

PCC Seeks Framework Comments

In its first joint standard-setting activity with the Financial Accounting Standards Board, the Public Company Council, at their second meeting on February 12, 2013, voted to seek additional public input on a proposed private company decision-making framework. This framework will be used for determining under what circumstances it is appropriate to adjust U.S. Generally Accepted Accounting Principles (GAAP) for private companies' reporting requirements. Comments received as of the meeting were generally supportive of the framework, the PCC was told, but there are a couple of key issues the staff would like to have resolved. The proposal is expected to be re-exposed in the middle of March with a 90-day comment period. It will be posted on www.fasb.org.

The PCC's staff was asked to develop agenda research memoranda on stock-based compensation and development stage enterprises, as well as to continue research on interest rate swaps with more than one counterparty or lending arrangement.

PCC Chairman Billy M. Atkinson will be addressing NASBA's Western Regional Meeting on

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UK Commission Suggests Competition Remedies

The United Kingdom's Competition Commission on February 22 announced it has "provisionally found" an adverse effect on competition in the supply of statutory audit services to large UK companies. The Commission set out "possible remedies" and invited comments or suggestions for additional or alternative remedies to be submitted to them by March 18, 2013. Among the remedies proposed were: 1- mandatory tendering; 2- mandatory rotation of audit firm; 3- expanded remit and/or frequency of audit quality review team reviews; 4- prohibition of "Big Four only" clauses in loan documentation; 5- strengthened accountability of the external auditor to the audit committee; 6- enhanced shareholder-auditor engagement; and 7- extended reporting requirements. Several of these have been considered by the European Parliament and the Public Company Accounting Oversight Board.

This UK Commission's study began in October 21, 2011. They found 31 percent of Financial Times Stock Exchange (FTSE) 100 companies and 20 percent of FTSE 250 companies have kept the same auditor for more than 20 years, and 67 percent of FTSE 100 companies and 52 percent of FTSE 250 companies for more than 10 year. The overwhelming majority of these audits are being prepared by one of the Big Four. The Commission's February statement said that, as a result of an adverse effect on competition, they "provisionally found that companies are offered higher prices, lower quality and less innovation and differentiation of offering than would be the case in a market without the features, and shareholders and investors

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PCAOB Decries Continuing Deficiencies

Significant audit deficiencies are down, but a long way from gone, according to the latest report based on the Public Company Accounting Oversight Board's inspections. In its "Report on 2007-2010 Inspections of Domestic Firms that Audit 100 or Fewer Public Companies," released on February 25, the PCAOB says the triennial inspections conducted during 2007-2010 found 44 percent of the firms had at least one significant audit performance deficiency; while in 2004-2006 the inspectors had found 61 percent of the firms to have at least one significant audit performance deficiency. The report explains: "The deficiencies represent instances in which the Inspections staff found that the auditor, at the time it issued its opinion that the financial statements were presented fairly in all material respects in conformity with U.S. generally accepted accounting principles ("GAAP"), had not fulfilled its fundamental responsibility to obtain reasonable assurance about whether that was the case." The report includes observations from 748 inspections of 578 domestic firms and encompasses reviews of aspects of 1,801 audits. It does not cover the PCAOB's annual inspections of firms which conduct more than 100 audits of public companies annually.

Twenty firms during 2007-2010 did not provide any remediation response to the PCAOB's inspection findings and, as provided in the Board's rules, the quality control criticisms of those reports were made public.

The reports on 143 audit firms that failed to address quality control criticisms satisfactorily, of which 99 are U.S. firms, can be found on www.pcaobus.org. ♦

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'Chartered Accountants Worldwide' Launched

Six of the chartered accountant institutes have come together to launch "Chartered Accountants Worldwide," with the goal of promoting the CA brand on an international stage. Speaking at the annual meeting of the Association of Chartered Accountants in the United States, February 27 in New York, Michael Izza, chief executive of the Institute of Chartered Accountants in England and Wales, explained that there had been "marked deterioration in trust" in the business community over the last five years. He stated: "In a world where there are many different types of accountants and qualifications, demonstrating the value that chartered accountants deliver and the highest ethical and quality standards to which they operate is becoming increasingly important." Mr. Izza told the gathering of chartered accountants who are working in the United States that the goal is to make the CA the "most wanted qualification" in the financial world.

The six institutes from Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa supporting this effort have 310,000 members in 180 countries. All of the members of these institutes have reciprocal membership rights in the six organizations. More information about the six CA bodies' joint effort can be found on www.charteredaccountantsworldwide.com.

