

Diversity of Accounting Students Up

The AICPA reports that in the 2017-2018 academic year, racial/ethnic diversity among accounting graduates has increased, including a 7 percentage point rise in the number of Hispanic or Latino accounting graduates. *2019 Trends in the Supply of Accounting Graduates and the Demand for Public Accounting Recruits* has been released by the AICPA <https://www.aicpa.org/content/dam/aicpa/interestareas/accountingeducation/newsandpublications/downloadabledocuments/2019-trends-report.pdf>, and the significance of the reported findings will be discussed at NASBA's Annual Meeting by Joanne Fiore, AICPA Vice President- Professional Media, Pathways and Inclusion. Those designating themselves as "white" in 2018 remain the largest percentage of new bachelor's and master's of accounting graduates (58 percent), followed by "Asian/Pacific Islanders" at 16 percent. In 2017-18 there was an equal percentage by gender of new accounting graduates with bachelor's degrees, while women accounted for 53 percent of the master's degree graduates in that year.

While there was a significant increase in the number of CPA

2018 ACCOUNTING TRENDS



53%
Women
Earned
Master's
Degrees



7%
increase in
Hispanic/Latino
accounting
graduates



23,941
Candidates
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fourth section
of the CPA Exam

Examination candidates in 2016, in 2018 the number fell to its lowest level in 10 years, 36,827. However, the number of CPA candidates who passed their fourth section of the Uniform CPA Examination in 2018 was 23,941, while in 2006 only 14,101 passed their fourth part.

Yvonne Hinson, the AICPA's Academic-in-Residence, points out: "Across the last two *Trends* reports, we have experienced an approximate 30 percent decline in hiring of new accounting graduates. The marketplace continues to demand different competencies and, while accounting graduates are still being hired, firms are seeking other skill sets to expand services. We are seeing that the gap in skill required in the profession, especially as it relates to technology needs, is being met with non-accounting graduates." ♦

ARPL Gets Professional Message Out

Summer may have been slow for some, but the Alliance for Responsible Professional Licensing (ARPL) has been hard at work telling legislators "Responsible Licensing Matters" and "One Size Does Not Fit All" when it comes to highly complex and technical professions. Prior to the National Conference of State Legislators' (NCSL) Legislative Summit, August 5-8 in Nashville, ARPL reached 82,000 individuals on Facebook and 15,000 individuals on Twitter with these messages. This campaign represented the ARPL's first launch of the professional licensing brand to the target audience of legislators and legislative aides.

ARPL is a coalition of professional industry groups representing CPAs, architects, surveyors, landscape architects, engineering professions and their licensing board counterparts. Layle Nelson, Senior Vice President of CRAFT, the digital agency working for ARPL, addressed NASBA's 2019 June Eastern and Western Regional Meetings. As she explained at that time, "There is a debate taking place regarding licensing and the extent to which licensing is needed to protect the public, and it's critical for policymakers and the public to understand how licensing can help protect the public trust and public safety if done right."

During the September 11-13, 2019 Occupational Licensing Multi-State Consortium Meeting, presented by NCSL in partnership with the National Governors Association and the Council of State Governments, the message will again be reaching the legislators via a panel session to include spokespeople who are opposed to licensing regulation as well as those supporting it: "Mitigating Unintended Consequences" will feature a speaker from the Nevada Building and Construction Trades Council, one from the Institute for Justice, and AICPA Vice

President – State Regulation and Legislation Skip Brazil representing ARPL.

Also in September, Boards of Accountancy will be receiving a list of other ARPL partner contacts. The intent of this list is to help Boards connect with ARPL organizations in their state who are also working to promote a responsible, balanced approach to professional licensing.

"Broad-brush attempts to weaken or undermine licensing requirements threaten to sweep up advanced professions like accounting, jeopardizing the fiscal integrity of the work our professionals do," NASBA President and CEO Ken Bishop commented.

