

## PCC Comes Up for Review

The Private Company Council (PCC), established in May 2012, is approaching the three-year mark when the overall assessment of its operations is to be performed. To assist the Board of Trustees of the Financial Accounting Foundation (FAF) in determining if the PCC is fulfilling its mission, a request for comment from stakeholders has been issued with a comment deadline of May 11, 2015. NASBA will be submitting its comments to the FAF.

FAF Chairman Jeffrey J. Diermeier stated: "Going forward, the PCC will need to balance the demands of its role as an advisory body to the FASB with its responsibility to identify and help resolve private company financial accounting and reporting issues that arise in current GAAP. We are seeking stakeholder input to help determine whether the identified improvements will help the PCC achieve this balance."

Among the possible improvements on which the Trustees are seeking comment are:

- The PCC should continue to establish working groups for select FASB projects.
- There should be a mechanism for consistent and continuous feedback on active FASB projects among the PCC members and FASB members and staff.
- The PCC should continue transitioning to a body that primarily provides input on active FASB agenda projects.

Stakeholders are being asked to comment on whether the PCC has been successful in proposing alternatives within GAAP that address the needs of private company financial statement users. Also, has the PCC been effective as an advisory body to the FASB in the standard-setting process?

PCC members will review the PCC's accomplishments at NASBA's June Regional Meetings. ♦



## Court Rules Against Dental Board

The US Supreme Court on February 25 released its long awaited ruling in *Federal Trade Commission v. N.C. State Board of Dental Examiners* underscoring the need for States to exercise active supervision of a board if it delegates its regulatory authority to active market participants (see *sbr* 7/13). The six to three opinion, written by Justice Anthony Kennedy, had Justices Samuel Alito, Antonin Scalia and Clarence Thomas dissenting. The case involved the NC Dental Board's determining teeth whitening was part of the practice of dentistry and, therefore, their issuing at least 47 official cease-and-desist letters to non-dentists supplying that service. The Board was composed of six licensed dentists engaged in the active practice of dentistry and elected to the Dental Board by the licensed dentists in NC, one dental hygienist elected by the licensed hygienists and one public member appointed by the Governor. There was no mechanism for removal of an elected Board member by a public official.

NASBA Vice President of State Board Relations Dan Dustin wrote to the State Boards: "Our preliminary review of the various procedures followed by State Boards indicates that most member board enforcement activities are already consistent with the Court's decision. Of course, NASBA will review the UAA and Model Rules to determine if any adjustments might need to be considered through

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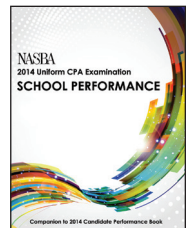
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## NASBA Candidate Stats Books Out

The NASBA 2014 Uniform CPA Examination School Performance Book, covering the four 2014 testing windows, is now available in both soft cover and eBook versions. Compiled to meet the needs of educational institutions, the Book is intended to serve as a companion publication to NASBA's 2014 Uniform CPA Examination: Candidate Performance



Book, which was released in late January. By having a narrower focus on the performance of first-time candidates who take Examination sections within one year of graduation, the *School Performance Book* more closely associates an individual's performance with his or her most recent education experience.

The NASBA *Candidate Performance Book* reports that during 2014, the jurisdictions with the most candidates were: California (12,381), New York (10,122) and Texas (5,668). Those with the highest

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## Ranking of Institutions by Pass Rate: First-Time, All Programs

Includes 776 institutions with 10 or more reported candidates

Rank	State	Institution (FICE)	Candidates Total	Sections Total	Percent Pass	Average Score
1	PA	UNIV PA (3378)	20	39	89.7%	84.0
2	WI	UNIV WI MADISON (3895)	187	553	87.3%	84.4
3	NC	WAKE FOREST UNIV (2978)	79	281	86.8%	84.2
4	GA	UNIV GA (1598)	243	567	86.2%	82.7
5	VA	WASHINGTON & LEE UNIV (3768)	20	52	84.6%	84.4
6	VA	UNIV VA (3745)	98	246	84.6%	83.5
7	UT	BRIGHAM YOUNG UNIV (3670)	268	673	84.0%	83.6
8	FL	UNIV FL (1535)	120	274	82.9%	82.6
9	TN	UNIV TN KNOXVILLE (3530)	134	326	82.8%	81.8
10	TX	UNIV TX AUSTIN (3658)	413	1,092	82.8%	82.0

Reprinted with permission from the *NASBA 2014 Uniform CPA Examination Candidate Performance report*.

### Candidate Stats Books (Continued From Page 1)

pass rate during 2014 were: Utah (62.3%), Wisconsin (58.8%) and South Dakota (58.3%). According to NASBA's figures, there were 91,384 candidates who took the Uniform CPA Examination (of which 39,798 were new candidates) with 25,643 passing their fourth section of the Uniform CPA Examination.

