

# ETHICS and CPE

## 2008 Regional Meeting Breakout Session

### Background Material

#### **1. New Model Rule 5-1 (e)** (adopted by NASBA Board in April 2008)

*“Ethics” means a program of learning that provides students with a framework of ethical reasoning, professional values and attitudes for exercising professional skepticism and other behavior that is in the best interest of the public and profession. At a minimum, an ethics program should provide a foundation for ethical reasoning and the core values of integrity, objectivity and independence.*

#### **2. New UAA Model Rule 5-2 (c ) (6)** (adopted by NASBA Board in April 2008)

*Earned a minimum of three SCH [semester credit hours] in an undergraduate and/or graduate course listed or cross listed as an accounting or business course in ethics as defined in Rule 5-1(e). A discrete three SCH course in ethics may count towards meeting the accounting of business course requirements of Rule 5-2 ( c)(2) or Rules 5-2 ( c ) 4. As an alternative, colleges or universities may choose to integrate the course throughout the undergraduate and/or graduate accounting or business curriculum. Universities must provide evidence of coverage under integration as specified in Rule 5-2 (d). Proof of coverage may be provided through specific evaluation by a national accrediting agency recognized by CHEA [the Council for Higher Education Accreditation], such as AACSB [the Association to Advance Collegiate Schools of Business – International] or ABSCP [the Association of Collegiate Schools and Programs], in which evidence is provided to assure the Board that the program of learning defined in Rule 5-1(e) has been adequately covered and at the equivalent of the three SCH minimum. Alternate methods for proof of ethics coverage may be determined and approved by the Board following careful scrutiny.*

#### **3. New UAA Model Rule 5-2(d)** (adopted by NASBA Board in April 2008)

*Colleges or universities that use an integrated approach to meet the requirements of Rule 5-2( c)9 (3, 5 or 6) must provide evidence that the respective subjects adequately cover the desired content, with acceptable instruction and quality to attain objectives. Proof of coverage may be provided through specific evaluation by a national accrediting agency recognized by CHEA, such as AACSB or ACBSP. Alternate methods for proof of coverage may be determined and approved by the Board following careful scrutiny.*

#### **4. UAA Model Rule 6-4 (a)** (adopted by NASBA Board in July 2007)

*An applicant seeking renewal of a certificate or registration shall show that the applicant has completed no less than 120 hours of continuing professional education, including a minimum of four hours in ethics, complying with these Rules during the three-year period preceding renewal. A program in ethics includes topics such as ethical reasoning, state-specific statutes and rules, and standards of professional conduct, including those of other applicable regulatory bodies. A minimum of 20 CPE hours shall be completed each year. An applicant seeking renewal of a certificate or registration shall demonstrate participation in a program of learning meeting the standards set forth in the Statement on Standards for Continuing Professional Education (CPE) Programs jointly approved by NASBA and AICPA.*

#### **5. UAA Model Rule 6-6**

*A non-resident licensee seeking renewal of a certificate in this state shall be determined to have met the CPE requirement (including the requirements of Rule 6-4(a)) of this rule by meeting the CPE requirements for renewal of a certificate in the state in which the licensee's principal office is located.*

*Comments: Continuing education on ethics may include credit for state-specific statutes and rules, but state-specific statutes and rules course requirements should be primarily required of licensees whose principal place of business is in the state requiring continuing education credits in state-specific statutes and rules. Otherwise, multistate practice could be greatly constrained and the other objectives of continuing education (such as continuing technical competence) could be displaced by an inordinate concentration on the local accountancy rules of numerous jurisdictions.*

#### **6. IFAC "Approaches to the Development and Maintenance of Professional Values, Ethics and Attitudes in Accounting Education Programs" – Information Paper – August 2006 (page 109)**

*Where member bodies accredit programs offered by education providers as a pre-qualifying requirement (such as CPA Australia and the Hong Kong Institute of CPAs do with accreditation of relevant degree programs), there are two options. The member body can insist on an appropriate ethics course being offered by the education provider for the purposes of accreditation of the program being offered, or otherwise modify their own additional pre-qualifying programs to cover what is not covered by the education providers.*

*In terms of post-qualifying education, the member bodies can develop implementation plans in the context of the Continuing Professional Development (CPD) programs they offer to their members. Their ability to do so is enhanced by the mandatory professional development requirements that have been adopted by the profession. It should be noted that there are a noticeable number of member*

bodies and individuals who responded to the research who indicated that CPD should have a required element of ethics coverage. Thus it can be seen that the member bodies themselves are key players in any implementation strategy for ethics education.

**7. NY State Society of CPAs Quality Enhancement Committee's White Paper – April 2008 (page 11)**

*In addition to technical competencies, CPAs also need to attain a high ethical standard as “trusted professionals”. Therefore, ethics education should address issues of integrity and good business practices. Professional associations can be instrumental in helping to make ethics education more meaningful by working collaboratively with colleges and universities and encouraging research in ethical principles and attitudes. To accomplish the desired result of helping to train competent, reliable and trustworthy professionals, accounting education should include a discrete business and accounting ethics course to serve as an introduction to the general topic and the AICPA Code of Conduct. In addition, ethics topics should be integrated throughout the accounting curriculum. Relevant and updated content should be covered within the context of the technical course material for each requisite class in the accounting program.*

**8. Preliminary Recommendation 1(a) US Department of the Treasury's Advisory Committee on the Auditing Profession's Subcommittee on Human Capital – April 1, 2008**

*Regularly update the accounting certification exams to reflect changes in the accountancy profession, its relevant professional and ethical standards, and the skills and knowledge required to serve increasingly global capital markets.*

*...The Subcommittee believes that professional and ethical standards and subject matter relating to their application are an essential component of the accounting curricula and accordingly should be reflected in the professional exam and throughout business and accounting coursework.*