



State Regulatory Update

An Update on State Legislative and Regulatory Issues Affecting the CPA Profession

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Fall 2014

Overview

Welcome to the Fall 2014 edition of State Regulatory Update. This periodic publication by the AICPA State Regulation and Legislation Team provides news and information of interest to State Boards of Accountancy.

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NASBA Annual Meeting Events: Enhancing Audit Quality; Demonstration of New AICPA Code of Conduct

Interested in learning more about the AICPA's Enhancing Audit Quality Initiative or viewing a demonstration of the AICPA's new online Code of Professional Conduct? Join us for a Meet and Greet at the NASBA Annual Meeting from 4:00 p.m. to 5:30 p.m. on Sunday, November 2, in the Russell/Hart room on the Meeting Room Level at the JW Marriott. Light refreshments will be served, and the AICPA staff will be on hand to answer any questions you may have about these initiatives, Practice Monitoring of the Future, Peer Review Recall Guidance, the revised Code, or any other topics you'd like to discuss.

For those unable to attend the Annual Meeting, a brief [Video Demonstration](#) of the new Code is also available online.

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The Latest from the Uniform CPA Examination Influencing the Next CPA Exam: Practice Analysis Update

The AICPA continues to move forward with the collection of feedback to the Invitation to Comment as it considers possible changes to the Uniform CPA Examination. Access to the Invitation to Comment is available [online](#), with an open comment period ending December 2, 2014. Questions can be answered by submitting feedback through the survey linked in the document. Individual comment letters from organizations can be e-mailed to PracticeAnalysis@aicpa.org. Feedback is greatly appreciated as we work together to maintain the Exam's relevance in the profession and do our part in protecting the public interest.

A large-scale survey will also be distributed on November 2 to newly licensed CPAs and supervisors of newly licensed CPAs. The purpose of the survey is to validate information on content areas and to understand the depth to which particular subjects should be tested on the Exam. Data collection will continue through December 2014 and will be analyzed according to content areas.

Candidates from India Can Now Sit for the CPA Exam in the Middle East

Testing for the CPA Exam in the Middle East is now open to all qualified citizens and permanent residents of India. Qualified candidates can [register](#) and sit for the Exam in testing centers throughout Bahrain, Kuwait, Lebanon, and the United Arab Emirates. The international administration of the Exam, which is offered in English, is the same as the U.S. Exam that the AICPA, NASBA, and Prometric administer in the United States.

Resources on the CPA Exam

An updated Event in a Box, a State Board Committee-sponsored initiative, is now available for use at presentations and conferences. The Event in a Box includes a [presentation](#) with [talking points](#) (included as notes), as well as a corresponding [flyer](#) that can be distributed to students or candidates.

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Suzanne Jolicoeur, Editor

These materials provide information on the CPA credential, Exam, and licensure process.

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Ethics Update

In June, the AICPA Professional Ethics Division issued an [Exposure Draft](#) seeking comments on a proposal that provides guidance to members in public practice concerning a breach of an independence interpretation. The proposed guidance would assist members in evaluating the impact of an independence breach, and determining whether the firm should resign from the attest engagement or whether actions could be taken to satisfactorily address the consequences of the breach. However, even if a member follows the proposed guidance and believes to have satisfactorily addressed the consequences of the breach, it would not preclude a potential investigation or enforcement action. Comments on this proposal will be discussed at the upcoming November 2014 PEEC meeting.

In August, the division issued another [Exposure Draft](#) seeking comments on two proposals impacting members in public practice. One proposal provides for a limited exception to the "[Client Affiliate](#)" interpretation under the "Independence Rule" and the "[attest client](#)" definition for situations where a member's independence is impaired with respect to a non-client or nonattest client that acquires the member's financial statement attest client. The second proposal calls for the "[Campaign Treasurer](#)" interpretation to be applied more broadly and not be limited to only a member serving as a campaign treasurer for a mayoral candidate. Since comments are not due until October 29, 2014, it is anticipated that these proposals will be discussed at the upcoming January 2015 PEEC meeting.

On September 30, 2014, the new and revised [Conflicts of Interest](#) interpretations and clarifying revisions to the "Applicability" section of the Code became effective.

The Professional Ethics division also has active task forces that are studying emerging issues such as the impact firm mergers have on independence and whether the definition of "client" should be amended.

For more information contact Ellen Gorja at egoria@aicpa.org.

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The Future of Learning

In May 2014, the AICPA's Future of Learning Task Force announced four broad recommendations to positively impact the future of learning for the CPA profession. The recommendations are:

1. Innovate and experiment
2. Ignite a passion for learning
3. Make learning personal
4. Measure what matters

These recommendations, along with the full report, are available on the [Future of Learning](#) interactive website. The report explores change within business, the workplace, and the CPA profession - as well as learning trends that are impacting how we think about professional development for CPAs.

