



# Professional Issues Update

June 15, 2010

Georgia Society of CPAs

Robert R. Harris, CPA/CFF  
Chair  
AICPA

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## Changing Landscape

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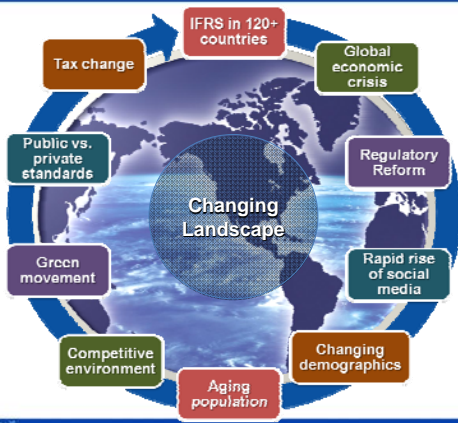
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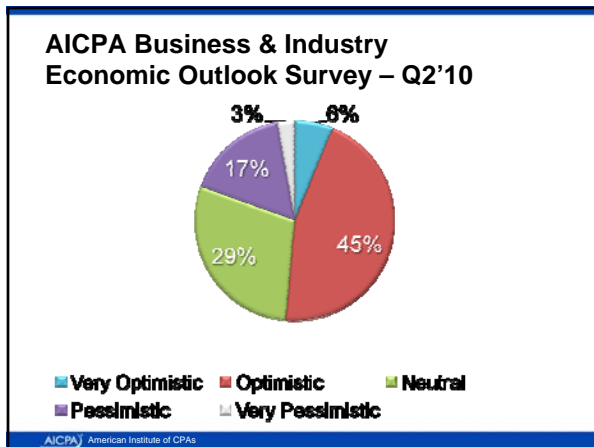
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### Conference Board: 2010 CEO Top 10 Challenges

1. Excellence in execution
2. Consistent execution of strategy by top management
3. Sustained and steady top-line growth
4. Customer loyalty/retention
5. Speed, flexibility, adaptability to change
6. Corporate reputation for quality products/services
7. Stimulating innovation/creativity/enabling entrepreneurship
8. Profit growth
9. Improving productivity
10. Government regulation— *first time ever in top 10*

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## Regulatory Landscape

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### Financial Regulatory Reform

- House version passed bill Dec. 11
- Senate version passed bill May 20
- Conference committee convening
- Goal to have reconciled bill passed by July 4
- Neither bill includes provisions on:
  - Aiding & Abetting
  - FASB independence challenges

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## Financial Regulatory Reform

Senate	House
<b>404(b)</b>	
No provisions included	Exempts public companies w/market cap. < \$75M
<b>Broker-Dealer</b>	
Requires PCAOB to inspect and regulate audits of all broker-dealers	PCAOB inspect & regulate, exempt some auditors from reg/ins requirements
<b>Consumer Protection</b>	
Within Fed. excludes real estate brokers/agents, CPAs, non-financial service small biz	Ind. agency. excludes real estate brokers/agents, CPAs, auto dealers

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## Financial Regulatory Reform

Senate	House
<b>Executive Pay</b>	
Shareholders can cast n/b votes. Fed set standards on excessive comp.	Regulators have say on comp. practices, not pay itself
<b>Oversight</b>	
9 member Financial Services Oversight Council	11 member Financial Services Oversight Council
<b>Volcker Rule</b>	
Prohibit bank holding companies w/ commercial bank ops from spec trading w/ own accounts	Prohibit activity if it could threaten stability of financial system

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## “Red Flags” Rule

<b>Fair and Accurate Credit Transaction Act</b>	<ul style="list-style-type: none"> <li>Requires written plan for identity verification for anyone who is a “creditor”</li> </ul>
<b>Implementation</b>	<ul style="list-style-type: none"> <li>Delayed to December 31, 2010</li> <li>90-day post decision “grace period” for AICPA members in public practice</li> </ul>
<b>Advocacy</b>	<ul style="list-style-type: none"> <li>AICPA and state societies continue to seek exemption for CPAs</li> </ul>

