

PCC Holds First Meeting



Private Company Council Chairman Billy M. Atkinson called to order the inaugural meeting of the Financial Accounting Standards Board's new advisory group on December 6, 2012 in Norwalk, CT. Created to improve the

Billy Atkinson

standard-setting process for private companies, the PCC will initially be focusing their attention on: consolidation of variable interest entities (Accounting Standards Codification Topic 810); accounting for "plain vanilla" interest rate swaps (ASC Topic 815); accounting for uncertain tax positions (ASC Topic 740); and recognizing and measuring, at fair value, various intangible assets (other than goodwill) acquired in business combinations (ASC Topic 805 and Topic 350).

Mr. Atkinson, a NASBA Past Chair, announced: "These four areas are often top of mind for users, preparers, and auditors of private company financial statements. We are eager to review the research, and we look forward to discussing the issues in more detail

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Tel/615.880.4200 Fax/615.880.4290 www.nasba.org

PCAOB Finds Increased Deficiencies

The Public Company Accounting Oversight Board's December report on its 2010 inspections of eight domestic registered firms, the largest firms which have been inspected every year since the PCAOB's inspection program began, reveals 15 percent of the integrated audit engagements inspected (46 of 309) had failed to obtain sufficient audit evidence, to support the audit opinion on the effectiveness of internal control, due to one or more deficiencies identified by the PCAOB's inspections staff.

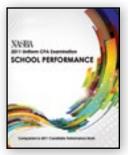
"The Board is concerned about the number and significance of deficiencies identified in the firms' audits of internal control during the 2010 inspections, which generally involved reviews of integrated audits of financial statements and internal control ('integrated audits') for issuers' fiscal years ending in 2009," the report states. "Although not specifically described in this report, the Board is also concerned that the rate of these deficiencies increased during the Board's 2011 inspections." Though not yet finalized, those reports found insufficiently supported opinions on the effectiveness of internal control in 22 percent of the engagements inspected.

Among the root causes the PCAOB believes may have contributed to the deficiencies in the audit of internal control are:

- Improper application of the top-down approach to the audit of internal control as required by AS No. 5.
- Decreases in audit firm staffing through attrition or other reductions, and related workload pressure.
- Insufficient firm training and guidance, including examples of how to apply PCAOB standards and the firm's methodology.
- Ineffective communication with firm's information system specialists on the engagement team.

NASBA Produces Candidate Data for Schools

An example of how the information gathered from Uniform CPA Examination candidates can be analyzed by NASBA to report on an individual school's performance will be presented by NASBA CI/A Director James Suh at the Accounting Program Leadership Group/Federation of Schools of Accountancy's upcoming annual conference. The customized report was created by a NASBA team working closely with Notre Dame faculty to determine what information would best fit their needs.



The analysts began by looking at data and trends from the 2010 and 2011 Uniform CPA Examination performance of all candidates. There had been a surge in the number of candidates taking the Examination in 2010, prior to changes to the Examination, followed by a decline in 2011. In 2011 pass rates in each of the testing windows were the lowest they had been in six years. Also in 2011 the candidate volume and sections taken were the lowest they had been in five years. However, volume is recovering slowly. But a closer look at these statistics would provide more (Continued on page 4)

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at our next meeting, on February 12th. After we discuss these issues further, we'll make a decision about which projects to add to the PCC's agenda." Their meetings will be archived on www. accountingfoundation.org.

Other PCC members are: George Beckwith, Steve Brown, Jeff Bryan, Mark Ellis, Tom Groskopf, Neville Grusd, Carleton Olmanson, Diane M. Rubin (NASBA Past Chair) and Lawrence E. Weinstock. The FASB member serving as liaison with the PCC is Daryl Buck. The meeting included an official transition from the Private Company Financial Reporting Committee to the PCC, with a report summarizing the PCFRC's recent activities, lessons learned and suggestions for projects that the PCC might pursue. PCC members Beckwith and Groskopf had previously been members of the PCFRC.

