

CLEC Questions Ethics Coverage

(Continued from page 1)

of the year, but Ms. Conrad said that period could be stretched to the end of January 2008 for the boards. Questions being raised include: How strongly do you support the introduction of task-based simulations and the results of the practice analysis concurrently? How strongly do you support the consolidation of the written essay questions into one section of the Exam (BEC)? Is there anything of great importance missing from the list of potential improvements of the Exam?

William Burnham, Prometric vice president of the financial market segment, assured all boards that the company's new owner, ETS, has over 60 years of experience in the testing business. Information about the sale of Prometric by Thomson Corp. to ETS was included in Mr. Burnham's handout material. It stated: "The obligation to protect the public required that NASBA and AICPA scrutinize the proposed deal and our potential new CPA exam partner with great care to be sure that the public's continued high confidence in the state boards' licensing process is maintained and justified. The process was thorough and the due diligence ensured that the new party to the CBT Agreement is in full compliance with any and all of its provisions." ♦

SEC Okays IFRS and EU Considers GAAP

Having considered extensive public comment on its June 2007 proposal, on November 15 the US Securities and Exchange Commission approved rule amendments under which financial statements from foreign private issuers in the US will be accepted without reconciliation to US Generally Accepted Accounting Principles if those statements are prepared using International Financial Reports Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The amendments will take effect 60 days after they are published in the *Federal Register* and apply to financial statements covering years ended after November 15, 2007.

In turn, on November 27, Charlie McCreevy, European Commissioner for Internal Market and Services, told the European Federation of Accountants' (FEE) Conference on Audit Regulation that he intends to propose that no reconciliation to IFRS will be needed for companies filing their accounts under US GAAP. A decision on this proposal would not come until next year, he noted. ♦



State Board Report

A Digest of Current Developments Affecting State Accountancy Regulation

Volume XXXVI, Number 12 December 2007

Costello Addresses Subcommittee on PCIE Report's Recommendations

Issues identified in the President's Council on Integrity and Efficiency's report on unacceptable single audits (see *sbr 7/07*) were discussed by NASBA President David Costello in a statement he submitted on October 25, 2007 to the Subcommittee on Federal Financial Management, Government Information, Federal Services and International Security of the US Senate Committee on Homeland Security Government Affairs. He told the legislators: "We believe that it is extremely important for the Committee to recognize that once state boards have been provided with information pertaining to audit deficiencies, they possess the legislative authority to investigate the complaint, to adjudicate the complaint, and to impose a large range of disciplinary actions."

Commenting on the PCIE's National Single Audit Sampling Project, President Costello underscored the following:

- "The process for referral of complaints from governmental agencies to state boards can be improved and NASBA is committed to developing and maintaining

that process; however, we will need the assistance of the federal community in order to be successful.

- "Where needed, NASBA will provide assistance to state boards that need assistance with their enforcement responsibilities.
- "State boards possess a complete arsenal of disciplinary actions and, thus, there is no need for additional legislation. Instead, the emphasis should be on making the referral process effective.
- "NASBA can provide assistance in strengthening any additional continuing professional education that might be needed."

NASBA's Government Agency Referral Task Force and Linda Biek, NASBA Director of Governmental, International and Professional Relationships, have been assigned to establishing a process to facilitate referrals from governmental agencies, Mr. Costello said. See www.nasba.org for his complete statement. ♦

State Board Report

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NASBA Exams Committee Questions Examination's Ethics Coverage

Less than five percent of the Uniform CPA Examination is devoted to ethics, CPA Licensing Examinations Committee (CLEC) Chair Robert Pearson told NASBA's 100th Annual Meeting. CLEC, acting upon the recommendation of the NASBA Ethics Committee, is supporting consideration of increasing

coverage to test the candidates' ability to handle ethical conflicts, not just memorize the AICPA Code of Conduct and Treasury Circular 230, he explained. Mr. Pearson moderated the Annual Meeting's panel of representatives from the three partners in the computer-based-testing agreement, NASBA, the AICPA and Prometric.

Colleen Conrad, chair of the AICPA's Board of Examiners, noted that 10 of its members now have state board experience. They include: Ms. Conrad (MO), Whit Broome (VA), Ken Clark (MO), Michael Daggett (AZ), Ruben Davila (CA), James Flagg (TX), Leonard Jones (NC), Barbara Porter (ID), Sharon Walters (KY) and Douglas Warren (TN). Ms. Conrad reported the AICPA had completed its practice analysis survey and is developing the examination's content specification outline based on the survey's results, with an exposure period for the outline scheduled for May through July 2008.

As part of a new initiative to determine customer satisfaction with the computer-based examination, on October 24 the AICPA sent all state boards a background paper on "Improving the Uniform CPA Examination" and an invitation to comment on proposed examination changes. Comments are due by the end

(Continued on page 4)

Contents

Costello Addresses Subcommittee on PCIE Report	1
NASBA Exams Committee Questions Ethics Coverage	1
2007 Candidate Book Released	2
President's Memo	3
SEC Okays IFRS and EU Considers GAAP	2

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2007 Candidate Book Released

The 2007 edition of the *Candidate Performance on the Uniform CPA Examination* has been released. Since the Examination was moved to a computerized format, in April 2004, the candidates' data have been analyzed and prepared by NASBA with the assistance of two experts in testing and statistics: Allan S. Cohen, Ph.D., professor in the Department of Educational Psychology and Instructional Technology at the University of Georgia, and James A. Wollack, Ph.D., associate scientist in Testing and Evaluation Services at the University of Wisconsin.

Under the computerized format, the Examination is administered throughout a two-month window within each quarter. Consequently, the 2007 edition covers information from the 2006 Examination that was offered in January-February, April -May, July - August, and October- November.