Background data for these publications was obtained directly from the State Boards of Accountancy's submission of eligible candidates' information into NASBA's Gateway System and then analyzed and assembled by Editor Matthew Wilkins and Contributing Editors Greg Gaynor and Mark M. Ulrich.

The *School Performance Book* can help track variables such as changes to the curriculum and admission criteria. It also clearly shows a school's comparative performance by region and program size. There are detailed school reports which contain four-year trending for several key data points for the 100 top institutions. Schools that seek custom reporting beyond what is found in publication can contact CPB@nasba.org for additional information.

Professor Mark M. Ulrich writes, "St. John's [University] has benefitted greatly from the excellent work of NASBA, especially through the custom pass rate reports, which allow a university to look at pass rates in much greater detail than what is published in the candidate performance books. St. John's has also participated in data collaboration sessions with NASBA and other universities and hosted a data collaboration session at its Manhattan campus in July 2014. St. John's and NASBA, along with Notre Dame University and the AACSB, also participated in a joint presentation regarding CPA Exam data and using pass rate results to support assurance of learning for accreditation purposes at the AACSB annual accreditation conference in September 2014."

Soft cover copies are priced at \$150 each for the *2014 Uniform CPA Examination Candidate Performance Book* and \$250 for the *2014 Uniform CPA Examination School Performance Book*. They are also available in eBook format at \$100 for *Candidate Performance* and \$200 for *School Performance*. Orders may be placed through [www.nasbareport.com](http://www.nasbareport.com). ♦

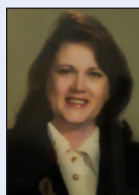
### 2015 Call for Grant Proposals

Through April 13, 2015, NASBA will be accepting grant proposals for accounting education research projects. Faculty and post-doctoral researchers in U.S. academic institutions are encouraged to submit proposals for research in educational issues impacting the public accounting profession and the Boards of Accountancy's charge to protect the public. Some suggested topics include: the impact of on-line and massive open online courses (MOOC) on accounting education; the effectiveness of non-traditional teaching and delivery methods; characteristics of successful Uniform CPA Examination candidates; and variables in accounting programs that impact candidates' Examination performance.

Recipients of the 2014 NASBA grants included researchers from Santa Clara University, Kansas State University, Florida State University and Western Illinois University. Grant recipients for this year will be announced in May. For 2015, a maximum of three grants totaling up to \$25,000 for one-year research projects will be awarded. The NASBA Education Committee, chaired by Dr. Robert J. Cochran (VA), will be reviewing the proposals and making their recommendations to the NASBA Board of Directors.

Grant proposals must be submitted electronically through [grantproposal@nasba.org](mailto:grantproposal@nasba.org) by 11:59 p.m. (Central Time) on April 13, 2015. More details on proposal submission can be found on [www.nasba.org](http://www.nasba.org). ♦

### Death of 1997-8 Chair Blake



Sarah Blake

We recently learned of the death in November of NASBA Chair 1997-8 Sarah G. Blake, CPA (AZ). A long-time member and past president of the Arizona State Board of Accountancy, Ms. Blake was the first woman president of the Arizona Technology Development Corporation and was active in NASBA's Technology and CPE Committees. She was a member of the Accounting Education Change Commission. At NASBA's Annual Meeting in 1996 she advised the Boards that electronic cross-border practice had arrived: "The changes that are occurring are just the beginning. Smart systems are going to make things more interesting – and more difficult to regulate." ♦

# PRESIDENT'S MEMO

## Changing Our International Thinking

For many years most Boards of Accountancy have recognized non-U.S. accountants using the Mutual Recognition Agreements (MRAs) developed by the NASBA/AICPA International Qualifications Appraisal Board (IQAB). These accountants hold professional designations which IQAB has determined have similar requirements to those for being a licensed CPA, as outlined in the Uniform Accountancy Act.

It is likely that since adopting the MRAs your state has not seen an applicant from any of the MRA countries other than Canada. The lack of applicants from MRA countries should not be misconstrued as indicating that there is no interest from international accountants in becoming licensed CPAs. There is pent up interest among other countries' professionals, but even if their requirements are as rigorous as those for the U.S. CPA, their professional or regulatory bodies may not be able to reach an agreement with IQAB that would provide for mutual recognition of U.S. CPAs.

The current MRA guidelines do not allow for granting a CPA to a professional from a country that has additional requirements for registered auditors. As an example, consider a country that has a large number of well-educated accountants who would like to have practice privileges in the U.S., but because their country requires six years of attest experience before they are granted audit practice privileges, the certifying entities will not accept U.S. CPAs under an MRA, as a CPA may only have one year of non-attest experience. Without an MRA, an accountant from that country would have to file an initial application for licensure, be individually evaluated, and ultimately sit for all four parts of the Uniform CPA Examination. Under an MRA, the international accountant would come to the Board with an acknowledged credential and would only need to take and pass the one-part IQEX.