Updates on the FASB's projects discussed at the December 6 meeting included the Board's invitation to comment on "Private Company Decision-Making Framework – A Framework for Evaluating Financial Accounting and Reporting Guidance for Private Companies." The comment period ended on November 9, 2012 and 57 comments were received. The Framework had been developed by the FASB staff based on comments gathered from stakeholders over two years. Staff had identified six key differences between private and public companies: 1- types and number of financial statement users; 2- access to management; 3- investment strategies; 4- ownership and capital structures; 5- accounting resources; and 6- learning about new financial reporting guidance. Respondents were asked if they agreed that the six differential items were appropriate.

The staff reported that, "Overall, respondents agreed with the six differential factors." Virtually all of the respondents agreed with "ownership and capital structures" and "investment strategies." Thirty-seven respondents agreed with "types and number of financial statement users" and 35 agreed with "learning about new financial reporting guidance."

FASB President and CEO Teresa S. Polley told the meeting, "We are confident that the spirit of cooperation between the PCC and the FASB will carry us through and, more importantly, result in significant progress."

New SEC Appointments

On December 14, 2012, Mary L. Shapiro stepped down as Chairman of the Securities and Exchange Commission after nearly four years in office, and President Barack Obama named SEC Commissioner Elisse B. Walter to step up and become the 30th SEC Chairman. Ms. Walter had been an SEC Commissioner since 2009 and, prior to her appointment to the Commission, she had served as Senior Executive Vice President – Regulatory Policy and Programs for FINRA.

Also stepping up in December, Paul A. Beswick was named SEC Chief Accountant. He had served as Acting Chief Accountant since July 2012, when James Kroeker left. Mr. Beswick joined the SEC Staff in September 2007 and is a former partner of Ernst & Young, LLP.

As the keynote speaker at the Third SAIS Global Conference on Women in the Boardroom, held in September, Ms. Walters stated: "In addition to our disclosure reviews, as many of you know, our agency has been tasked by Congress with responsibilities concerning diversity under Section 342 of the Dodd-Frank Act. That Section requires each of the financial regulatory agencies, including the SEC, to establish an Office of Minority and Women Inclusion – which, at our agency, is under the direction of Pamela Gibbs. Her office is charged with not only looking internally, but also with assessing the diversity policies and practices of the entities regulated by the agency and developing uniform standards in this area. This is another way the SEC can have an impact. With any luck, by the end of the next proxy season, the SEC's OMWI office will be taking a close look at our regulated entities to make these assessments."

A NASBA diversity task force is scheduled to meet in New York City soon. ♦

CICPA Representatives Visit U.S.



NASBA President and CEO Ken L. Bishop and NASBA Past Chair Diane M. Rubin met in San Francisco with members of the Chinese Institute of CPAs in November. Their discussions covered professional regulation, examination, global strategy and other topics of joint interest. The Chinese delegation was particularly interested in NASBA's role in supporting State Boards of Accountancy. There were also discussions regarding the progress of convergence to International Financial Reporting Standards by the United States.

Ms. Rubin gave the Chinese delegation a tour of her firm's offices, Novogradac & Company, LLP, and described various roles of partners and staff.

President's Memo

It's Going to be a Great Year

On the day after Christmas, I noticed that only a core group of employees were working in our Nashville offices, so I decided to walk our three floors to personally thank each of them for being here for our customers and stakeholders. Near the end of my walk, I stopped by the work station of one of our examination team members to pass on my thanks and season's greetings. As I was about to walk away, the employee shook my hand and said, "It's going to be a great year. I like where we are going." Now this particular staff member is a serious guy, happens to be a Ph.D., but, more importantly, he is known to be a straight shooter. I don't know if he realized it, but he made my day.

In this forum I often talk about our leadership, both volunteer and staff, but it is rare that our critically important rank and file staff get a mention. The good doctor's comment, at the end of my



Ken L. Bishop

first year as CEO wherein there have been cutbacks, reassignments, physical moves and other changes, particularly the "I like where we are going" part, makes me believe we are doing some things right. His comment only augments the feedback from many staff members wherein the general theme is "I really like the new member focus" and "it makes me realize that I am doing something important." The fact is, there are no unimportant jobs at NASBA and all have a nexus to our mission.

