

# Georgia Society of CPAs

## June 23, 2008

### Pathways of the Profession

Randy Fletchall, CPA  
AICPA Chairman



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### Professional Issues and Initiatives

- **Trend Monitoring**
- **CPA Pipeline**
  - The CPA Exam
  - Young CPAs
  - Student Recruitment
  - Minority Initiatives
  - PhD
- **Regulatory Forces**
  - Treasury Committee
  - SEC Panel
  - GAAP Codification
  - Enhanced Business Reporting
  - XBRL
  - Private Company Financial Reporting
- **Quality**
  - Audit Quality
  - Auditing Standards
  - Clarity Project
  - Audit Committee Effectiveness
  - Peer Review
  - Ethics
- **International**
  - International Convergence
  - IASB
  - Internationalization of Exam
- **Resources for Success**
  - PCPS
  - Online Member Communities
  - Specialty Credentials
  - Business, Industry & Government
  - Educational Resources
- **Advocacy**
  - Federal/State Legislation & Regulation
  - Tax
  - Uniformity & Mobility
  - Public Policy Issues
- **Public Relations/Outreach**
- **Financial Literacy**
- **AICPA Operations**



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### Our World at a Glance

- **Workforce**
  - Shifts in fundamental nature of workforce
  - Accounting remains in high demand
- **Economic**
  - Credit crunch
  - Housing market slumping
  - Consumer confidence declining
- **Regulatory**
- **Globalization**
  - Convergence imminent
- **Technology**
  - Social media changing how we work and communicate



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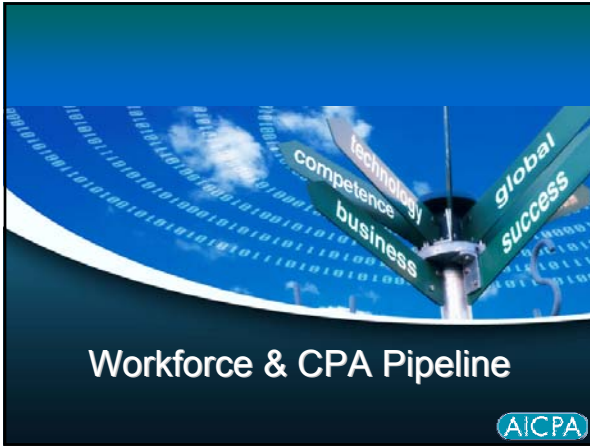
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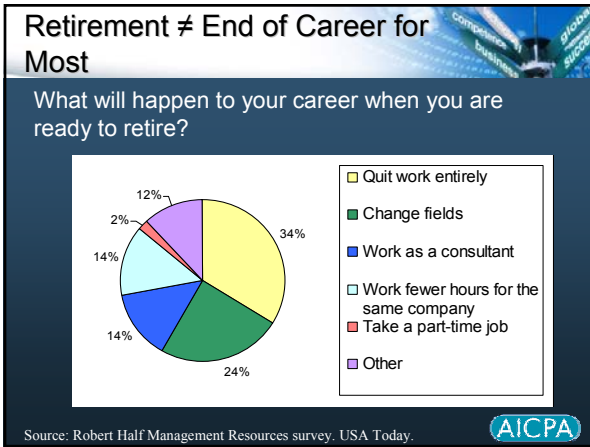
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### Changing Workers

<u>Traditional Workers</u>	➔ Migrating ➔	<u>Emergent Workers</u>
<ul style="list-style-type: none"> <li>• Desire job <b>safety</b> and <b>security</b></li> <li>• Want a <b>stable</b> environment</li> <li>• In it for the "Long Haul"</li> <li>• Need <b>clear direction</b> from supervisor</li> <li>• Believe loyalty is based on <b>tenure</b></li> </ul>		<ul style="list-style-type: none"> <li>• Desire <b>change</b> and <b>excitement</b></li> <li>• Want a mentor/<b>growth</b> environment</li> <li>• Will leave if dissatisfied</li> <li>• Need <b>freedom</b> to be creative</li> <li>• Believe loyalty is based on <b>performance</b></li> </ul>

Source: Spherion Emerging Workforce Study

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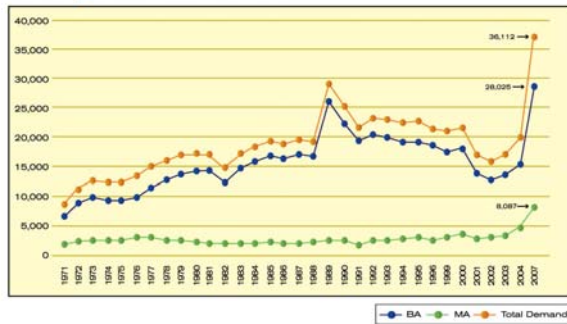
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### New Accounting Graduates Hired by CPA Firms – 2006-07



Accounting graduate's demand increased 83% from 2003-04 to 2006-07.