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## PCAOB Constitutionality

- Dec. 7 – Supreme Court heard oral arguments on the case *Free Enterprise Fund v. PCAOB*
- Center for Audit Quality filed amicus brief
- Ruling to come any day
- 3 Options
  - Uphold the PCAOB's constitutionality
  - Strike down the entire Sarbanes-Oxley law
  - Hybrid - rules the PCAOB unconstitutional but gives Congress and the SEC time and latitude to correct appointment structure
- If Court rules hybrid decision, AICPA will work with Congress

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## Temporary Pension Funding Relief

House passed tax extenders bill – without pension funding relief

Senate passed tax extenders bill – with pension funding relief

Final bill needs \$22 billion in pay-fors for consideration

Congress wants to move quickly because of extension of unemployment benefits

Pension provisions offset other tax extenders' costs

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## Other Issues

- Financial planner regulation
  - House and Senate bills call for GAO study
  - If new federal regulator, CPAs could be exposed to redundant regulation
- Comptroller General
  - H.R. 4410, introduced by Peterson/Conaway, has 11 additional cosponsors
- Financial Crisis Inquiry Commission
  - Continues investigative hearings
  - Fair value

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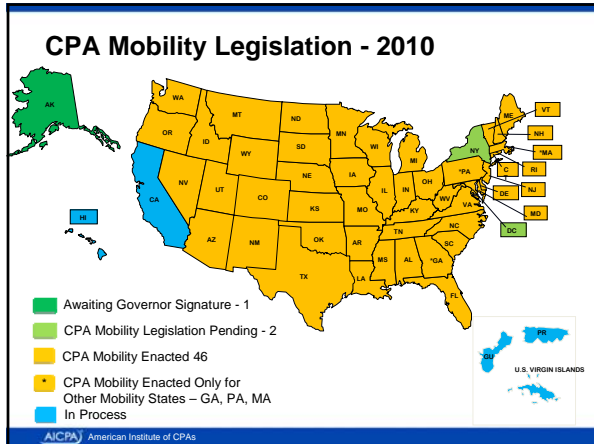
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## Tax Issues

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### Tax Overview

Disclosure of uncertain tax positions	Health care	Estate tax	Extenders bill
Mandatory E-filing	Tax Strategy Patents	Regulation of preparers	Sec 7216
Tax reform	AMT	LIFO	Tax "carried interest"

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## Disclosure of Uncertain Tax Positions

1/26/2010 - IRS Commissioner Shulman introduced Announcement 2010-9

- Imposes new reporting requirements on business taxpayers
- Total assets in excess of \$10 million
- If the taxpayer has one or more "uncertain tax positions"
- Will be reported on a new Schedule UTP

AICPA submitted comment letter June 1, 2010

- Withdraw and focus attention on existing disclosure information
- Pilot that focuses on reducing burden
- Three-year sunset

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## Significant Concerns with Uncertain Tax Positions

- Potential to undercut the integrity of the financial statement process
- Increased burden and cost on taxpayers disproportionate to any actual benefit to the IRS
- New tension among/between taxpayers, tax advisors; alter the current self-assessment system
- Produces complexity and results in distortions
- Disproportionate impact on small businesses
- Taxpayer reporting at a higher level than the level mandated by Congress

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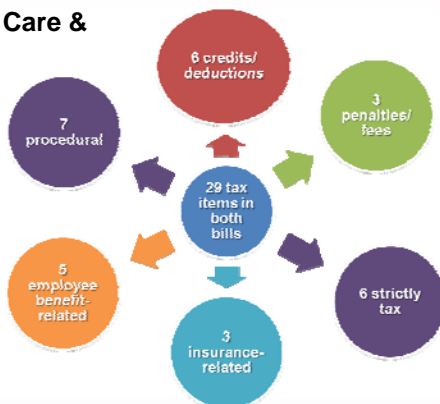
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## Health Care & Taxes