It is likely that most CPAs have their first contact with Boards of Accountancy and NASBA when they initially apply for the Uniform CPA Examination. For international candidates, the first business conversation they may have with the U.S. may well be through NASBA. As NASBA has expanded services to include licensing, CPE Registry, legislation support, examination products and services, and more, the makeup of our consumers has become more diversified and complex. NASBA's professional staff in Nashville, New York City, Guam and San Juan provide on a daily basis high quality, efficient and reliable support to our myriad of stakeholders and customers. I often hear from individuals who share a story or example of extraordinary service they received during their business interchange with NASBA. We should all be grateful for the dedication of our well-qualified team.

A key responsibility of the NASBA staff is to provide support for our volunteer leadership, committees and task forces. They do an outstanding job of bringing our volunteers' ideas into life. Not enough can be said about the NASBA volunteers who give their time freely to projects in the public interest. These men and women take time out of their busy schedules to serve the Boards of Accountancy. Even during the holiday season, we had committee members taking time away from their families to be on conference calls related to professional exposure drafts. So my hat is off to the staff, but also to the dedicated volunteers they support throughout the year.

2013 is going to be a busy year for NASBA. We are undertaking an assessment of our IT and financial systems and will begin implementing changes, modernization and improvements this year. We are going into an important legislative year with critical bills in several states, and legislative activity in our territories (U.S. Virgin Islands, Guam and Puerto Rico) including an effort to wrap up the mobility effort. We are entering into new contract extensions providing stability and enhancements of the CPA Examination well into the future, including international delivery, and we continue to develop new products and services. Most importantly, we will begin implementation of our new strategic plan, wherein the focus on our members, the Boards of Accountancy, will be the driving force.

I have a high level of confidence that we will achieve and surpass our goals and expectations in this new year. With our visionary volunteers and leadership, and our very dedicated and capable staff, NASBA will continue to gain in effectiveness as your association. In short, "It's going to be a great year!"

Semper ad meliora (Always toward better things).

Tom L. Bohop

— Ken L. Bishop President and CEO

Joint Australia and NZ CA Emerging

The Institute of Chartered Accountants Australia (ICAA) and the New Zealand Institute of Chartered Accountants (NZICA) have started to merge their requirements to become Chartered Accountants. As of November 2012 there are joint practical experience requirements. Australia has adopted the New Zealand Institute's streamlined approach to recording practical experience, and New Zealand is now requiring three years of practical experience to apply for Institute membership, as Australia requires. According to the Institutes, the joint program recognizes that "the two countries' economies and employment markets are increasingly close."

The NASBA/AICPA International Qualifications Appraisal Board (IQAB) has forged mutual recognition agreements with both the ICAA and the NZICA and will be monitoring the development of the new joint program, IQAB Chair Ted Lodden reported. \blacklozenge

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meaningful information for the university.

The data was filtered down to a relevant subset of students who took the Examination within one year of graduation. Data and trends were mapped for Notre Dame based on 2010-2012 graduating class data, which enabled over 90 percent of the students' performance to be considered. This allowed the University to gain insights into the impact of their program changes.

Mr. Suh anticipates presenting a near final product at the FSA/ APLG meeting. "We will be rapidly expanding the availability of custom reporting to other educational institutions in the coming months," Mr. Suh reports. ◆

Call for NASBA Vice Chair Nominations

Nominating Committee Chair Mark P. Harris has requested State Boards submit to NASBA their nominations for NASBA Vice Chair 2013-2014 by March 4, 2013. Under Article IV, Section 3 of NASBA's Bylaws, to be eligible to serve as Vice Chair, an individual must have served as a Director-at-Large or Regional Director for at least a year, but need not be a current member of the NASBA Board of Directors at the time of his or her election. The candidate who is elected NASBA's Vice Chair 2013-2014 at the 2013 NASBA Annual Meeting will accede to Chair 2014-2015.

State Boards are asked to send their recommendations with bios or resumes to 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. Questions about the nomination process can be directed to Anita Holt at (615)880-4202 or e-mailed to Mark Harris at mphcpa@ bellsouth.net. ◆

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National Association of State Boards of Accountancy 150 Fourth Avenue North, Suite 700 Nashville, TN 37219-2417