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### Faculty Shortage Issue

- Shortage approaching 20%
- Only 23% of demand for audit and 27% of demand for tax being met
- Programs may be forced to reduce enrollments in undergraduate programs




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### Starting FADS

- Future Accounting Doctoral Student Program (FADS)
- Created by AICPA Foundation
- Two Goals
  - Secure more than \$17M in funding to add 30 new incremental students to doctoral programs each year for the next 4 years
  - Recruit doctoral students from within the profession




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### Treasury's Active Agenda

**March 2008:**  
Modernized  
Financial  
Regulatory  
Structure

**April 2008:**  
Financial  
Restatement  
Study

**July 2008:**  
Advisory  
Committee  
Report

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### Treasury Advisory Committee on the Auditing Profession

- 21 members + 5 observers
- Chairs: Arthur Levitt and Don Nicolaisen
- 4 meetings
- 3 subcommittees:
  - Human Capital
  - Firm Structure and Finances
  - Concentration and Competition

**MEMBERS**

**NEWS AND ANNOUNCEMENTS**

**REQUEST FOR COMMENTS**

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**Private Company Financial Reporting**

- Continues to explore roadmap for private company financial reporting
  - Fin 48 and 46R
- New Projects
  - Financial Statement Presentation recommendation letter
  - Liabilities and Equity recommendations in process
  - Leases
  - FAS 133 Hedging
  - Revenue Recognition

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**Reliability**

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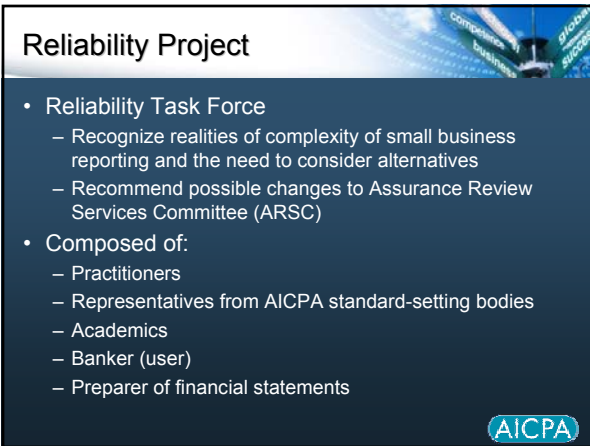
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**Reliability Project**

- Reliability Task Force
  - Recognize realities of complexity of small business reporting and the need to consider alternatives
  - Recommend possible changes to Assurance Review Services Committee (ARSC)
- Composed of:
  - Practitioners
  - Representatives from AICPA standard-setting bodies
  - Academics
  - Banker (user)
  - Preparer of financial statements

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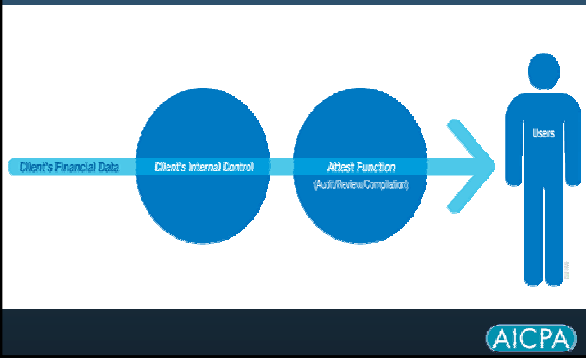
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## Traditional Model for the Performance of Financial Reporting Engagements



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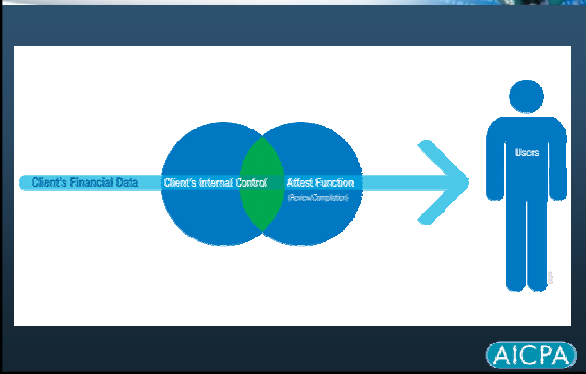
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## Reality of Dealing with Complexity



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## Independence

- If the CPA is not independent (for any reason), the accountant cannot perform a review of financial statements or provide any type of assurance on those financial statements
- The CPA is allowed to compile financial statements, but must report in manner some think is negative

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## Reliability as End Game: The Fundamentals