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## Health Care Reform Resources for CPAs

### AICPA developing tools to help members:

- Offer strategic guidance to the C-suite
- Make informed decisions for their own firms
- Advise clients and offer services in employee education



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## Estate Tax

### Phased out completely in 2010

### Moves back up to pre-2001 levels in 2011

- \$1 M per person estate tax exemption
- 55 percent maximum estate tax rate

### AICPA advocacy

- Permanently extend estate tax as in effect in 2009
- Consistency important
- Index exemption to inflation
- Conform exemptions for estate, gift, generation skipping and special use valuation
- Portability of exemption between spouse so, if first to die, doesn't use full exemption; residual amount automatically carries over to surviving spouse

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## The American Jobs and Closing Tax Loopholes Act of 2010

1-year extension for tax provisions expired 2009 end; includes tax credit for research, experimentation, expenses

Tax "carried interest"

Alter rules corporations use to calculate foreign tax credits and foreign-source income

Modify employment tax treatment of income earned by individuals in professional service businesses (S Corps)

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## Mandatory E-Filing

Worker, Homeownership, and Business Assistance Act of 2009 mandates e-filing

- Effective for returns filed after Dec. 31, 2010
- Exempts paid preparers of <10 individual federal income tax returns per year

Tax Court announced May 6, mandatory e-filing

- For most parties represented by practitioners in cases in which petition filed on or after July 1, 2010

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## Tax Strategy Patents

■ Bans patents for tax planning strategies

■ AICPA and state societies continue to work aggressively to pass legislation

■ Support

- 45 cosponsors on House bill – momentum remains strong
- Senate champions (Baucus and Grassley) working to include in larger patent reform bill
- Strong new coalition – consumer groups, financial planning groups, and tax groups

■ Outlook – cautiously optimistic

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## Future Tax Issues

■ 2011 top rates go up - 36% and 39.6%

■ Proposals not getting traction

- Increase capital gains rate to 20%
- Limit itemized deduction to 28% rate

■ Proposals getting traction

- Codification of economic substance doctrine
- Impose limits on family limited partnership valuations
- LIFO repeal
- AMT "patch" will happen

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# Tax Preparer Registration Regulation

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## Tax Preparer Regulation Registration IRS Report – January 2010

### ■ Two overall goals

- Enhance compliance
- Elevate ethical conduct

### ■ Four major elements

- PTIN
- Circular 230
- CPE
- Testing

### ■ CPAs exempt from CPE and testing

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## AICPA Advocacy Goals

### ■ Short term

- Common sense implementation

### ■ Strategic

- Protect the CPA credential



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## Advocacy Efforts

- Meetings with Commissioner Shulman
- Reiterated AICPA concerns with exam, requested delay
  - PTIN combined with compliance and tracking
  - Confusion in marketplace
  - Costs to taxpayers
- Reiterated support for PTIN and Circular 230
- Constant engagement

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## AICPA Testimony on May 6

- Registration plan should not confuse marketplace
  - All registered tax preparers NOT equal
- AICPA supports PTIN for signers
- AICPA doesn't support PTIN requirement for non-signing preparers in CPA firms
- PTIN fee should be moderate, not used for revenue generation
- Any new IRS examination process should be delayed

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## Comparing CPA and IRS Requirements

### CPA requirements

- College graduate
- 150 hours college education
- Uniform CPA Exam
- 120 hours CPE over 3-year period

### IRS requirements

- No education required
- 18 years old
- IRS exam – level unknown
- 15 hours annual tax education

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## Non-Signing Preparers

- Issue in PTIN proposed regulations
- Pushed by the IRS National Taxpayer Advocate
- Supported by commercial preparers
- No public policy argument to include CPAs
- Fails to recognize public protection by current regulation

