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THE IMPACT OF NAFTA AND GATT ON RECIPROCITY FOR QUALIFIED ACCOUNTANTS

by Rick Elam

he United States has recently approved the North American Free Trade Agreement (NAFTA) and appears likely to approve the General Agreement on Trade and Tariffs (GATT). If approved by our Congress, the GATT Agreement goes into effect July 1, 1995.

Both agreements require countries to set regulations that are not discriminatory or burdensome between the signatories and to establish and consistently apply criteria for licensure to applicants from any NAFTA or GATT country. This means that state boards of accountancy will need to eliminate, over the next several years, residency or citizenship requirements and have a procedure for evaluating applicants for CPA certificates from signatory countries. States may set any qualifications for those applicants as long as they are not more burdensome than necessary to assure the quality of the service and are applied consistently to applicants from all the countries.

The American Institute of CPAs and the National Association of State Boards of Accountancy have jointly established the United States International Qualification Appraisal Board (US-IQAB) to assist state boards of accountancy with advice on how to deal with foreign applicants and to work with countries wishing to create reciprocal licensure agreements.

Criteria for Evaluating Individual Applicants

Applicants from GATT or NAFTA countries who are not currently certified in their home country will probably be evaluated by state boards using the same criteria and procedures applied to United States CPA candidates. This will involve evaluation of the applicants transcripts for appropriate education and review of their relevant experience. Boards will often need to use the services of a professional transcript translator in order to understand how the foreign applicant's education equates to the US jurisdiction's requirements. The applicants will be required to pass the Uniform CPA Examination.

Applications from qualified (certified or chartered) foreign accountants will, in most cases, be treated the same as unlicensed candidates from within a board's jurisdiction. Qualified foreign applicants will be required to make up education deficiencies and to pass the Uniform CPA Examination. The only exceptions will be for qualified applicants from countries with which the state board has a reciprocal agreement.

Reciprocal Agreements for Foreign Qualified Accountants A few of the GATT countries have expressed interest in creating reciprocal agreements which would allow qualified professionals from that country to practice in the United States without the necessity of meeting all the specific requirements for U.S. CPAs. The US–IQAB will assist state boards by reviewing the education and experience requirements for becoming a qualified accountant and making recommendations to boards regarding reciprocal agreements for those countries.

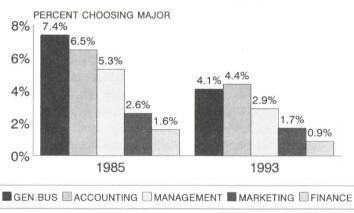
Principles for a reciprocal agreement have been created for the United States and Canada. Twenty-one states have approved the use of the special examination prepared by the AICPA specifically to test Canadian Chartered Accountants desiring to practice in one of those states. The first examination was administered during November 1993.

In this issue
Impact of GATT and NAFTA on Reciprocity 1 Enrollment Projection:
Good News/Bad News
• CPE Workshops for Accounting Educators
A Conversation with Luca Pacioli

<u>Facing the Future</u> Good News/Bad News

The latest survey of students starting college indicates that interest in majoring in business subjects continues to decline. The graphic below shows that since 1985, the percentage of new college students interested in majoring in accounting has declined from 6.5 percent to 4.4 percent. That decline is worrisome for accounting educators but may not be so bad when considered in the context of the 80 major choices the students were offered. Only nursing, elementary education, and psychology were chosen by more students. Interestingly, 4.9 percent of women students surveyed chose accounting, compared with only 3.9 percent of men. Over the past few years, students' interest has declined for all business majors and increased dramatically in allied-health majors. The bad news from this survey is declining interest in accounting; the good news is that accounting continues to be one of the top choices among new students and seems to be declining less rapidly than other business disciplines.

FRESHMAN MAJOR CHOICE



UCLA, The American Freshman

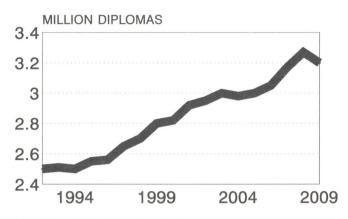
There is also good news from the high schools. The decline

A New Direction for the KPMG Peat Marwick Foundation

The KPMG Peat Marwick Foundation has turned its attention from research and other support for faculty, students, and institutions to more pressing challenges facing business schools and the accounting profession. Foundation-supported programs such as Research Opportunities in Auditing, Tax Research Opportunities, Research Fellowships, and Faculty Fellowships have been discontinued so that funds may be redirected, principally to the area of diversity.

In January 1994, the foundation invited academicians, business people, and doctoral students to participate in a workshop focused on ways to increase the number of African-American accounting professors in the belief that, by serving as role models, they would attract members of this minority group to accounting. The program outlined at the workshop was in number of high school graduates is finally over. The number of diplomas awarded will climb rapidly for the next dozen or more years. Those high school graduates are expected to attend college at the same rate as in the early 1990s. Unfortunately, colleges and universities are very unlikely to increase capacity to meet the demand from those desiring to attend. For accounting departments this means that in spite of declining

HIGH SCHOOL DIPLOMAS



Chronicle of Higher Education, October 13, 1993

interest as a percentage of the entire freshman class, there will most likely be more students desiring an accounting degree than there are seats available.

