

Call for Education Research

As the results of the 2012 NASBA Accounting Education Research Grants Program are coming in, the NASBA Education Committee is issuing a call for additional research particularly in areas helping NASBA and the State Boards of Accountancy to protect the public and to better assist the profession. Proposals from accounting faculty and postdoctoral researchers at institutions of higher education should be submitted by April 9, 2013 to www.grantproposal@nasba.org.

The three research grants for 2011-2012 included:

1. How students met the 150-hour requirement is being considered by Dr. Kate Mooney and Kerry E. Marrer of St. Cloud University. In particular, they are looking at students who transfer into the accounting discipline, and who consequently have more “unintentional credits” that don’t mesh perfectly with the standard accounting curriculum. The researchers have found that on average students earning less than 150 hours have 4.7 irrelevant credits and those earning 150 or more average only 5.6 irrelevant credits. “This suggests that students are not

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NASBA BOD Urges AICPA to Give PCC Time

In response to the AICPA’s exposure draft “Proposed Financial Reporting Framework for Small - and Medium-Sized Entities,” (FRF-SME) the NASBA Board of Directors at their January 25 meeting resolved that, “The Public Company Council needs a reasonable opportunity to develop standards uniquely applicable to private companies that can be authoritative and part of generally accepted accounting principles (GAAP).” The PCC, which held its initial meeting on December 6, will next meet on February 12.

In a letter to the AICPA, the NASBA Board urged “the AICPA to either table or withdraw the FRF-SME proposal in order to allow the PCC to do its work to improve the process of setting accounting standards for private companies.” January 30, 2013 was the end of the exposure draft’s comment period.

The Board’s resolution was developed after a multi-hour discussion of the AICPA’s proposal. Its letter to the AICPA (which can be found on www.nasba.org) stated: “The NASBA Board has significant concerns that AICPA’s initiative to develop a non-authoritative financial framework will confuse practitioners, preparers, users and the public at large for many reasons and at many levels.”

Section 209 of the Sarbanes-Oxley Act of 2002 underscores the State Boards’ pivotal role in the development, adoption and enforcement of standards, as the NASBA resolution and letter pointed out. NASBA Chair Gaylen Hansen observed that NASBA had supported the recommendations of the Blue Ribbon Panel that was jointly sponsored by the AICPA, NASBA and Financial Accounting Foundation (see *sbr* 1/2010). The PCC was formed in response to those recommendations. “We agreed with the AICPA that there are problems, but the PCC is moving forward consistent with the direction chosen by the FAF,” Mr. Hansen said. “The question is whether or not the FRF-SME is in the public interest.” ♦

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Survey of Peer Review Oversight Committees

Twenty-three Boards of Accountancy have a Peer Review Oversight Committee (PROC) in operation or process, according to a poll recently conducted by NASBA’s Compliance Assurance Committee. The majority of the PROCs include 1-4 members, and have no limitation on the number of terms they may serve as PROC members. Most Boards have only current active CPA licensees as members of their PROC, but three include retired CPAs and two include public members. The function of the PROC is to oversee the quality of the peer review process, but two Boards also expect the PROC to oversee the qualification of peer reviewers.

Of the states that replied they had sent representatives to the August 2011 NASBA PROC Summit, most said they would send a representative again if a similar summit is offered in 2013. Among the topics proposed for discussion were: common problems, uniform standards for reviewers, suggested operating procedures and failed peer reviews and complaints filed by State Boards.

Compliance Assurance Committee Chair Janice Gray thanked the State Boards for their assistance with the survey. A NASBA PROC Summit will be held on July 10, 2013 in Nashville, TN. Registration will begin on March 1. ♦

Call for Accounting Education Research Papers (Continued from page 1)

taking all easy credits to complete the 150,” Dr. Mooney observed.

2. Dr. Gert H. Karreman and Dr. Belverd E. Needles are conducting a global accountancy education recognition study that is of particular significance to the NASBA/AICPA International Qualifications Appraisal Board. The review and finalization of a conceptual model for analyzing accountancy qualifications in countries and regions is taking place this month, and the researchers plan to have a report to NASBA in March.

3. Drs. Helen Gabre of Alabama A&M University, Dr. Dale L. Flesher of the University of Mississippi and Frank Ross of Howard University completed their study in July 2012 of the determinant factors for the dearth of minority CPAs. They concluded “the reason for the dearth of minority CPAs seems to be an economic

issue; minorities who attend high-priced private schools and can afford CPA review courses are more apt to pass the CPA exam.” Although they found that women did not pass the CPA Examination at the same rate as men do, the researchers add: “... the gender differences found in this study may be another example of an economic issue in that minority females often have greater family responsibilities than do male members of minority groups.”