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## Timeline



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## Moving Forward

- **Two-tiered approach**
  - **Delaying the examination**
    - Extensive input during comment period
    - Including policy makers in discussions
    - Get the first part right first
  - **Impacting the overall implementation of preparer registration**
    - Non-signing preparers
    - Pressing for a favorable outcome

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# International View

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## Globalization of Professional Associations

<b>Association of Certified Chartered Accountants</b>	<ul style="list-style-type: none"><li>• 33 countries</li><li>• 140,000 members; 404,000 students</li></ul>
<b>Chartered Institute of Management Accountants</b>	<ul style="list-style-type: none"><li>• 40 Countries</li><li>• 172,000 members and students</li></ul>
<b>Institute of Internal Auditors</b>	<ul style="list-style-type: none"><li>• 128 chapters/institutes worldwide</li><li>• 170,000 members</li></ul>
<b>Institute of Chartered Accountants of England &amp; Wales</b>	<ul style="list-style-type: none"><li>• 9 countries</li><li>• 134,000 members</li></ul>
<b>Other North American Associations</b>	<ul style="list-style-type: none"><li>• 75,000 CAs and 12,000 students in Canada &amp; Bermuda (CICA)</li><li>• 20,000 CPs in Mexico (IMCP)</li></ul>

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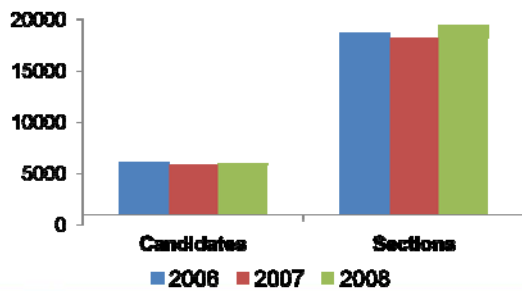
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## Steady Interest in U.S. CPA

■ Primary interest from Japan, S. Korea, Canada, India



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### Momentum Toward Global Adoption of IFRS



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Source of information (adapted from): www.iasplus.com

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### IFRS – Adoption Trends



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### Fortune Global 500 (July 2009)

Fortune G500	Based on announced plans		
	2009	2013	Japan 2015?
Which GAAP?			
IFRS and word-for-word IFRS equivalents	190	245	310
US GAAP	155	155	140
National GAAPs	155	100	50
Total	500	500	500

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© 2009 IASC Foundation

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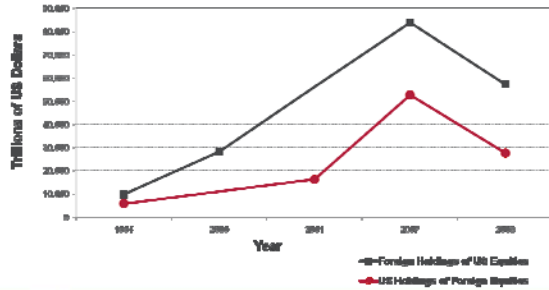
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## US Investors, Companies Depend on Cross-border Capital Flows

Growing cross-border holdings of US companies and investors



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Source: U.S. Treasury

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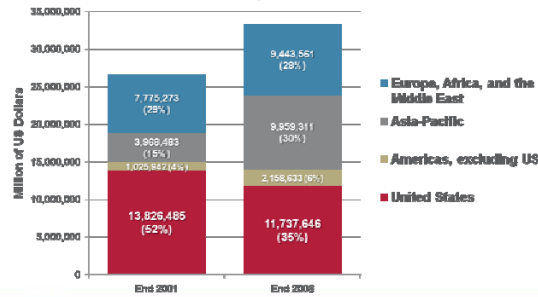
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## U.S. Markets are Diminishing in Relative Size

The Globalization of Capital Markets: Domestic Market Capitalization



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Source: World Federation of Exchanges

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## History of IFRS-U.S. Convergence Efforts

