).

For both the CIRA and CDBV programs, I had the opportunity to be involved in developing the standards, body of knowledge, and course materials for the CIRA and CDBV programs. I have been teaching the CIRA and CDBV courses for the last 2 decades since retiring from full time teaching at Pepperdine. I have enjoyed every minute of it—except for grading the exams—and met and learned from students, many of whom have become long-term associates and friends.

*C. Answering Technical Questions*

The third major area that I have thoroughly enjoyed has been answering technical questions. I loved getting those questions. Without those questions and the challenges they gave me to help develop a solution, the job as Executive Director of the AIRA might have lacked some of the intellectual challenge I had in more academic research, writing, and consulting. Answering those questions was also a way to obtain a better knowledge of the issues practitioners are facing. Often these questions suggested some issues that should be discussed in the CIRA and CDBV courses, included in the bankruptcy tax or accounting text books, or serve as recommendations to pass on to others for action in the future.

Another very interesting area, which is beyond the scope of this presentation, was being part of a task force invited to help the People's Republic of China put together its own bankruptcy law. On this project, I was most honored to work with Professor Li Shu Wong of Beijing University, who is recognized as the author of China's bankruptcy "code."

Again, I want to thank the *Emory Bankruptcy Developments Journal*, and everyone here, for your support, kindness, and inviting me to join you this evening to honor me with the 2016 Distinguished Service Award for Lifetime Achievement.