

SEC to Consider IFRS

April saw the Securities and Exchange Commission busy setting the stage for closer coordination with other countries' regulators. First, on April 24 the SEC announced it will be taking steps relating to the acceptance of International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board. This summer the Commission will request comments on proposed changes to its rules that would allow foreign private issuers to use IFRS or US GAAP in the financial reports required by the SEC. A concept release will also be issued by the SEC relating to issues surrounding the possibility of treating US and foreign issuers similarly by giving US issuers the ability to use IFRS as well. Comments on both these documents will be due in the fall.

Currently foreign private issuers who report in IFRS or other non-US GAAP must provide a reconciliation of those financial statements to US GAAP. SEC Commissioner Christopher Cox announced that, pending public comments on the proposal, "we remain

(Continued on Page 4)

Increasing NASBA's International Activities

NASBA Chair Wesley P. Johnson announced at the April 27, 2007 Board of Directors meeting, in San Antonio, his appointment of two new NASBA groups to monitor and respond to international professional developments:

The Regulatory Response Committee's Task Force on International Professional Standards includes: Richard Isserman – Chair, J. Coalter Baker, Samuel K. Cotterell, Robert L. Gray, Gaylen R. Hansen, Ray G. Stephens and Robert H. Temkin. The group's charge is to "identify entities that promulgate international practice standards that may impact or influence the public protection mandates of the State Boards of Accountancy. Determine if the entities possess the appropriate credentials, experience and background for reliability. Review and evaluate current and proposed standards. Make recommendations to the Regulatory Response Committee based on the task force's findings and conclusions."

The second new group announced by Chair Johnson was the International Regulators Conference Committee, which includes: Michael D. Weatherwax – Chair, Linda L. Biek, Charles H. Calhoun, III, Samuel K. Cotterell, Robert L. Gray, Gaylen R. Hansen, Mark P. Harris and William Treacy. Their charge is to "identify international government entities that regulate the practice of public accounting. Establish contact and determine if there is sufficient interest in convening a conference to talk about accounting, auditing and ethics standards."

Chair Johnson also announced two new appointments to the CPA Examination Review Board: Charles L. Talbert, III (SC) and Robert G. Zunich (OH), as Jerry A. Davis (TX) completes his term on the ERB. Both appointments were approved by the Board. In addition, Philip W. Gleason's (MN) term was extended for a year and Will J. Pugh (TN) was reappointed for another three-year term. As of July 1, Donald E. Howard (MD) will become ERB vice chair and Barton W. Baldwin (NC) will accede to the office of ERB chair.

The Board of Directors heard progress reports from many of the NASBA Committees, including the Compliance Assurance Committee, which is preparing to present its summary of current peer review programs at the upcoming Regional Meetings, as well as other information to assist state boards in adopting effective oversight programs locally. ♦

Inner Mongolians Visit NYC NASBA

The Inner Mongolia Government Financial Management Delegation visited NASBA's New York City office on April 9. NASBA Executive Vice President Lorraine P. Sachs and Regulatory Issues and Structures Committee Chair Robert L. Gray briefed the 18 members of the delegation on CPA licensing in the United States, NASBA's relationship to the state boards and recent trends in the accounting profession. The delegation was led by Wang Zonghong, deputy executive director of the Inner Mongolia Baotou Municipal Bureau of Finance.

Arranged through the America-China International Exchange Center, a translator facilitated the 90-minute briefing. The Inner Mongolians posed several questions about the US system of licensure, including the examination process. ♦

Contents

SEC to Consider IFRS	1
Increasing NASBA's International Activities	1
Inner Mongolians Visit NYC NASBA	1
Panel Weighs Education Rules	2
President's Memo	3
NASBA's Glamour Girls	4
ALD Covers 12 Jurisdictions	4

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Panel Weighs Education Rules

Flexibility in accounting curriculum was the main recommendation of the panelists who met with NASBA's Education Committee to discuss the Uniform Accountancy Act's model education rules framework on April 30 in Dallas. Some 80 educators, regulators and representatives of other groups interested in accounting education participated in the meeting. The NASBA Education Committee, led by Chair Billy M. Atkinson, posed several questions to the panelists:

1. Is the minimal standards approach for a curriculum appropriate? Is the suggested 24 semester hour total in each of accounting and business sufficient to learn the basic requirements?
2. Are the content lists for accounting and business topics sufficiently specific to provide foundational training and is the resulting curriculum sufficiently flexible?
3. Is the reliance on accreditation appropriate?
4. Should there be a mandatory ethics component of education? Is the three-hour component adequate? Are the alternative choices sufficient to assure regulatory agencies that the ethics component has been completed and the resulting curriculum sufficiently flexible?

The panelists basically agreed that the answer to all those questions was, "Yes" and then explained why. The meeting, moderated by Jan Williams, dean of the University of Tennessee's College of Business in Knoxville, was part of the information gathering process being conducted by the Education Committee in preparation for their drafting of new proposed UAA Model Rules 5-1 and 5-2. The progress of those rules will be discussed at the June NASBA Regional Meetings.