Events	Outcome
2001 – 04 Growing interest in IFRSs following US financial scandals	Norwalk agreement
2005 – 07 Growing IFRS use, concerns about US position in global markets, desire to cement IFRS	MoU and SEC reconciliation requirement removal
2008 - 09 Consideration of US adoption and date certain	Update of MoU with 2011 targets and SEC roadmap
Nov 2009 Renewed commitment to MOU	Joint statements by IASB-FASB and Trustee bodies; plans for completing 2011 targets

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## SEC IFRS Statement

Feb. 24 - SEC extends timeline for IFRS to at least 2015

SEC to decide on IFRS adoption in 2011

AICPA supports SEC work plan

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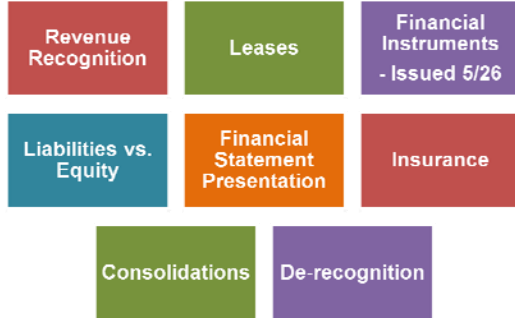
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## FASB Convergence Efforts: 8 Exposure Drafts Released by Fall



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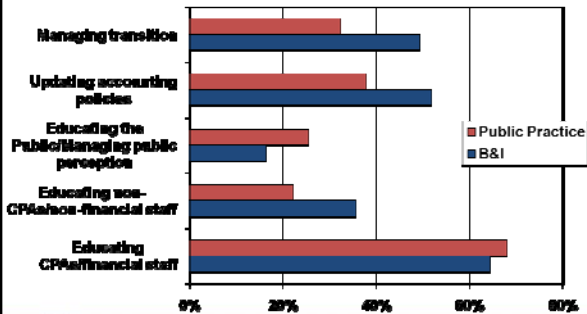
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## AICPA IFRS Readiness Survey – April 2010

Largest challenges implementing IFRS has presented/will present to your firm/company



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## Ethics and Independence Codification

- Single source of guidance on AICPA ethics and independence matters
- Identify areas to converge with international standards



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## Financial Reporting in a New Environment

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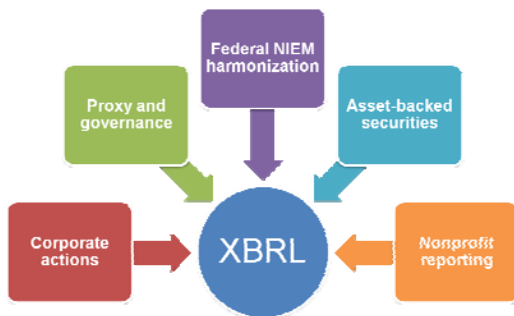
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## XBRL: Five Labs Project



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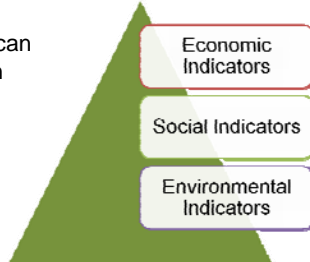
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## Sustainability

- Sustainability Workshop—Sept 30-Oct 1, 2010
- Accounting for Sustainability (A4S) Case Studies

“Going green” can save you green



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## Blue Ribbon Panel: History

Oct. 2009 - AICPA Council supports exploring differences in acting standards for private companies

Nov. 2009 – AICPA & FAF Boards approve panel

Dec. 2009 – Official announcement with AICPA, FAF and NASBA as sponsors

Feb. 2010 – Panel members named

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## Blue Ribbon Panel

■ Report expected by end of 2010

■ First meeting: April 12 – perspectives of U.S. private company financial statement users