Dr. Karen Turner, chair of the NASBA Education Committee, told the NASBA Board’s January meeting that the high quality of the information being received from the research grant project has supported the Committee’s request for increasing the amount devoted to this effort next year. The request is to be considered in the budgeting process for 2014. ♦

PCAOB Cooperates with Fins and French

The Public Company Accounting Oversight Board has announced cooperative agreements with the French High Council for Statutory Auditors and the Auditing Board of the Central Chamber of Commerce of Finland relating to the oversight of audit firms subject to the regulators in France and Finland. Both agreements were announced on February 4, 2013 and took effect immediately.

The PCAOB now has six agreements with EU member state regulators (Finland, France, Germany, the Netherlands, Spain and the United Kingdom). It also has agreements with regulators in Switzerland and Norway, as well as regulators in Australia, Asia, the Middle East and North America. The agreements provide

a framework for joint inspections, allow for the exchange of information in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and provide data protection in the partner country. More than 900 audit firms from 87 jurisdictions outside the U.S. are currently registered with the PCAOB. Twenty-five of those firms are in France and five are in Finland.

The PCAOB points out that the agreements have been made under the provisions of the Act of 2010, which amended the Sarbanes-Oxley Act of 2002 to permit the PCAOB to share confidential information with its non-U.S. counterparts under certain circumstances. ♦

IRS Testing of Preparers Halted

Three tax preparers brought together by the Institute for Justice, an advocacy group, have scored a victory – at least temporarily – against the Internal Revenue Services’ Tax Return Preparers Registration Program. On January 18, U.S. District Judge James E. Boasberg ruled against the IRS and in favor of Giovanni Gambino of Hoboken, NJ, Ernest Killian of Eagle, WI, and Sabrina Loving of Chicago, IL, and enjoined the IRS from enforcing its Registered Tax Return Preparer requirements. However, on February 1 the court modified its order to clarify that the IRS’s requirement for all paid tax return preparers to obtain a preparer tax identification number (PTIN) is not affected by this decision. Information about the reopened online PTIN system can be found on www.irs.gov.

Mr. Gambino, Mr. Killian and Ms. Loving, the tax preparers who filed the suit against the IRS in the U.S. District Court for the District of Columbia (see *sbr* 5/12), argued that the IRS’s interpretation of an 1884 statute, U.S.C. § 330, giving it the authority to regulate “representatives” who “practice” before it was being incorrectly applied to cover all tax return preparers. Attorneys, CPAs and enrolled agents are otherwise regulated by the IRS.

Judge Boasberg wrote in his decision that he considered

Section 330(a)(1) and 330(a)(2) and saw they describe the “practice” of “representatives” is to “advise and assist persons in presenting their cases.”

The judge concluded in his decision: “Filing a tax return would never, in normal usage, be described as ‘presenting a case.’ At the time of filing, the taxpayer has no dispute with the IRS; there is no ‘case’ to present. This definition makes sense only in connection with those who assist taxpayers in the examination and appeals stages of the process.”

In granting the plaintiffs’ motion for summary judgment, Judge Boasberg stated: “With an invalid regulatory regime on the IRS’s side of the scale and a threat to plaintiffs’ livelihood on the other, the balance of hardships tips strongly in favor of plaintiffs. Finally, the public interest would be served by a permanent injunction because the IRS’s new Rule is ultra vires. The Court will therefore grant permanent injunctive relief as well.” (Civil Action No. 12-385 (JEB) U.S. District Court for the District of Columbia).

According to a statement released by the IRS: “The IRS continues to have confidence in the scope of its authority to administer the program and is working with the Department of Justice to address all options, including a planned appeal.” ♦

President's Memo

Slanted Remarks

In late January, I received a telephone call from a State Board member recounting a meeting he had recently attended during which a representative of a large accounting association had made “slanted remarks” about NASBA and another regulatory body. As I listened to the Board member’s concern, I too was somewhat annoyed by what was said, but I recognized that the remarks may have been tongue-in-cheek and any broad statement was certainly made for the purpose of being persuasive on an issue. As I was thinking about this month’s *President’s Memo*, I was reflecting on that conversation and, more importantly, the pathways organizations take to getting to consensus or middle ground positions.

Many of you have read or heard me speak on my perspective regarding professional relationships. I have a pretty simple formula: (1) clearly and accurately articulate your position(s); (2) never blind-side your associates; and (3) never throw them under the bus. In even more concise terms: develop and nurture trusting relationships.