Speakers at the Education Committee's meeting included Nancy Bagranoff and Ira Solomon from the American Accounting Association, Dennis Reigle and George Krull from the American Institute of CPAs, Dan Hollingsworth from the Federation of Schools of Accountancy, Jerry Trapnell from the Association to Advance Collegiate Schools of Business, Douglas Viehland from the Association of Collegiate Business Schools and Programs, Jean Wyer and Ellen Glazerman representing the global accounting firms, and ethics experts Ronald Duska, Steven Mintz, Karen Pincus, Bill Thomas and Melanie Thompson.

Professor Solomon explained that educators talk about three types of learning objectives: knowledge, skills and attitudinal. Because NASBA's 2005 model education rules proposal heavily emphasized knowledge objectives, he thought it "read like a relic of the past," not a prescription for the education of future accountants. Rather than naming specific courses in a rule, educators should be allowed the freedom to develop courses that integrate material, Mr. Krull noted. "Flexibility and integration are the two important key words. It is my opinion to teach without integration of financial accounting and auditing is not appropriate anymore" - even if it is easier for those who check transcripts, he

told the Dallas gathering.

The educators agreed that regulators should rely on accrediting organizations for providing a peer review-type service of the schools' overall accounting program quality, but the accreditation organizations do not mandate a specific curriculum be covered. Dr. Trapnell stated: "I do not see us becoming a certifier of an activity -- we are not an investigative body; we are an accrediting body." While he said AACSB would not certify that a "principles of accounting" course is taught in a school, their review process would focus on the quality of the school's programs.

Melanie Thompson, president of the Texas State Board of Public Accountancy, spoke in favor of requiring a standalone ethics course as part of the education requirement. She explained that whatever Model Rules NASBA adopts, they have to apply to all size accounting programs in all parts of the country. While some say that ethics courses cannot teach values, Professor Thompson stated: "The purpose of the course is not to change values, but to help the person to recognize the issues and have the skills to identify and resolve them to a point of action."

Karen Pincus reported that IFAC's International Accounting Education Standards Board had backed away from the idea of an ethics education framework, and is instead suggesting an ethics education continuum that spans a professional's entire career. IFAC's research covers "a lot of work that gives support for including ethics education, but also supports flexibility for covering the material."

"I think there is danger in just submitting [ethics education] into integration," Bill Thomas, a consultant to the Texas Board observed. He instead favors a three-hour course plus integration of ethics into other courses. Requiring a separate course makes a statement that "our profession is expected to have a higher standard," he said.

Jean Wyer of PricewaterhouseCoopers noted that, unlike ten years ago, today the big firms' partners understand their firms are at risk for ethical violations. "We are investing to make sure everyone in the firm understands what their responsibilities are to themselves, the firm and the public... I think the big firms have been scared straight."

NASBA Chair Wesley P. Johnson responded, "We have to be concerned about the people in the smaller firms, as much as the ones in the Big Four [accounting firms], and that is why we want some assurance that they have had some amount of training in ethical behavior. Our state boards have to protect the public interest; that is one of the things we are responsible for. If there is a failure, it doesn't get thrown back to the educators - but it comes back to the state boards. We want your help."

Professor Williams thanked NASBA for bringing those with such divergent opinions together, and he hoped the information gathered would be helpful to the Education Committee's drafting efforts. ♦

President's Memo

The Exam's Auditors

Asa Hord, Chair of NASBA's Examination Review Board (ERB), and Barton Baldwin, Vice-Chair of ERB, were recently in a bank when armed robbers burst in. While several of the robbers took the money from the tellers, others told the customers, including our esteemed ERB officials, to line up against a wall, and proceeded to take their wallets, watches, etc. While this was going on Asa jammed something into Barton's hand. Without looking down, Barton whispered, "What is this?" To which Asa replied, "It's that \$100 I owe you."

No, I don't expect you to believe that story. But I do want you to get better acquainted with the ERB and its mission for state boards.

NASBA is known for its hard working committees and task forces, but few groups work as hard and with such commitment as the Uniform CPA Examination Review Board (ERB). We've got many productive, creative and talented committees – the Uniform Accountancy Act Committee, the Licensing Examination Committee, the Strategic Initiatives Committee, the Communications Committee, just to name a few – but the granddaddy of them all is the ERB. Since 1977, the ERB has been an independent board that works for and annually reports to NASBA's members – the 55 state boards of accountancy – on the examinations used by the boards for licensing decisions.

When the Uniform CPA Examination moved from a paper-and-pencil examination to computer-based testing (CBT) in 2004, the ERB's work changed, but its scope remained comprehensive. The ERB continues to review the entire examination process -- from candidate application, to item development, to standard setting, to test construction, to Prometric test center visits. Ten (soon to be 11) volunteers, two part-time consultants and one staff person undertake this challenging assignment each year.