Notably missing from the Chartered Accountants Worldwide founding group is the Canadian Institute of Chartered Accountants, which as of January 1 established with the Certified Management Accountants of Canada the new "Chartered Professional Accountants of Canada," more commonly called "CPA Canada." The new Canadian organization will support the provincial accounting bodies that have unified under the banner of Chartered Professional Accountant. CPA Canada anticipates being a "single voice" representing 170,000 members. ♦

UK Commission Suggests Competition Remedies (Continued from page 1)

(as potential future shareholders) have demand which is unmet." Reuters reports that final binding UK recommendations are expected by the end of this year.

Reuters also reports the European Parliament's legal affairs committee will vote next month on audit requirements, having delayed their work to learn of the UK Commission's findings. The European Commission's Green Paper of October 13, 2010 on "Audit Policy: Lessons from the Crisis" (COM(2010)0561) had resulted in the Parliament's September 13, 2011 resolution that starts out by stating: "Whereas the recent financial crisis has called the work of auditors into question..."

Putting the external audit contract out to tender at least every 10 years, or requiring management to explain why they have not done so, is one of the remedies the UK Commission is exploring.

They are proposing for comment five and seven year tender periods, but they are willing to consider other periods if supported by relevant evidence. They are also viewing mandatory audit firm rotation every seven, 10 or 14 years. ♦

Call for NASBA Officer Nominations

Nominating Committee Chair Mark P. Harris has requested State Boards submit by May 20, 2013 nominations for their Regional Director and Directors-at-Large, with bios or resumes, to him at Mark Harris, Nominating Committee Chair, NASBA, 150 Fourth Avenue North – Suite 700, Nashville, TN 37219-2417 or e-mail aholt@nasba.org, or fax (615)880-4291. ♦

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June 6, and PCC Member Diane Rubin will be addressing NASBA's Eastern Regional Meeting on June 27, to bring the State Boards up-to-date on the work of the new body, which was formed in response to the findings of the Blue Ribbon Panel sponsored by the Financial Accounting Foundation, AICPA and NASBA (see *sbr* 2/11).

Three projects currently on the PCC's agenda are: consolidating variable interest entities (Accounting Standards Codification Topic 810, Consolidation); accounting for "plain vanilla" interest rate swaps with single counterparties (ASC Topic 815, Derivatives and Hedging) and recognizing and measuring various identifiable intangible assets acquired in business combinations (ASC Topic 805, Business Combinations, and ASC Topic 350, Intangibles – Goodwill and Other).

The PCC will next meet on May 7, 2013 in Norwalk, CT. All of the PCC's meetings are being archived on the FAF's Web site, www.accountingfoundation.org. ♦

Flexible Paths to the Profession

A revised International Education Standard, to become effective July 1, 2014 was released in February to enable International Federation of Accountants (IFAC) members to start working on implementation. The International Education Standards Board comments: "This IES explains the principle of allowing flexible access to professional accounting education programs under the auspices of an IFAC member body, while ensuring that aspiring professional accountants have a reasonable chance of successful completion of professional accounting education programs. This IES explains (a) reasonable chance of successful completion, (b) the suitability of entry requirements, and (c) different forms of entry requirements."

Flexible access, as described in IES 1, would allow more people to enter professional accounting education programs. It is not intended to create different classes of accountants. An example of achieving such flexibility might be an IFAC member substituting experience for education as a prequalification requirement. ♦

President's Memo

It Stirs Me Up a Bit

My grandfather, H.S. (Sid) Wilson, was among the last of his kind. His vocation was blacksmithing. He was born in rural Missouri in 1896, received an 8th grade education and apprenticed to a career that served him well, as the village blacksmith. There was always plenty of work: wheels righted, horses to be shod, farm implements to be repaired or sharpened. And often the method of payment was bartering with eggs, soap or services. Once, when I was a small boy, he showed me a large ledger of accounts neatly maintained and well organized. He pointed out the names of some of the wealthier folks in town who still owed him money from years before and who had never offered to pay. As he moved his finger down the names, I asked him if it made him mad. He said, "It stirs me up a bit." Then he simply smiled and quietly said, "But maybe they needed it more than I did."

I will always remember that moment. Here stood a man, bigger than life with his huge arms and a bigger smile, who could not bring himself to say anything stronger than, "It stirs me up." To the day he died many years later, I never heard this man say a mean-spirited word. As I have grown older, I find myself very grateful for the lessons I learned from Grandpa Wilson. I have been led to believe that misplaced anger or frustration and mean-spirited talk rarely satisfy issues or resolve conflicts. However, sometimes I run across situations that "stir me up a bit."