To be clear, having trusting, or even friendly, relationships does not mean that you have to agree on every issue or position. A recent example was the stalemate between Democrats and Republicans on how to resolve the impending “fiscal cliff.” Two individuals who could not be farther apart in their political philosophy, Vice President Joseph R. Biden (D) and Kentucky Senator Mitch McConnell (R) were able to meet privately to develop a consensus deal. These two men, both in their 70s, had developed trust for one another during their careers and were able to get past the “slanted remarks” to reach agreement. Similar pairs or groups have existed throughout our history. Just think of our country’s founders from 13 distinct colonies.

So how does this relate to our world of accountancy? It is not uncommon for State Boards and State Societies, AICPA and NASBA, or other associations and bodies to come down on different sides of an issue. There are certainly close, and often trusted, relationships that exist between these disparate groups, but to outside observers the debate may seem adversarial -- and possibly dysfunctional. State Boards always have the public interest as their first priority, but at the same time they hold that a healthy profession serves the public interest. In reality, I believe it is healthy for the profession that important issues and positions are challenged and vetted. Having strong positions without equal zeal and passionate arguments in support of them does little to explore and advance the issues. Unfortunately, that dedication occasionally results in some “slanted remarks.”

Recently, NASBA responded to an AICPA exposure draft: *Proposed Financial Reporting Framework for Small- and Medium-Sized Entities* (see article on page 1). The NASBA Board of Directors concluded that there were public protection concerns in the proposal and urged the AICPA to either table or withdraw the proposal in order to allow the Financial Accounting Foundation’s Private Company Council (PCC) adequate time to develop authoritative standards that are a part of generally accepted accounting principles (GAAP). Both AICPA and NASBA have strong and passionate positions on this issue that may result in “slanted remarks” from both sides. Again, to the outside observer, this disagreement may seem to be a chasm that is wide and deep. The public debate, however, began back in 2010 when NASBA joined with the FAF and AICPA to form a panel addressing how U.S. accounting standards could best meet the needs of users of private company financial statements. NASBA agreed with the AICPA that current GAAP did not meet the needs of small- and medium-sized private companies. It is in how we fix the standards that we disagree. Hopefully, through our trusted relationships we can get to consensus.

In past articles I have written about the importance of NASBA being relevant so that it can effectively be the collective voice of Boards of Accountancy. With relevance comes the responsibility of thoughtful and impactful opining on any proposed standard, practice or policy that could negatively affect our State Boards’ ability to protect the public. To do so is our mission, our plan and our passion. It is a given that, on occasion, this will require us to disagree with others -- even our friends. So be prepared, you may hear some “slanted remarks,” but hopefully leading to meaningful solutions.

Semper ad meliora (Always toward better things).



Ken L. Bishop

A handwritten signature in black ink that reads "Ken L. Bishop". The signature is fluid and cursive.

— Ken L. Bishop
President and CEO

NASBA Hosts International Prep Providers

In 2012, there were 8,503 candidates from 101 countries other than the U.S.A. who took the Uniform CPA Examination, accounting for 24,549 examination sections, NASBA Director of International Evaluation Services James Suh told a January 18 information summit designed for CPA review course providers by NASBA's International Evaluation Services. Representatives from eight review course providers attended the Nashville meeting, including: Abitus, Morgan International Offshore, CPAexcel, Yaeger CPA Review, DeVry, Becker, Wiley CPA Exam Review, and the Institute of Chartered Accountants of India. The program covered education evaluation for CPA licensing, Accountancy Boards' educational requirements, CPA candidate data and trends, and other topics of interest to potential international CPA candidates and review course providers, plus an open discussion with President Ken Bishop, Executive Vice President and COO Colleen Conrad, Client Services Director Patricia Hartman, Mr. Suh, NIES Manager Brentni Henderson-King and ALL Administrator Leona Johnson.

Of the 8,503 international candidates, 40.4 percent were women and 11.2 percent had earned a master's degree, Mr. Suh told the course providers. The 10 countries with the largest number of candidates in 2012 were: Japan (2,237), Republic of Korea (1,350),



Attending the International Prep Course Providers' Summit: (Front row left to right) John DeRimigis, Brentni Henderson-King, Toyoaki Miwa, Masafumi Matsuzuru, Leslie-Anne Rogers, Tom Rogowski. (Back left to right) Vijay Kapur, Nigel Snow, Andre Naddy, Dave Meginley, Gaylen Hansen, Ken Bishop, Larry Fyock, Feras Adi, James Suh.

China (741), Canada (595), United Arab Emirates (522), India (397), Egypt (293), Taiwan (260), Saudi Arabia (238) and Lebanon (201).

NIES is planning to hold a summit for review course providers annually and to host a web conference in the near future. Twenty-four Boards of Accountancy have agreed to use NIES's services. ♦

State Board Report

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