

## LESSONS LEARNED

## U.S. EXPERTS OFFER A VIEW FROM DOWN SOUTH

**D**avid Costello and William Treacy are among those leading the drive for regulatory change among U.S. accountants. These experts share not only executive positions in groups that govern public accountancy, but also a firm belief in the need for all nations to have similar high standards governing both the licensing of accountants and the way they practise their profession.

Mr. Treacy is executive director of the Texas State Board of Public Accountancy and chair of the profession's U.S. International Qualifications Appraisal Board, while Mr. Costello is president and CEO of the National Association of State Boards of Accountancy (NASBA).

In the past, both men have worked diligently to maintain and improve a set of national accounting qualification standards in the United States. Today, they are doing the same to see international financial reporting standards become accepted as the paramount guideline for the profession both in their own country and abroad.

International reporting standards are simply a matter of common sense, according to Mr. Costello. "What you see around the world is increasing globalization of trade, finance and education," he said from his Nashville office. "All major nations are buying, selling, investing and lending money among themselves.

"To continue to prosper in today's global marketplace, you have to recognize that and find ways to capitalize on it.

"We are changing the tax rules to accommodate globalization; it just makes sense to have accountants share the same qualifications, speak the same financial language and conduct their practices under similarly high governing standards."

Mr. Treacy makes the same case, but in a different way. "Jurisdictions have to make it simple for foreign investors to do business within their boundaries if they hope to benefit from globalization," he said. "That means giving them the ability to directly compare balance sheets from anywhere in the industrialized world.

"Right now, with varying standards and prac-

tices in different countries, it can be like trying to compare apples with oranges." He says, to prosper countries need both national uniformity high qualification standards for public accounting and acceptance of the new international financial reporting standards.

Both men make a case that the first step towards international reporting standards should be adoption of national qualification rules. The rules for how to do financial reporting are tightly linked to deciding who is allowed to do public accounting work – what they need to know to qualify for the work and how they must conduct themselves while doing it. "It just makes it a whole lot easier," said Mr. Costello.

They speak from experience. As in Canada, where each province and territory sets its own qualification standards for public accountants, the United States has a constitution that gives each state or jurisdiction the right to set those standards and license Certified Public Accountants. Altogether, there are 50 states and five other jurisdictions involved.

To bring much-needed consistency to this patchwork quilt stateside, NASBA pressed for the Uniform Accountancy Act in the 1980s. Amended most recently in 2007, the act serves as a template for all those states and jurisdictions.

"To their credit, 48 states have adopted substantially all of the provisions of the act," said Mr. Costello. "As a result, we have what closely approximates national qualification standards."

One other benefit of national qualification standards is that they encourage mobility, added Mr. Treacy. "As long as CPAs abide by the rules governing practice in a state, those licensed in other jurisdictions can work there," he noted.

While he admits that the original 2011 deadline for the acceptance of new international financial reporting standards may be optimistic, Mr. Treacy sees great progress being made towards a global qualification standard for the profession.

"We now have agreements with countries like Canada and Australia to name just a few, and about five years ago we concluded one when Mexico upgraded its qualification standards," he said. "If you look at what we have accomplished so far, it is indeed encouraging." □



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ONTARIO'S COMPETITIVENESS BENEFITS  
FROM INTERNATIONALLY RECOGNIZED  
HIGH STANDARDS FOR THE QUALIFICATION  
AND CONDUCT OF PUBLIC ACCOUNTING  
THAT ARE DRIVEN BY THE DEMANDS OF OUR  
MAJOR TRADING PARTNER RELATIONSHIPS.

## CASE MADE FOR NATIONAL STANDARDS STATESIDE

## AMERICAN ACT PROMOTES UNIFORMITY OF STANDARDS

**T**he U.S. Uniform Accountancy Act – model national legislation defining the accounting profession's goals when it comes to qualification standards – represents a singularly innovative solution to a challenging problem. This act not only sets standards for both accounting qualifications and reporting standards, but also represents an example for other nations regarding what can be done to create national standards in the most complicated jurisdictional situations.

"Since the act came into effect in the 1980s, it has had enormous impact not just here but globally as well," said David Costello, president and CEO of the National Association of State Boards of Accountancy (NASBA), based in Nashville, Tenn.

While Canada has yet to create similar national qualification standards among its 10 provinces and three territories, the challenge in the United States 25 years ago was four times the size. The 55 state and territorial governments are equally protective of their rights to regulate the accounting profession.

"Considering the challenges, we have done pretty well keeping up with and raising professional standards," said William Treacy, executive director of the Texas State Board of Public Accountancy. "I think having the Uniform Accounting Act will make it easier to achieve the next step, which is adopting

international accounting standards."

In the U.S., there is a host of laws and regulations governing various aspects of accounting including those set by the Securities and Exchange Commission, the Public Company Accounting Oversight Board and the Financial Accounting Standards Board. They, however, address just some aspects of the profession and its work.

The Uniform Accountancy Act takes a more comprehensive view. It sets consistently high, trans-state qualification standards that should be met for CPAs wishing to be licensed as public accountants, and similarly high standards to guide professional practice.

While about 48 states have embraced the act, others have continued to follow their own course. In some cases, a lack of resources at the local level has been an impediment to full acceptance, said Mr. Costello.

Yet, at the same time, the act has formed the basis for reform around the world as other nations seeking to trade or invest in the United States have amended their own regulations. The act has also allowed NASBA to help foreign universities establish accounting courses, which would speed licensing in the U.S., according to Mr. Costello.

"The act has been a considerable success on many fronts," said Mr. Costello. □

## IFRS

## IS CANADA READY FOR INTERNATIONAL FINANCIAL REPORTING STANDARDS?

**I**n tandem with the Ontario CA Institute's drive for nationally consistent public accounting qualification standards, there is widespread consensus that jurisdictions around the world should share a single set of high quality, globally accepted international financial reporting standards, said Ron Salole, vice-president, Standards, Canadian Institute of Chartered Accountants. Little surprise then that Canada will adopt International Financial Reporting Standards (IFRS) by January 1, 2011.

"Everyone agrees that it makes sense, not just in Canada but throughout the world. When we began looking at the future of accounting standards and financial reporting in Canada, it was clear there was absolutely no possibility for us to continue to have standards unique to the Canadian marketplace.

Companies want to take advantage of the fact that in today's world, capital flows are international."

The challenge, of course, is getting there. "I would be remiss if I said this wasn't going to be difficult. But I've talked to people who have already (made the transition) and many said it was simpler than they thought it was going to be. In one sense, it is a very good opportunity for us to review all of our accounting policies."

That process, he suggested, should begin sooner rather than later. "It is going to be tough, but we can do it. It's important that those affected start planning now for the transition, and better still – start getting ready by familiarizing themselves with the changing reporting standards." □