I recently was called to testify before a legislative committee in support of a bill that would give one of our Boards of Accountancy the ability to better fulfill their role and responsibility to protect the public. This particular Board has had so much of its funding stripped away that it is struggling to provide even minimal administrative and enforcement activities. During the hearing, Board members and State Society leadership gave compelling and passionate testimony as to their desperate situation. Following their testimony, a state official boasted of the efficiency of the department because they "spent the least amount per licensee for regulation of any state." The official's complete lack of understanding of the responsibility of the State Board is perplexing and "it stirs me up a bit."

In mid-February I was meeting with staff members preparing for the Executive Directors' (ED) Conference. At the staff meeting, I learned that a large state had withdrawn their ED's permission to attend the conference. It was not the first time states had done this. As a proud former ED, I know firsthand the importance of this conference. I learned so much from my tenured peers at past NASBA conferences and developed relationships that I could call on for support and guidance during my term. The decision to disallow the ED's attendance was not a resource decision, as NASBA would have gladly provided a scholarship, but a part of a blanket no travel policy. Our failure to convince states of the critical importance of participation by staff and volunteers in NASBA meetings and conferences is unacceptable, and "it stirs me up a bit."

We recognize these are tight state budget times. Legislatures are seeking ways to bring in more funds and to hold the line with revenue neutral legislation. Staff cuts and benefit adjustments in state government are common. However, the value of meeting with peers from across the country to discuss mutual problems and successes is incalculable.

As we attempt in our effort to promote uniformity and consistency among all the States and Territories, we are down to only a few that have not passed important elements of the Uniform Accountancy Act including: mobility, peer review and firm ownership. This is not a profession vs. State Board issue. Typically the State Board and State Society are supportive of the legislative effort to pass these important measures, but are curtailed by special interests, a single key legislator or the inability to accept outside resources. In some cases, State Board members are not allowed to speak to, or lobby for, needed legislation. The delays and barriers to legislative success are a problem, and "it stirs me up a bit."

NASBA is not resting on its laurels. Increasing our focus on State Board relations, legislative support and proactive research into how we can find relief from unfounded prohibitions are just part of our efforts to enhance the effectiveness of State Boards. It is critical that our approach is measured, politically expedient and not over-zealous. Attendee input at our conferences helps to hone that approach. We cannot get angry or frustrated...but, in truth, "it stirs me up a bit"!

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

GA Board Gets Help

The Georgia Board of Accountancy's quest for semi-independent status is continuing with the help of Representative David Knight, CPA, who introduced House Bill 291, the Public Accountancy Act of 2013 in February. Georgia has 19,178 certified public accountants, 1,580 registered firms, and only one full-time staff person who is shared with other agencies. Included in the bill are provisions for the Board to hire an executive director and supporting staff. The Georgia Society of CPAs has voiced their support for strengthening the Board.

Representative Knight explained: "We have a vital interest in the strength of the Georgia State Board of Accountancy. I am deeply concerned that the authority, lack of necessary resources, and current reporting relationship to the state legislature and Governor are inappropriate and lead to an ineffective board. This legislation would provide the financial and operational independence needed for the Board to properly enforce and regulate the accounting profession, which is critical to protecting Georgia's citizens."

Speaking to the legislators, Past Board Chair J. Sam Johnson said: "It is my opinion that a more autonomous board having a high level of input in its budgetary and financial matters would more

effectively and efficiently meet its stated purpose to protect the public welfare and license qualified individuals."

NASBA President and CEO Ken Bishop provided testimony before the Georgia Legislature on February 18, 2013 in support of House Bill 291. President Bishop noted that Georgia was one of the first states to enact mobility legislation and that it is important for the Board to have sufficient resources to hire the appropriate staff to fulfill its public protection responsibilities. ♦

Majority Rules at FASB and GASB

Decisions about the Financial Accounting Standards Board's or Governmental Accounting Standards Board's agenda setting, project planning and prioritizing of projects will no longer be given final approval by the FASB or GASB chairman, but by a majority vote of the respective board's members during a public meeting. The policy change was made at the Financial Accounting Foundation's Board of Trustees' meeting on February 26, 2013, at the suggestion of FASB Chair Leslie Seidman and GASB Chair Robert Attmore.

FAF President and CEO Teresa S. Polley commented that the new procedure "will provide stakeholders with greater insight into the considerations that go into agenda decisions." ♦

NASBA Regional Meetings - June 5-7, New Orleans and June 26-28, Chicago. See www.nasba.org

State Board Report

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