■ May 14 meeting – IASB, UK and CICA presented



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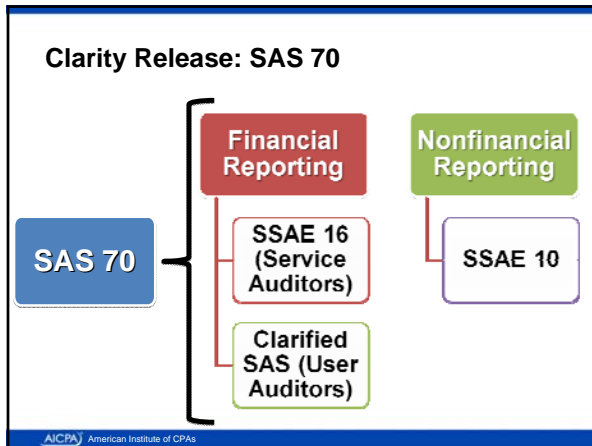
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### Firm Outlook

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### Network and Network Firms Interpretation 101-17, Independence

- When firms and entities share certain characteristics they are a network and must be independent of certain attest clients of other network firms

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## Private Companies Practice Section

- New resources help smaller firms through economic recovery, cultivate leadership and leverage trends
- Smaller overseas firms praise PCPS resources

Social Media  
Tool Kit for  
Firms

Client  
Retention  
Guide

Emerging  
Partner  
Training Forum

Human Capital:  
Sabbatical  
Resources

Succession  
Planning:  
Merger Issues

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## Firms and Economic Recovery

Revenues: Flat in 2009; Projected 3% increase in 2010

Hiring Plans in 2010:

17% of \$2-5M firms; 50% of \$6-10M; 43% of \$10M

Marketing: 62% plan to increase

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## CPA Firms: Most Profitable Small Business <\$10 million

CPA Firms ranked number one by Forbes

Surveyed 300,000

Outrank:

- Chiropractors, Dentists, Optometrists
- Sales Financing
- Insurance Agencies and Brokerages
- Physicians, General/Family Practitioners
- Consumer Lending
- Diagnostic Imaging Centers

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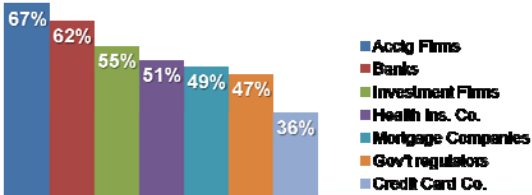
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### Accounting Firms Most Trusted

- Generally speaking, how believable do you normally find statements made by someone who works for one of these organizations or groups
- “Echo Boomers” (18-34) rated accounting firms highest— 74%



Source: Harris Poll, May 18

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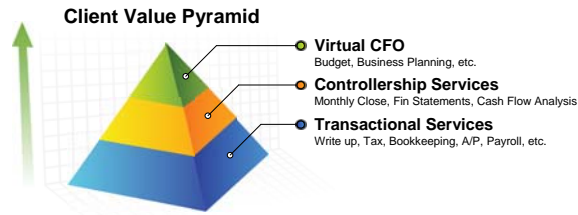
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### Client Accounting Services for SMBs

More than 95% of organizations will increase their use of cloud solutions in 2010 (Gartner)



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### CPA2Biz Cloud-Based Firm Solutions



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# Growing Resources

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## New Pathway to Specialty Credentials

Experience	Education	Exam
ABV: 150-350 hrs	ABV: 45-105 hrs CPE	ABV: In place
CFF: min 1,000 hrs	CFF: min 75 hrs CPE	CFF: Fall 2010
PFS: min 3,000 hrs	PFS: min 80 hrs CPE	PFS: Fall 2010; other exams still accepted
CITP: 1k-2.4k hrs	CITP: 75-180 hrs CPE	CITP: Beta Fall 2010