A total of 69,259 candidates took at least one of the four sections of the Examination in 2006 – compared to 44,513 in 2004 and 61,884 in 2005. Among the 2006 candidates, there were:

21, 893 candidates (31.61 percent) who were first-time test takers who had not previously taken any section of the Examination; 36,201 candidates (52.27 percent) who were repeat candidates, having attempted all sections of the Examination previously; and the remaining 11,165 candidates (16.12 percent) were first timers on some sections and repeat test takers on others.

The schools with the highest passing rates of all sections are listed in the accompanying tables. Only schools with at least 20 candidates attempting the sections were included in the analysis. The authors note, "As expected, candidates with advanced degrees tend to have higher pass rates. In particular, candidates holding only an Associate's degree perform significantly less well than the other candidates."

State Board offices will be provided with a copy of the *Candidate Performance on the Uniform CPA Examination - 2007 Edition*. For details on ordering additional copies, please contact Denise Flagg at cpb@nasba.org. ♦

Schools with Highest Passing Rates Among First-Time Candidates Without Advanced Degrees

Rank	Institution	Number		Number of Candidates	Percent Passing
		Fail	Pass		
1	UNIVERSITY OF TEXAS AT AUSTIN	29	96	125	76.80
2	TEXAS A&M UNIVERSITY	20	55	75	73.33
2	UNIVERSITY OF IOWA	8	22	30	73.33
4	UNIVERSITY OF KANSAS	7	18	25	72.00
5	UNIVERSITY OF GEORGIA	15	38	53	71.70
6	UNIVERSITY OF WISCONSIN-MADISON	11	26	37	70.27
7	UNIVERSITY OF VIRGINIA	12	26	38	68.42
8	AUBURN UNIVERSITY	16	33	49	67.35
9	UNIVERSITY OF MICHIGAN-ANN ARBOR	13	26	39	66.67
9	UNIVERSITY OF WASHINGTON	9	18	27	66.67
9	SOUTHERN METHODIST UNIVERSITY	8	16	24	66.67

Schools with Highest Passing Rates Among All Candidates With Advanced Degrees

Rank	Institution	Number		Number of Candidates	Percent Passing
		Fail	Pass		
1	BRIGHAM YOUNG UNIVERSITY	7	35	42	83.33
1	WAKE FOREST UNIVERSITY	6	30	36	83.33
3	UNIVERSITY OF WISCONSIN-MADISON	2	9	11	81.82
4	BAYLOR UNIVERSITY	6	14	20	70.00
4	UNIVERSITY OF OREGON	3	7	10	70.00
6	UNIVERSITY OF TEXAS AT AUSTIN	12	24	36	66.67
6	BOSTON COLLEGE	6	12	18	66.67
6	UNIVERSITY OF IOWA	4	8	12	66.67
6	UNIVERSITY OF TEXAS AT DALLAS	4	8	12	66.67
10	UNIVERSITY OF FLORIDA	5	9	14	64.29

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President's Memo

"I Knew It Had Power"

An abstract masterpiece by a Mexican artist that was found in the trash by a woman who knew little about modern art has been sold for more than \$1 million.

The painting, "Tres Personajes" by Rufino Tamayo, was discovered in 2003 by Elizabeth Gibson, who spotted it on her morning walk on Manhattan's Upper West Side. She said she took it home because, "Even though I didn't understand it, I knew it had power."

In recent months, as I've had the privilege of representing state boards at various hearings and conferences, I receive, either during the course of the formal discussions or in one-on-one sidebar chats, questions and comments about state board regulation. I walk away from the questions and comments with a similar reaction: there are many in responsible and influential roles who really don't understand the power of state boards of accountancy, but the power is still there.

The state board accountancy regulatory system is the largest accountancy regulatory system in the world...and I believe the most effective for the resources expended. We regulate about 660,000 individual licensees, about 50,000 CPA firms; we have the most extensive mandatory continuing professional education system; by far we oversee more than any other government agency the CPA firms' quality of work through peer review/quality assurance programs; and we at the state level discipline more non-complying licensees than any other accountancy regulatory body. And yet we still hear charges akin to: "State boards don't have the funding to be effective." "State boards don't have the expertise and experience to deal with national and international issues."

Of course we would all like larger budgets to better protect the public, but to the critics I would offer that, when required for a large investigation, state boards have access to funds that go well beyond the budgets of state boards. One might even argue that the state treasury is available if needed. Even though not fully understood by many, there is great power for the boards to meet their public mandates when the states' citizens are threatened.

State boards' expertise and experience mirror that of the profession itself. Large firms, medium-size firms, small firms, industry, academe, and the public are represented on the boards. To claim that state boards don't have the expertise in national and international issues is to similarly indict the accounting profession. Most know this charge is made by those who just don't understand state board regulation. And, even though they may not understand, the power of boards exists to a large extent because of the knowledge of accounting and auditing, and the experience and expertise gained while its members were engaged in professional, industry, and academic pursuits.

But the real power of state boards, underwritten by the Tenth Amendment to the U.S. Constitution, whether understood or not, is the trust and confidence of the public in state accountancy regulation to provide access to quality professional services and protect them from those who are not qualified.



One amazing development each year beginning just prior to Thanksgiving and extending through the end of the year which I really don't fully understand is the transformation that takes place in the hearts and actions of people throughout our great country. We have a little more bounce to our step, smile more, eat more, are more courteous, more hospitable, love to give stuff, and love to receive stuff. Isn't it great? I don't fully understand the transformation but I know it has tremendous power to alter my behavior. And it is in that spirit of positive power, though not completely understood, that I wish for you, your family, and friends peace, joy, and goodwill during your own unique expression of celebration of this wonderful season.

Ad astra (to the stars)

Per aspera (with difficulty)



David A. Costello, CPA

President & CEO



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