- Integrity must be the bedrock of all we do
- User perceptions of independence are different. Task force members would be concerned about ownership or relationship conflicts, but doing more work for the client is positive because it improves reliability
- CPAs who employ integrity, expertise and levels of independence can maintain objectivity – thus a limited level of assurance should be achievable



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## Conclusions and Next Steps

- Consider a new framework for performance and reporting on compilation and review engagements focused on reliable financial reporting
- Recognize there are differences between audits and non-audit attest services
- Recognize a CPA's involvement is critical in helping small businesses achieve high quality, reliable financial statements
- If ARSC deems appropriate, an exposure draft will be issued for public comment in the fourth quarter of 2008



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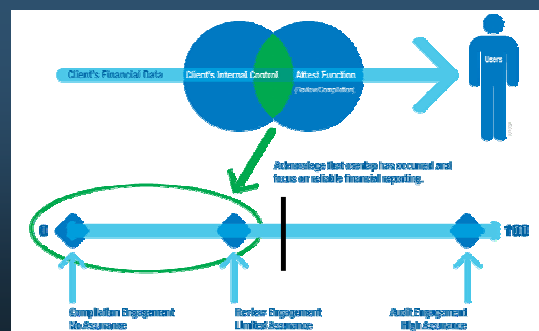
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## Assurance Standards Proposal



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### A Shift in Financial Reporting

- A single set of high-quality accounting standards for worldwide use by public companies
- Why?
  - Recognition of global markets
  - Competitive advantages
  - Cost reductions
  - Human capital mobility



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### SEC "Roadmap"

- Nov '07: Accept foreign private issuers financial statements prepared in accordance with IFRS without reconciliation to GAAP
- Dec '07: Concept Release on U.S. companies submitting financials using IFRS



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## IASB as International Accounting Standard-Setter

- Rule 202 – Compliance with Standards
  - A member who performs auditing, review, compilation, management consulting, tax, or other professional services shall comply with standards promulgated by bodies designated by Council
- Rule 203 – Accounting Principles
  - A member shall not (1) express an opinion or state affirmatively that the financial statements... of any entity are presented in conformity with GAAP... if such statements... contain any departure from an accounting principle promulgated by bodies designated by Council to establish such principles that has a material effect on the statements



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## Challenges Ahead

- Industry-specific issues
- Working with less detailed standards
- Educating some users of financial statements
- Changes in the regulatory system



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## Orderly Transition

- Work with the Financial Accounting Foundation
  - Establish the timing of and the method of adoption
- Work with accounting educators
  - Prepare future professionals
- Support the FASB's continued work with the IASB on standards that need improvements
  - Revenue recognition
  - Leases
  - Fair value measurements
  - Liabilities
- Work with state societies
- Continue to educate members about IFRS



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# IFRS Conversion: Not Just an Accounting Exercise



Source: Ernst & Young. Reprinted with Permission.




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# Member Education Imperative

- Awareness
  - IFRS—An Overview
  - International vs. U.S. Accounting: What in the World is the Difference?
  - IFRS Primer for Audit Committees
- Education
  - IASeminars
  - Onsite programs
- Technical A&A Hotline
- [www.ifrs.com](http://www.ifrs.com)




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Thursday, Mar 15, 2006 AICPA

**AICPA**  
www.ifrs.com Your source for IFRS guidance

HOME OVERVIEW TRAINING PUBLICATIONS IFRS SIGNARIES UPDATES VIDEO

### THE COMING CONVERGENCE

The growing acceptance of International Financial Reporting Standards (IFRS) as a basis for U.S. financial reporting represents a fundamental change for the U.S. accounting profession.

Developed by the American Institute of CPAs, the goal of [IFRS.com](http://www.ifrs.com) is to provide a comprehensive set of resources for accounting professionals, auditors, financial managers and other users of financial statements.

1 of 3

**International Financial Reporting Standards (IFRS) - A Backgrounder**

The American Institute of Certified Public Accountants (AICPA) has recently issued a background document on International Financial Reporting Standards (IFRS). Read a brief overview by clicking on the links below:

- [Get Ready for IFRS](#)
- [IFRS Handbook](#)
- [SAC Leadership in International Effort](#)
- [AICPA Participation](#)
- [Ten Sides of the Story](#)
- [GAAP and IFRS: Who Differences](#)
- [What CPAs Need to Know](#)

[View full background document >](#)

**IFRS: Adopting Global Standards**

A comprehensive discussion from leaders around the world on the U.S. adoption of IFRS.

More Videos

**International Financial Reporting Standards, an Overview**

As the leading national professional organization for accountants, the AICPA is committed to providing the profession with timely continuing professional education opportunities. In the video you can get an overview of the new self-study CPE course.