Most accounting programs will have little problem operating at full capacity in terms of number of majors. The problem for accounting faculty will be to attract and retain the best possible students, not only from those committed to accounting but also from other majors.

For a good overview of the most recent freshman survey, see the January 26, 1994 issue of the *Chronicle of Higher Education*. *The American Freshman: National Norms for Fall* 1993 is available from the Higher Education Research Institute, UCLA Graduate School of Education, 405 Hilgard Avenue, Los Angeles, CA 90024-1521.

approved by the foundation's trustees in early February. Trustees mandated that the program be offered for the 1994–95 school year to hasten its impact. The foundation will also fund the formation of a National Organization for African-American Accounting Doctoral Students, to include an annual meeting.

Up to 10 scholarships per year in the amount of \$10,000 renewable for up to five years will be awarded to selected African-American students. The doctoral-granting institution will be required to provide an annual \$5,000 stipend and teaching and research assistantships, as is customary for their doctoral program, and waive all tuition and fees.

Applicants should send their curriculum vitae, along with a letter describing their current status including the institutions they are attending, have been accepted by, or have applied to African-American Accounting Doctoral Support Program, c/o Bernard J. Milano, Secretary, KPMG Peat Marwick Foundation, Three Chestnut Ridge Road, Montvale, NJ 07645-1834.

AICPA Academic and Career Development Division Announces 1994 CPE Workshops for Accounting Educators

COOPERATIVE LEARNING AND ASSESS-MENT IN THE ACCOUNTING CLASSROOM

in cooperation with the Southwest, Southeast and Western Regions of the American Accounting Association

□ April 28, 1994 in Louisville, Kentucky □ May 5, 1994 in Portland, Oregon

The morning workshop will cover class management techniques and team-building skills that enhance learning in the accounting classroom. Participants will learn how to implement specific and practical cooperative learning structures at the basic and advanced levels.

The highly interactive program will be presented by Philip G. Cottell, Jr., DBA, and Professor of Accountancy at Miami University, Oxford, Ohio.

A hands-on workshop focusing on the effective design of student centered performance assessments will be presented in the afternoon. Faculty from Alverno College which is internationally recognized for assessment will lead the workshop. Accounting educators who want to develop or refine assessment processes within their courses or as broader comprehensive student learning experiences will benefit tremendously from this innovative program. Topics include: assessing the accounting major, inclass and outside-class assessment, faculty-designed criteria, self-assessment for students, teaching/ assessing to develop student outcomes, and using results for improvement. **150-HOUR CURRICULUM DEVELOPMENT**

in cooperation with the Mid-Atlantic, Midwest and Ohio Regions of the American Accounting Association

March 31, 1994 in Atlantic City, New Jersey
April 14, 1994 in Omaha, Nebraska
May 5, 1994 in Columbus, Ohio

Over half the jurisdictions in the United States have now adopted the 150-hour education requirement. An issue of emerging importance at this point is the restructuring and development of the accounting curriculum to meet the objectives of the new requirement. *150-Hour Curriculum Development* is a hands-on workshop developed by the AICPA's Curriculum and Instruction Subcommittee to assist faculty and departmental planners as they initiate their work in this area. This innovative program focuses on the structural considerations involved in curriculum design in the 150-hour environment.

Participants will work with colleagues from schools of similar demographic characteristics. This work will be facilitated by a number of faculty members from schools of various types who will lead small group discussions and explorations of implementation strategies. Specific facilitators will differ at each meeting.

> All Programs: 8:30 am-5:00 pm Recommended CPE: 8 hours

IMPROVING TEACHING EFFECTIVENESS

in cooperation with the Northeast Region of the American Accounting Association

□ April 28, 1994 in Buffalo, New York

Effective teaching in today's classroom requires a range of skills and expertise far beyond knowledge of the subject matter. Even the most capable and dedicated teachers can become disheartened when faced with challenges and frustrations with which their training has not equipped them to deal effectively. *Improving Teaching Effectiveness* is a hands-on workshop developed from Yezdi Bhada's highly successful Master Teacher Program. This innovative program focuses on the pedagogical skills necessary to increase and improve teaching effectiveness in today's environment.

Yezdi Bhada is Professor of Accounting at Georgia State University. He received his MBA from Bowling Green University and his Ph.D. from the University of Florida. He has received national recognition for presentations and seminars he developed in the United States and abroad. He has received faculty recognition awards for teaching and for service, and is an active member of several professional and scholastic organizations.

Registration & General Information

Mail entire page to: AICPA Meetings Registration, P. O. Box 2210, Jersey City, NJ 07303-2210

Please check workshop you plan to attend in the box (\Box) provided above.

Registration: \$90/AICPA Members \$120/Non-members

My check for \$_____is enclosed. (Full payment must accompany registration.)