Information about ARPL and the importance of professional licensing can be found on <http://www.responsiblelicensing.org>. Questions about the coalition's efforts should be directed to NASBA Legislative and Governmental Affairs Director John Johnson (jjohnson@nasba.org). ♦



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*Published by the National Association of State Boards of Accountancy
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Production Editor: Anthony E. Cox; Editorial Assistant: A. Ann Bell
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AAA Considers Transformative Technology

The theme of the American Accounting Association's Annual Meeting, August 10-14 in San Francisco, was "Bold Transformations Toward a Prosperous Society." As AAA Chair (2018-2019) Marc Rubin asked: "Will online education as well as the use of artificial intelligence, machine learning, robots, virtual reality, mobile technology, 3-D printing and future technologies that we cannot even imagine cause the accounting academy to redefine what we teach and research as well as how we teach and research?" Among those responding via speeches and panels were NASBA Executive Vice President and COO Colleen K. Conrad, who described the Evolution of the CPA project with Lindsay Patterson, AICPA Director – Corporate and Integrated Communications, at an AAA session. Ms. Conrad also joined AICPA Vice President Mike Decker in addressing an APACPA review course providers' breakfast meeting.

Another panel on "Going Beyond Traditional Accounting Roles: Reimagining the Accounting Profession in the Information Age" brought together speakers from the Chartered Professional Accountants of Canada and the Association of International Certified Professional Accountants to discuss their initiatives aimed at reimagining the role of the accounting profession. Their presentation

underscored the skills that will be in demand and the roles both the profession and academia will need to play to achieve professional and academic success.

Attending the AAA Meeting, Dr. Ray Johnson, former NASBA Education Committee Chair, noted: "Another emphasis in the conference was effective learning strategies, and developing critical thinking skills. At the end of the day, the next generation of CPAs need to be technologically agile and critical thinkers, who understand the importance of professional skepticism to the entire accounting profession. The challenge is people will have to redevelop their skills fairly early in their professional careers. The pace of change is accelerating, making it more important than ever that we educate a group of lifelong learners. That is not something you can test for."



Ray Johnson

Reaching out to the approximately 3,000 conference attendees, NASBA had an exhibit booth offering information on its Accountancy Licensing Library, Student Center for the Public Trust and *Candidate Performance on the Uniform CPA Examination* publications, with the 2018 candidate book scheduled for release in September. ♦

Panel Takes Over from IAESB

The inaugural meeting of the International Panel of Accountancy Education (IPAE) is being held in New York City September 12-13, at which time it will pick up on the International Education Standards developed by its predecessor body, the International Accounting Education Standards Board (IAESB), and work to get them broadly implemented. The new Panel is overseen by the International Federation of Accountants' Board (IFAC), rather than the Public Interest Oversight Board which oversaw the IAESB. IFAC has prepared a descriptive video: https://www.youtube.com/watch?v=2vfOIO Rv6hQ&feature=youtu.be&utm_source=IFAC+Main+List&utm_campaign=ddeba663d2-IAESB_eNews_3_4_163_4_2016_

COPY_01&utm_medium=email&utm_term=0_cc08d67019-ddeba663d2-80290445.



The final meeting of the IAESB was held on June 24-26 in Toronto, when they approved revisions to International Education Standards 2, 3, 4 and 8 on information and communications technologies and professional skepticism learning outcomes. These are subject to the approval of the Public Interest Oversight Board at its September 26 meeting. IAESB also planned for how its work would transition over to the new Panel.

The new Panel has 22 members to provide a balanced representation on an international basis. It has a staggered rotation to ensure that at least one-third of its membership changes every year.

Dr. Raymond Johnson, 2017-2019 Chair of the IAESB Consultative Advisory Group and former NASBA Director-at-Large, explained the new Panel is going to be looking at adoption and implementation of the existing International Accounting Education Standards.

Among the many recommendations the IAESB made to the Panel were to have "consultative working groups for regulators, to obtain their perspective and advice" and "promote the accountancy profession as a learned profession, and not a vocation, by building on pillars of teaching, research and learning."

Alta Prinsloo has been named executive director with primary responsibility for IFAC's new approach to advancing education for future-ready professional accountants. Besides launching the IPAE, this approach also calls for establishing a key stakeholder database, an International Forum for Accounting Education Directors and an e-tool based on IES to provide a framework for a wide range of services. Consultative groups are going to be part of the IPAE's future approach. An international forum for key accounting education stakeholders is to be held in November 2020 in Vienna, and the International Forum for Accountancy Education Directors will meet in February 2021 in New York City.