**Bob Rustling Interview**

**Key Facts About IFRS**

International Financial Reporting Standards (IFRS) are a set of accounting standards, developed by the International Accounting Standards Board (IASB), that are becoming the global standard for the preparation of public company financial statements. The [IASB](#) is an independent accounting standard-setting body, based in London.

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## Auditing Standards Board Clarity Project

- Goals:
  - Address concerns over length & complexity of standards
  - Make them easier to read, understand and implement
  - Will lead to enhancements in audit quality
- Application and other explanatory material presented in a separate section following the requirements
- Objectives for each standard
- Special considerations sections for governmental entities and smaller, less complex entities
- Convergence with ISAs

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## Legislative Update

- Multi-State Income Tax
- More Likely Than Not
- Tax Strategy Patents
- Federal Housing Administration (FHA)
- Farm Bill
- Small Business Committee Hearing
- Subprime/Credit Crisis
- IFRS



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## Business & Industry

- Online Centers → Financial Management and Audit Committee Effectiveness Centers on [www.aicpa.org](http://www.aicpa.org)
- News, Tools, and Resources → BusIndNews, MAGs, Infocasts, toolkits, competency assessment, career guidance, B&I Forum
- Surveys and Research → Economic Outlook Survey, Academic Research Programs
- Strategic Partnerships →   



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## Member Interests, Issues & Challenges

- Key Member Interest Areas
  - Financial Reporting
  - Regulatory/Standards Compliance
  - Internal Control/Risk Management
  - Technology
  - Management & Leadership
  - Performance Measurement (financial and nonfinancial)
- Leadership Opportunity
  - Fair Value
  - Convergence/IFRS
  - Enterprise Risk Mgmt
  - XBRL
  - Demand for CPAs as CFOs
  - People Resource Management
  - EBR
  - Sustainability Reporting



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## Credentials

- Accredited in Business Valuation
  - Mentoring Program and ABV Forum, and networking groups in 2009
  - Mentor and protégé meet once a quarter for a one-hour conference call or more frequently if desired
- Certified Information Technology Professional
  - CITP Challenge involved 19 State Societies
- Personal Financial Specialist
  - AICPA & Moss Adams first-ever study of CPA financial planning & investment advisory practices



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## Certified in Financial Forensics

- AICPA Council approved the Certified in Financial Forensics (CFF) credential in May
- The CFF credential combines specialized forensic accounting knowledge and skills with the CPA experience and expertise
- The CFF's role would be to assist the organization in the investigation of, and response to, the fraud



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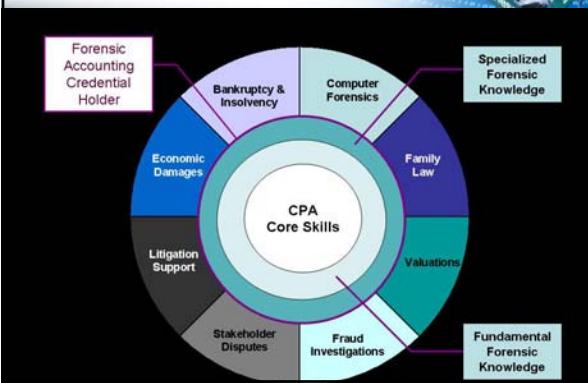
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## Broad Focus of FAC



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## PCPS Small Firm Advocacy

- Integral part of the AICPA Reliability Task Force
- IFRS Task Force – strategic support
- Various advocacy support activities:
  - Farm Credit Issue - helping rural CPA's (with DC office)
  - IFAC SPIES issue - working in concert with PEEC (SPIES would include EBP, NFP and Government entities)
  - Uniformity in State taxation (with DC Office)



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## AICPA and SBA Alliance

- AICPA and the U.S. Small Business Administration signed a strategic alliance agreement giving CPAs greater access to the SBA's programs and nationwide network.



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**2007 PCPS Top MAP ISSUES**  
An analysis of top challenges for CPA firms

**The Issues**

1. Staying on top of tax and technical issues
2. Finding qualified staff
3. Retaining qualified staff
4. Succession and future leadership
5. Maintaining a healthy work/life balance

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**Financial Literacy**

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**360 Degrees of Financial Literacy**  
Your Money Your Life

FEEDTHEPIG.ORG

· One of the most visited financial literacy Web sites.

· 1 million visits in the past six months

· April '08: record-breaking 295,000 visits

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## Feed the Pig

- Dollar value equivalent of FREE media placements:
  - Oct 06 – Oct 07: \$46.9 Million
  - 4<sup>th</sup> quarter 2007: additional \$10.5 million
- Unprecedented Top 10 Ranking for first-year Ad Council campaign
  - Compared to 50+ campaigns, many long-standing



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## Georgia Society of CPAs June 23, 2008

### Pathways of the Profession

Randy Fletchall, CPA  
AICPA Chairman



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