Registrant's Last Name	First M	I Nickname
College or University Name	or Affiliation	
Street Address		Suite
P. O. Box		
City	State	Zip Code
Total Amount Enclosed	Area Cod	e & Business Telephone

Fee includes the workshop session, materials, lunch, and two refreshment breaks. Hotel accommodations and other meals are not included. Full payment must accompany your registration. A confirmation letter will be sent to you upon receipt of your registration form and payment. Please mail this page early, as these conferences are expected to reach capacity quickly. The AICPA is not responsible for checks or letters lost or delayed in the mail.

HOTEL INFORMATION: Please reserve your hotel accommodations directly. For more information, refer to the accommodations section of the promotional material for the appropriate AAA Regional Meeting.

CANCELLATION POLICY: Full refunds will be issued on written cancellation requests received by three weeks before the specific workshop for which you are registered. Written cancellations received up to one week before the workshop will be issued a refund less a \$25 administrative charge. No refunds will be issued on cancellation requested received within the seven days immediately preceding the workshop for which you are registered.

AIRLINE DISCOUNT: Several airlines are offering discounts for the AAA Regional Meetings. For more information, consult the promotional material for the specific destination to which you will be traveling.

You will be informed of the specific location of your meeting.

	BATES #	
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AICPA Membership Number - (Required for Discounted Registration)

AN INTERVIEW WITH LUCA PACIOLI

The following interview with Luca Pacioli was conducted by *FYI* through the Time-Warp node of Internet.

FYI: Friar Pacioli, what is the purpose of your book *Summa de Arithmetica Proportioni et Proportionalità*?

Pacioli: The *Summa* is intended as a textbook for use in the new mathematics departments of the universities here.

FYI: Why have you included a treatise on bookkeeping in your new book?

Pacioli: I received a grant for this 'project from His Illustrious Highness,

the most magnanimous Duke of Urbino. My proposal was to create for his subjects a book with all the rules that a good merchant needs. I have compiled in it everything with regard

to accounts and their keeping. And thereby I wish to give them enough rules to enable them to keep all their accounts and books in an orderly way.

FYI: So this treatise is only focused on business recordkeeping?

Pacioli: My intention was to create one text which would contain all the information necessary to maintain business records including mathematics. I also felt it important to present a very brief introduction to business in the beginning of the bookkeeping treatise.

FYI: Did you create the concepts described in your treatise?

Pacioli: No. I simply observed how businesses in and around Venice operate and keep their records. The treatise is about what I observed.

FYI: What are some of the aspects of business that you included?

Pacioli: There are three things needed by anyone who wishes to carry on business. The most important of these is cash or any equivalent, according to that saying, "Unun aliquid necessarium est substantia." Without cash, business can hardly be carried on.

The second thing necessary in business is to be a good bookkeeper and ready mathematician. To become such I have given in the earlier sections of the book rules and canons necessary to compute each transaction. Any diligent reader can understand it all by himself. If one has not understood the earlier sections on mathematics well, it will be useless for him to read the treatise on bookkeeping.

The third, and last thing, is to record all transactions in such a systematic way that one may understand each of them at

Ubi non est ordo, ibi est confusio.

understand the procedure well, we will take the case of one who is just starting in business, and tell how he must proceed in keeping his accounts and books so that at a glance he may find each thing in its place. For, if he does not put each thing in its own place, he will find himself in great trouble and confusion as to all his affairs, according to the familiar saying, *'Ubi non est ordo, ibi est confusio'.*"

FYI: Please stick to English. What did that last phrase mean?

Pacioli: Where there is no order, there is confusion.

FYI: Ok. But what about double-entry?

Pacioli: Please let me continue reading: "For each one of all the entries that you have

Where there is no order, there is contusion.

a glance. This is very essential to merchants because, without making the entries systematically, it would be impossible to conduct their business. They would have no rest and their minds would always be troubled.

FYI: What do you suggest in your treatise that will ease the merchants' troubled minds?

Pacioli: The treatise adopts the system used in Venice, which is certainly to be recommended above all the others, for by using it, one can find his way in any other recordkeeping system. I have written a step-by-step method for making all sorts of entries. Although I cannot write out every essential detail for all possible cases, a careful mind will be able, from what is written, to make application to any particular business transaction.

FYI: How do you approach explaining the double–entry system?

Pacioli: Let me read you a passage: "He who wants to know how to keep a ledger and its journal in due order must pay strict attention to what I shall say. To

made in the Journal you will have to make two in the Ledger. That is one, in the debit (in dare) and one in the credit (in havere). In the Journal the debtor is indicated by 'per', the creditor by 'a', as we have said. In the Ledger you must have an entry for each of them. The debitor entry must be at the left, the creditor one at the right; and in the debitor entry you must indicate the number of the page of the respective creditor. In this way, all the entries of the Ledger are chained together and you must never make a credit entry without making the same entry with its respective amount in the debit. Upon this depends the obtaining of a trial balance (bilancio) of the Ledger."

FYI: Friar Pacioli, what would you say if I told you that for the next 500 years, textbooks are going to teach bookkeeping using your approach?

Pacioli: I would ask where to find a good copyright lawyer.

IN THE NEXT ISSUE OF FY7 LUCA PACIOLI ANSWERS QUESTIONS ABOUT BUSINESS ETHICS, INTERNAL CONTROL, AND THE ATTEST FUNCTION.

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