IFAC CEO Kevin Dancy will be addressing NASBA's 2019 Annual Meeting and updating all on IFAC's latest efforts. ♦

Accountants in Hong Kong

Whether or not accountants should be adding to the voices in Hong Kong's recent demonstrations appears to be in question. The *Wall Street Journal* reported that on August 23 "an estimated 5,000 people took part in an accounting industry protest in Hong Kong's business district." The Big Four firms employ thousands of people in Hong Kong and a newspaper ad was published that was critical of the firms for supporting business interests over the staff members' support for the demonstrations.



PwC sent out this media statement: "In response to an advertisement in Hong Kong by a group of unnamed individuals claiming to be employees of the Big Four accounting firms, PwC emphasizes that the advertisement does not represent the firm's position. We firmly oppose any action and statement that challenge national sovereignty. The rule of law and the 'One Country, Two Systems' principle are the foundations of maintaining stability and harmony in Hong Kong. We condemn all violent and illegal activities, and misleading statements. We urge the society of Hong Kong to work together to address the challenges ahead, and safeguard the stability and prosperity of Hong Kong."

The NASBA/AICPA International Qualifications Appraisal Board (IQAB) is working with the Hong Kong Institute of CPAs on the renewal of their current mutual recognition agreement. The HKICPA has changed its training program and that is being carefully reviewed by IQAB. ♦

PRESIDENT'S MEMO

Persistence with Perseverance and Tenacity

Several years ago, I decided to reference a few of my *President's Memos* from that year in my "President's Report" presentation at the NASBA Annual Business Meeting. Immediately after my speech, Past NASBA Chair Mark Harris approached me and said: "That was great: You need to use your *Memos* in all of your speeches." While I recognize the "great" part was an exaggeration, it was consistent with the supportive nature of Chair Harris. I took his recommendation to heart and have included some *Memo* references in every annual "President's Report" since then. As a result, I now find myself writing *Memos* that anticipate what I will likely cover in my speech. This is one of those coming attraction messages.

Let me begin by providing a bit of NASBA history in which I either was a witness or played a role. In 2006, it became clear to NASBA and AICPA that the concept of "substantial equivalency," which had been established in the Uniform Accountancy Act, was not working as intended. It was meant to bring meaningful improvements in reciprocal practice privileges for CPAs licensed in states determined to be substantially equivalent. Leadership was determined to advance mobility practice privileges legislation in all jurisdictions.

At the time, when I was the Executive Director of the Missouri Board of Accountancy, I received a call from NASBA Chair Wes Johnson asking if I would head up NASBA's mobility efforts, working with a coalition of the AICPA and The Accountants Coalition. The concept made sense to me. In fact, I had been in discussions with Carlos Johnson, then Chair of the Oklahoma Board of Accountancy (later to become a NASBA Chair), about establishing mobility practice privileges between Missouri and Oklahoma. The Missouri Board members supported my taking on the new role, one that took me out of the state for significant amounts of time.

The early days of my "mobility adventure" were interesting. I very quickly heard from some senior NASBA folks that: "Mobility will never happen." A few of my fellow Executive Directors advised that they would never allow mobility legislation in their state, and a couple even let me know that I would not be welcomed in their state if I would be there to promote mobility. Again, interesting times!

As I learned all I could about the mobility concept, the first revelation was cross-border practice privilege mobility had never been achieved, not only in the United States, but in the world. I also became convinced that our governance leadership was right, and that we needed to be successful. Persistence became very important. Our coalition put working rules into place that mobility had to achieve three important elements: no notice, no fee – and no escape. We had to be persistent in driving for consistency because any jurisdiction that adopted less than all three elements would not be considered a "mobility state." According to the Oxford Dictionary, "persistence" is firm or obstinate continuance in a course of action in spite of difficulty or opposition.

The issue with persistence in the U.S. regulatory world is individual states exercise their autonomous state's rights, and persistence will not work if buy-in and acceptance are not achieved. Our mobility team learned quickly that we needed to listen, understand opposing viewpoints and be respectful of the opinions of others, but we knew we had to persevere, holding the course. We also developed the tenacity to advance in spite of some occasionally loud opposition. Probably the best education I received was seeing that those opposed to something often have the loudest voices, and those who support it frequently do so quietly. Also, we ascertained that the majority of stakeholders take a wait-and-see position and maintain a willingness to be educated.