We've estimated that the members on the ERB dedicate 200-300 hours a year to ERB assignments, while the Chair spends considerably more time facilitating and coordinating its work. The ERB, as a whole, meets at least five times a year. Members are appointed to subcommittees to oversee and conduct the field audit of each of the parties to the CBT Agreement, e.g., AICPA, NASBA, Prometric; attend and report on the meetings of the AICPA's Board of Examiners and its many subcommittees; conduct visits at Prometric Test Centers — even in out-of-the-way locations; and work closely with the psychometric consultant and the information technology consultant who focus on the very technical details of the audit. Excluding special purpose work for which other professionals may be engaged, the ERB will likely spend about 3,000 hours a year in completing its scope of examination. Not only is this task undertaken for the Uniform CPA Examination, but also similar activities are carried out for the review of the International Qualification Examination (IQEX) program because state boards of accountancy also base licensing decisions on its pass/fail outcomes.

Additionally, the ERB is charged with reviewing the costs associated with the testing programs and conducts a special audit to determine if increases in examination fees are justified. This project in itself would be enough to keep one committee busy. The members conducted the NASBA review, but due to the complexity of the role of the AICPA in the program, an independent CPA firm was engaged and performed its audit under the guidance and scope of the ERB. The ERB also reviews the agreed-upon-procedures review and resulting report on Thomson/Prometric's role under the Computer Based Test Agreement. Moreover, when a unique situation arises, the ERB typically adds to its workload and will release separate reports as needed.

The current members of the ERB are: Asa L. Hord, Chair (KY); Barton W. Baldwin, Vice Chair (NC); Philip W. Gleason, Immediate Past Chair (MN); O. Charlie Chewning, Jr. (NC); Jerry Davis (TX); Donald E. Howard (MD); Will J. Pugh, (TN); Donald R. Roland (GA); David A. Vaudt (IA); and Sandra R. Wilson (AK). They are assisted by Steve Downing, Psychometric Consultant; Mike Harnish, Technology Consultant; and Lisa Axisa, NASBA Director - ERB.

Asa Hord, Barton Baldwin and the entire ERB team are expert professionals in developing scopes of audits and performing or overseeing the examinations and reviews as their role requires under the provisions of the CBT Agreement. While they may not be loaning money to each other, or visiting banks — or test centers — together, they are a close knit group professionally and benefit state boards immensely. NASBA appreciates the key role auditors play in the operation of our financial markets – and our exam.

*Ad astra,
Per aspera.*



David A. Costello, CPA

A handwritten signature in black ink, which appears to read "David A. Costello".

David A. Costello, CPA
President and CEO

SEC to Consider International Standards

(Continued from Page 1)

on track to eliminate reconciliation by 2009.”

SEC Chief Accountant Conrad W. Hewitt observed, “Whether foreign private issuers, and ultimately US companies, should be permitted to use financial statements prepared under IFRS without the current reconciliation to US GAAP are important policy questions for the Commission and US investors.”

Then on April 25 the SEC announced it had signed a protocol with the United Kingdom’s Financial Services Authority and the United Kingdom’s Financial Reporting Council for implementing the work plan between the SEC and the Committee of Securities Regulators to share information on application of IFRS by issuers listed in the UK and registered with the SEC in the US. The Financial Services Authority is a member of the Committee of European Securities Regulators (CESR).

Only two days later, on April 27, Chairman Cox met with the CESR Chairman Eddy Wymeersch and Vice Chairman Carlos Tavares and agreed in principle, subject to approval by the SEC and CESR members, to a template for bilateral protocols between the SEC and each of the CESR’s member jurisdictions covering the confidential exchange of information regarding dual-listed issuers.

“The model protocol that the SEC and the Committee of European Securities Regulators finalized today will serve as a blueprint for bilateral arrangements across the continent,” SEC Chairman Cox stated. “These arrangements will let us confidentially share issuer-specific information, with the ultimate goal of encouraging high-quality and consistent application of International Financial Reporting Standards.” ♦

NASBA’s Glamour Girls

Who says CPAs aren’t stylish? Recent publications have highlighted two women who are well known to NASBA for their outstanding volunteer efforts on behalf of accounting regulation – and now they have stepped into the fashion world. NASBA Past Chair Diane Rubin, CPA, was featured in the April 14 issue of the San Francisco Examiner in their “Lives of Style” column. Smiling on the cover of the March 2007 issue of n Focus: Le Social Scene was Tennessee State Board of Accountancy Executive Director Linda L. Biek, CPA. Neither of these two examples of brains and beauty was quoted as saying anything about the Uniform Accountancy Act, the computer-based CPA examination, or international accounting standards. ♦

ALD Covers 12 Jurisdictions

Information about accountancy board licensees from 12 jurisdictions is now contained in the US Accountancy Licensee Database (ALD). These include – Alaska, Idaho, Indiana, Louisiana, Missouri, Nevada (the latest addition), New Mexico, Oklahoma, Puerto Rico, Tennessee, Texas and Wyoming. Eleven other jurisdictions are in the process of having their information added.

“We are seeing the world’s regulatory bodies coming together to share information; it is only right that the states work together to have a means for efficiently reaching mobile professionals,” NASBA President David Costello stated. ♦