This and future editions of *State Regulatory Update* will look at each of the task force recommendations and ways they can be implemented.

Recommendation One: Innovate and Experiment

Innovation provides unlimited opportunities for how and what to pursue. Innovations can be large or small.

An excellent way for CPA professionals to innovate is to make incremental changes to instruction that move it away from a lecture-based environment and toward experiences that are more interactive. This shift from input-based to output-based learning not only increases student engagement, but it also enhances competency development. Changes might include:

- Flipping the classroom: Pre-read materials are provided to students so that classroom time can be spent on applying concepts.
- Sharing the stage: Rather than a classroom experience being a monologue, others are allowed to tell the story or demonstrate a point through video, experience-sharing, and other means.
- Embracing the case study: Working through real-world problems provides meaning and context for learners that help to develop competencies that professionals can immediately apply when they return to work.

It is important to be strategic, however, to ensure the innovation fits the learning - and audience - at hand. A minor standards update might be best delivered by a quick, straightforward presentation or podcast, while learners may benefit most by diving into case studies to digest the recent changes to the revenue recognition standards.

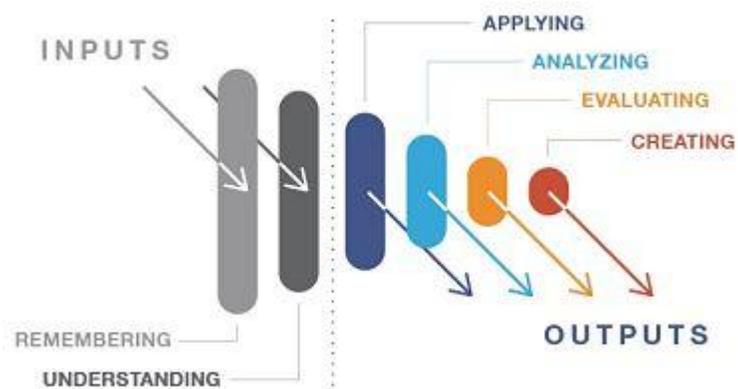
One can't think about innovation without considering technology. Driving change that leverages technology can be expensive, but it doesn't have to be. Consider the following:

- Technology changes rapidly, so start small, be agile, and take an incremental approach.
- Learn from and experiment with free online resources, such as [Khan Academy](#).
- Instead of building new learning platforms, take advantage of existing software.
- Seek out technology that lets the user measure student progress.
- Leverage state-of-the-art technology - like just-in-time learning, game mechanics, and nano-learning - that is available at [Future of Learning](#).

In the next edition, *State Regulatory Update* will feature recommendations on how to ignite a passion for learning, with a focus on creating meaningful, purposeful experiences that motivate and engage learners.

For more information please contact Clar Rosso at rosso@aicpa.org.

The shift from input-based to output-based learning



Adapted from "Bloom's Taxonomy of Learning Domains" by Dr. Benjamin Bloom, 1956

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AICPA hosts workshop to discuss new UAA attest definition, firm mobility language

State society staff, representatives from state boards of accountancy, and NASBA & AICPA staff attended an AICPA workshop in Chicago last month designed to review the two major changes contained in the Seventh Edition of the Uniform Accountancy Act (UAA) - the revised definition of attest and

new language regarding CPA firm mobility for attest services.

In May 2014, the AICPA and NASBA approved changes to the UAA to revise the definition of attest to close a troubling public protection loophole; the previous definition had allowed unregulated non-CPAs to issue reports under the AICPA's Statement on Standards on Attestation Engagements. That is no longer allowed under the recently approved change.

Workshop speakers included UAA AICPA Co-Chair Gary McIntosh, AICPA Firm Mobility Task Force Co- Chair Debbie Lambert, and Mat Young, AICPA Vice President - State Regulatory & Legislative Affairs.

"The workshop was a great opportunity for everyone to study the new language in detail, learn how it will impact the profession on a day-to-day basis, and discuss strategies for implementing changes in their own state statutes," said Mat Young.

The workshop also covered new UAA language that allows for CPA firm mobility for attest services under a no-notice, no-fee, no-escape regime. All states already have CPA firm mobility for non-attest services so the model language would conform requirements for attest with the requirements for the provision of non-attest services. Fourteen states already allow full CPA firm mobility for both attest and non-attest services.

In exchange for a firm mobility practice privilege, CPA firms would have to meet the peer review and CPA ownership requirements of any mobility state in which they are seeking to perform attest services. Firms must continue to register in any state in which they have a permanent physical presence.

The AICPA plans to work closely with NASBA to assist state boards and state societies as they review their statutes and consider potential changes. The AICPA State Regulatory and Legislative Affairs Team also has developed a series of various advocacy resources on both issues for interested state level partners. For more information, contact Mat Young at myoung@aicpa.org.

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