I have been around the regulation of accountancy long enough to have seen the resistance to change including non-CPA ownership and conversion to a computerized examination, both of which have served the profession well. We are now facing the challenges associated with the "evolution of the profession." As with earlier significant changes, the profession's initial response to suggested proactive steps to transition has been predictably negative. Like mobility, firm ownership, computerization of the exam and so many evolutionary changes that have occurred in the profession, the threats associated with failing to evolve with technology are beginning to become apparent. We must be prepared.

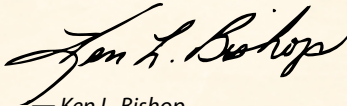
Our goal is to be respectful and patient, but remain constant in our persistence, perseverance and tenacity.

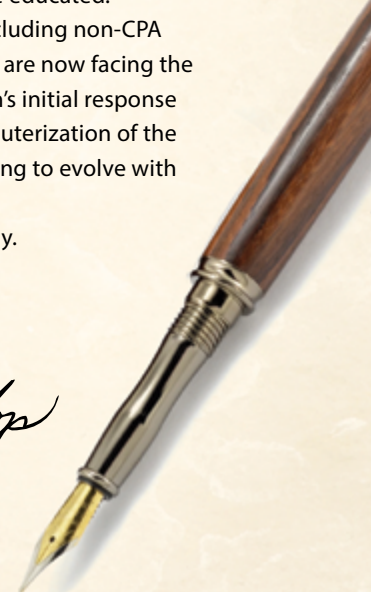
I hope to see you all in Boston for what is going to be a formidable NASBA Annual Meeting!

Semper ad meliora (Always toward better things).



Ken L. Bishop
President & CEO


— Ken L. Bishop
President & CEO



State Board Report

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FRC Planning for Brexit

As work continues to transition the United Kingdom's Financial Reporting Council (FRC) into the new Audit, Reporting and Governance Authority (ARGA), the FRC presented its Annual Report to Parliament on September 5, 2019. Its report contains many informative sections including the final reports from Chairman Winfried Bischoff and Chief Executive Officer Stephen Haddrill, and an extended section on principal risks, how they are mitigated and the direction of the risk trend.

The FRC states it has been "working with the Government to set up the new UK Endorsement Board, which will determine whether

IFRS should be endorsed for use in the UK after the UK's exit from the EU." The Board will also do "work relating to the registration of auditors once the UK becomes a 'third country' in the context of EU legislation, and EU countries become 'third countries' in the context of UK legislation."

In 2015, the FRC set a goal that by 2018/19 the auditors of FTSE 350 companies would have at least 90 percent of those audits inspected requiring no more than limited improvements. Their assessment of the reviews carried out this year was 75 percent required no more than limited improvements, compared to 73 percent the prior year. Yet for 2020/21 onwards they have set a new target for 100 percent to require no more than limited improvement. The FRC reported that one major firm showed an overall lack of improvement in quality over the past five years and the FRC "therefore required the firm to prepare and implement a detailed action plan to improve

quality." FRC is recommending greater transparency of its inspections.

During the concluded year the FRC imposed multimillion-pound fines on four major international CPA firms, reflecting the review of its sanctions that was carried out in 2017.

David Rule joined the FRC on September 1, 2019, as the Executive Director of Supervision. He is reporting to CEO Haddrill, who is leaving the FRC by the end of this year. Mr. Rule is to lead the FRC's audit quality and corporate reporting review functions. ♦

Annual Meeting Coming Attractions

Hope you intend to be at NASBA's Annual Meeting in Boston, MA, October 27-30. Highlights will include presentations from:

- Kevin Dancey – CEO of the International Federation of Accountants
- Kathleen Hamm – Member of the Public Company Accounting Oversight Board
- Oren Berkovich – CEO of SingularityU Canada
- Bob Sellers – Award-winning columnist
- Tom Hood – *Accounting Today* top ten opinion maker

Plus the latest news on the CPA Evolution Project, the Uniform CPA Examination, legislative trends and legal developments.

See www.nasba.org for details. ♦