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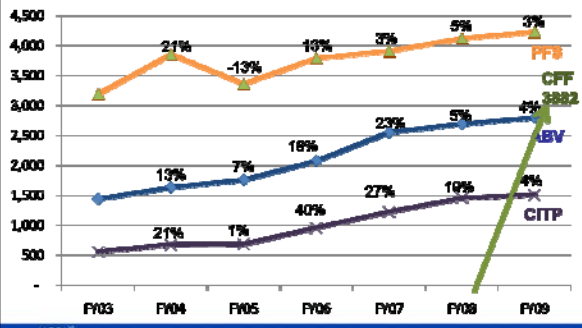
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## Credentials Continue Growth Trend




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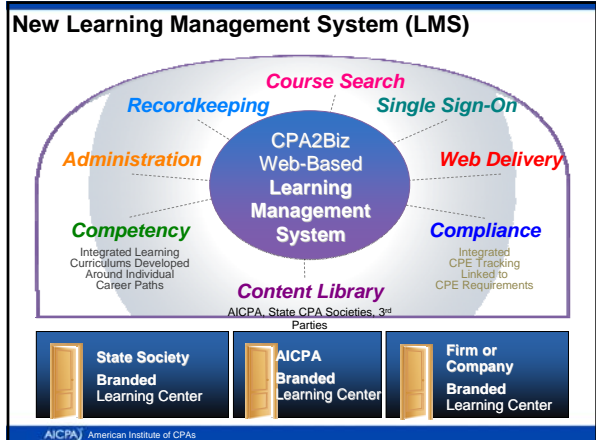
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### CPA Profession's Future

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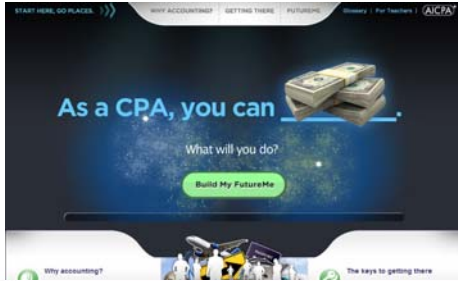
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## Start Here, Go Places Success

- Student profiles: 15,936... and counting
- 167 CPA profiles, 113 in development



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## Bring Students to CPA



For accounting graduates and young professionals studying for the CPA Exam

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## Young CPA Network



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### Accounting Doctoral Scholars

■ \$16.8 million contributed

■ 71 firms & 44 state societies

■ First class:

- 131 applicants
- 30 finalists
- 27 enrolled (9 tax, 18 audit)
- 39 universities participated



■ Second class

- 88 applicants
- 30 finalists

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### CPA Examination

Domestic  
Extension to  
2024

CBT-e launch  
2011

International  
CPA Exam  
Continuing  
Development

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### CPA Exam International Test Administration

- Utilizes state board licensure process and current examination structure
- Requires candidates to seek CPA licensure
- Handful of countries/regions initially
- AICPA and NASBA Boards approved completing contract and implementation plan

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## AICPA Membership Category Modifications

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### Member Ballot Authorized

Spring Council authorized member ballot to modify admission requirements for voting members

- **Once held CPA certificate not revoked due to disciplinary action**
- **Meet education, examination, experience requirements of UAA, good moral character, never granted right to practice**

Ballot to happen within 180 days from May 24, 2010

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### Changing Landscape

- **Membership categories last reviewed in 1950s**
- **Students, CPA candidates and exam passers not going to licensure**
- **Competition from non-traditional sources**
  - International designations
  - For-profit and not-for-profit
- **Changes in the profession present opportunities**
  - Domestic and international
  - Significant shifts in AICPA demographics

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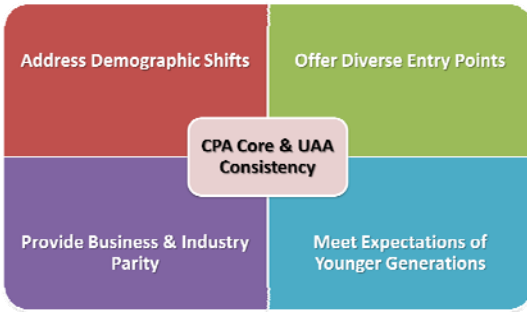
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## Member Ballot Goals