For several years there have been discussions between the AICPA and NASBA about this issue. We have heard from firms across the country regarding their desire to have recognized as CPAs the foreign accountants they have hired. Recently, the leadership of AICPA and NASBA have asked IQAB to develop a different approach for identifying and accepting qualified international accountants from countries where a mutual recognition agreement is not in place. For lack of a better term, we are calling this process the "Licensed Professional's International Pathway" (LPIP), a unilateral approach to recognition.

Recently, NASBA Chair Walter Davenport and I attended the annual meeting of the Association of Chartered Accountants in the U.S. (ACAUS). We have been meeting with ACAUS leadership for several years. Through that organization we have ascertained that thousands of international accountants are living and working in the U.S. in accounting firms and private industry. In our discussions we have concluded that many of these individuals would seek state licensure if there were a process available to them that would recognize their credential coupled with years of professional experience.

NASBA is considering how we can leverage the expertise we have developed within the NASBA International Evaluation Services to assist IQAB in its processes. In reaching out to some State Board Members and Executive Directors, we have been encouraged to consider the unilateral approach as an opportunity for enhancing public protection. There is still a lot of work to be done before this pathway becomes a reality. As we are taking some substantial steps, and per leadership's promise of transparency, we want you to be aware that we are considering something new. Like most initiatives supported by NASBA, this effort will be spearheaded by State Board volunteers. NASBA Director-at-Large Telford Lodden (IA), who serves as Chair of NASBA/AICPA IQAB, will be leading this program.

Just as State Boards individually adopt MRAs, individual states will determine whether they will accept the LPIP applicants for licensure. We have recently spoken about how State Boards and NASBA need to react to what is increasingly becoming a global economy. We have a growing population of CPAs located outside the U.S. and a significant population of experienced international accountants located here in the U.S. who are actively integrated into business and accounting. We will be better prepared for both by changing our international thinking.

*Semper ad meliora (Always toward better things).*



**Ken L. Bishop**  
President & CEO

A handwritten signature in black ink that reads "Ken L. Bishop".

— Ken L. Bishop  
President & CEO



## Dental Board (Continued From Page 1)

the usual committee process.”

In the majority opinion, Justice Kennedy stated: “The States have a sovereign interest in structuring their governments ... and may conclude there are substantial benefits to staffing their agencies with experts in complex and technical subjects... There is, moreover, a long tradition of citizens esteemed by their professional colleagues devoting time, energy, and talent to enhancing the dignity of their calling.”

Justice Kennedy concluded: “The Sherman Act protects competition while also respecting federalism. It does not authorize the States to abandon markets to the unsupervised control of active market participants, whether trade associations or hybrid agencies. If a State wants to rely on active market participants as regulators, it must provide active supervision if state-action immunity under *Parker [v. Brown]* is to be invoked.”

Many questions are left open under this decision, according to Justice Alito, including: Who is an “active market participant”? “If Board members withdraw from practice during a short term of service but typically return to practice when their terms end, does that mean that they are not active market participants during their period of service?” What is the scope of the market in which a member may not participate while serving on the board? What is a “controlling number”?

NASBA Outside Legal Counsel Noel Allen will discuss the significance of this case and others for Boards of Accountancy at the June Regional Meetings. ♦

## International Concern with Audit Quality

Deficiencies in important areas of audits persist, the International Forum of Independent Audit Regulators (IFIAR) reports. IFIAR’s 2014 *Survey of Inspection Findings* is based on the 29 IFIAR member countries’ inspection of 948 public company audits in which they found deficiencies in 47 percent. The international regulators discovered the highest number of audit inspection deficiencies in the areas of internal control testing (24 percent), fair value measurement (20 percent), and revenue recognition (14 percent) of all the inspected audits. Most of the findings are consistent with IFIAR’s prior year surveys. The inspections were primarily of audit firms affiliated with the six largest international audit firm networks

Lewis H. Ferguson, IFIAR chair and member of the Public Company Accounting Oversight Board observed: “We continue to see high levels of inspection deficiencies in vital areas of public company audits. This is a problem for investors and stakeholders around the world.”

IFIAR intends to continue monitoring developments in audit quality and is advising audit firms to: (1) develop a robust root cause analysis to gain a clearer understanding of the factors that underlie these findings and take appropriate remedial actions and (2) continue improving their auditing techniques, as well as their oversight policies and procedures.

Only seven of IFIAR’s member countries observed overall improvement in audit quality at the jurisdictional level -- and one observed overall decline. ♦