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Accounting Educators:

Volume V, Number 4—March 1994

THE IMPACT OF NAFTA AND GATT ON RECIPROCITY FOR QUALIFIED ACCOUNTANTS

by Rick Elam

The 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. ♦

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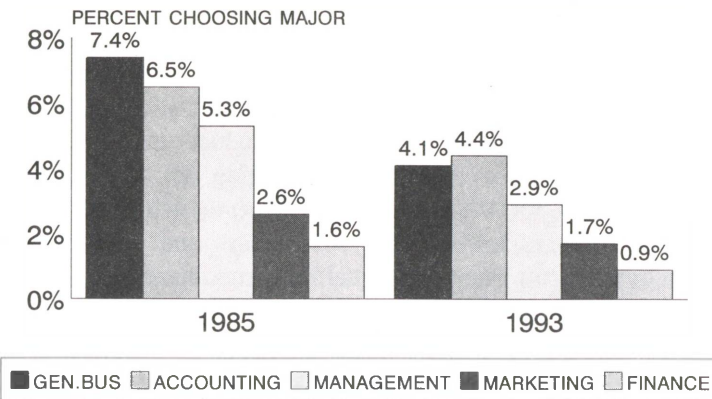
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Facing the Future

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

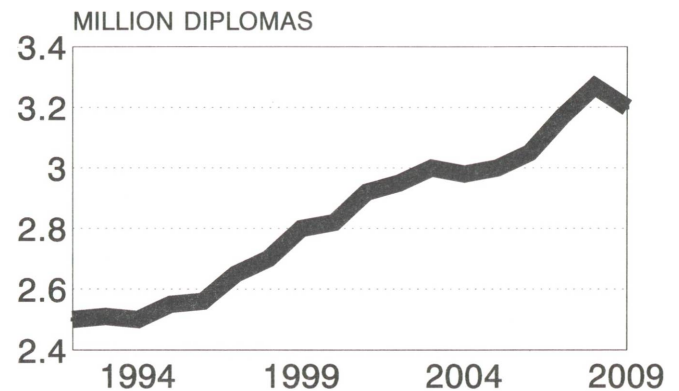


UCLA, *The American Freshman*

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

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. ♦

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

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. ♦

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, "*Unum 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

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.

Ubi non est ordo, ibi est confusio.

Where there is no order, there is confusion.

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

FYI: Ok. But what about double-entry?

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

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 debtor entry must be at the left, the creditor one at the right; and in the debtor 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 *FYI*
LUCA PACIOLI ANSWERS QUESTIONS ABOUT
BUSINESS ETHICS, INTERNAL CONTROL, AND
THE ATTEST FUNCTION.