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## Financial Literacy

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## New 360 Degrees of Financial Literacy Website Launched



- RSS feeds for 10 life stages and 13 financial topics
- Widget
- Money Management Blog (coming soon)
- Ratings and comments for articles
- User registration to create custom dashboard
- Connection to state CPA societies

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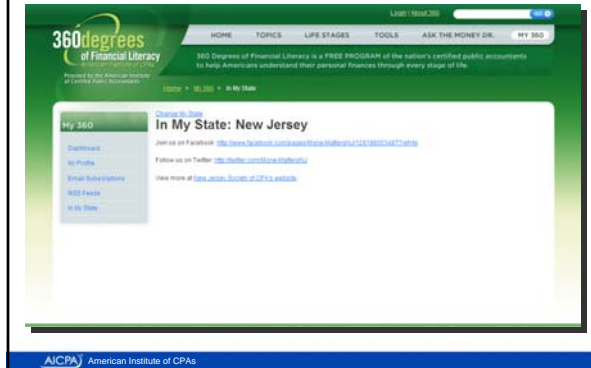
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## State CPA Society Presence



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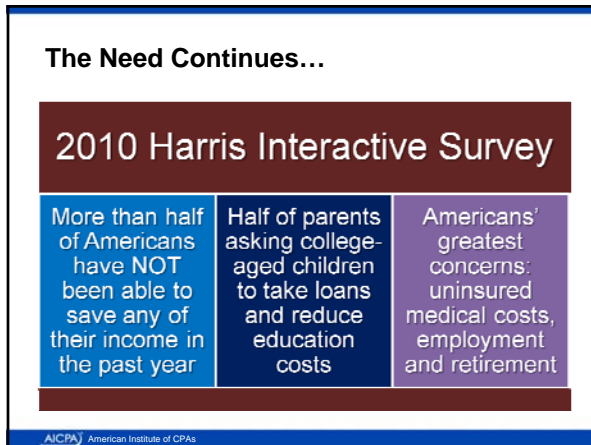
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## The Need Continues...



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## Announcing a New Partnership...



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## To Launch....

### ■ Workplace Financial Education Award

- Idea initiated by the Workplace Education Subcommittee of the President's Advisory Council for Financial Literacy
- Award to honor employers who have implemented successful workplace financial education program



WORKPLACE  
Financial Education Award  
AICPA | SHRM

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## Advancing the Profession

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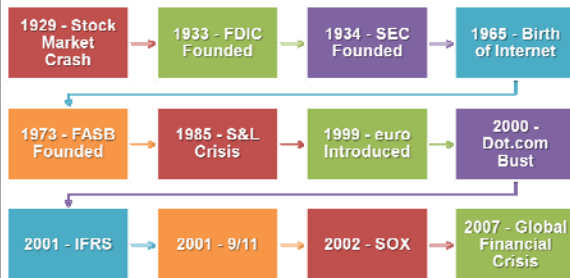
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## Reflecting Back, Looking Forward



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## Professional Issues and Initiatives

- **Advocacy**
  - Federal/State Legislation & Regulation
  - Regulatory Restructuring
  - Tax
  - Uniformity & Mobility
  - Public Policy Issues
- **People**
  - CPA Exam
  - Young CPAs
  - Student Recruitment
  - Minority Initiatives
  - PhD Creation & Support
  - 150 hour
- **International**
  - IFRS
  - ISAs
  - Ethics
- **Financial Literacy**
- **Prof. Excellence & Public Interest**
  - Tax Preparer Registration
  - Enhanced Business Reporting
  - XBRL
  - Private Company Financial Rep
  - Sustainability
  - Audit Quality
  - Clarity Project
  - Peer Review & Ethics
  - Private Companies Practice Section
  - Specialized Communities & Credentials
  - Business, Industry & Government
- **CPA Reputation**
- **Competition & Risk**
- **Operational Excellence**

AICPA American Institute of CPAs

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