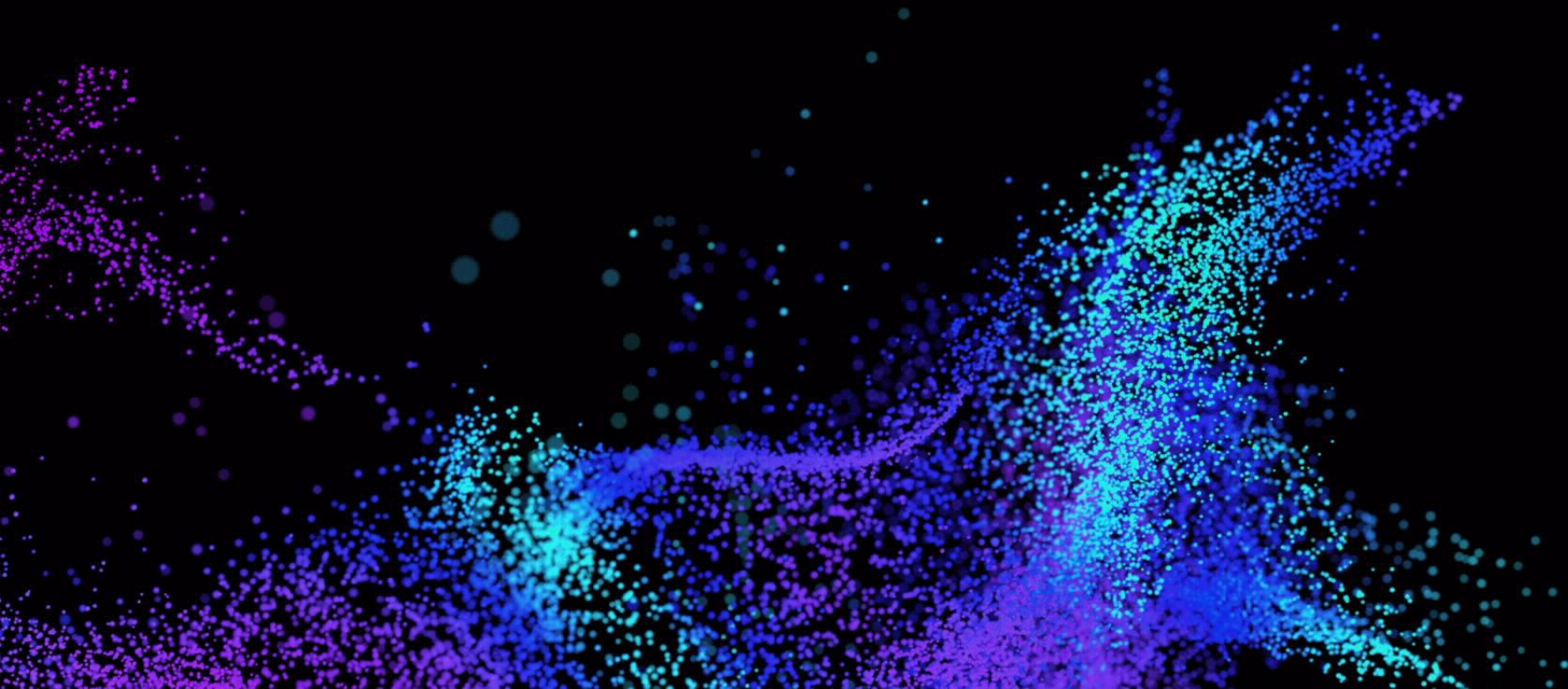


CPA Evolution



THE CHANGING MARKETPLACE

Reimagining licensure in an era of rapid change

**Technological
innovation**

**New marketplace
demands**

**Pipeline and
hiring trends**

Technologies that are changing how we practice

A person in a grey hoodie is seen from behind, looking up at a city street. The street is filled with tall buildings and large billboards. One billboard prominently displays 'HARRY POTTER' and 'BROADWAY'. Another billboard shows 'SAMSUNG'. The scene is overlaid with a network of white dashed lines connecting various circular icons, each containing a person silhouette. The background has a warm orange and red color scheme.

- Artificial intelligence
- Automation
- Big data

- Blockchain
- Cloud technology
- Data analytics
- Machine learning

New marketplace demands ... and opportunities

- Internal control reporting
- Continuous reporting
- Internet of Things (IoT)
- Social media
- Deep fakes
- Sustainability
- Digital/crypto assets
- SOC for Supply Chain
- Blockchain implications on SOC 1 and SOC 2
- SOC for Cybersecurity
- Privacy/GDPR
- Data integrity
- Certifications/HITrust
- Software functionality

U.S. public accounting firm hiring

In 2016, there were

19% ↓

fewer accounting
graduate firm hires since
2014

Source: 2017 AICPA Trends Report

In 2018, there were

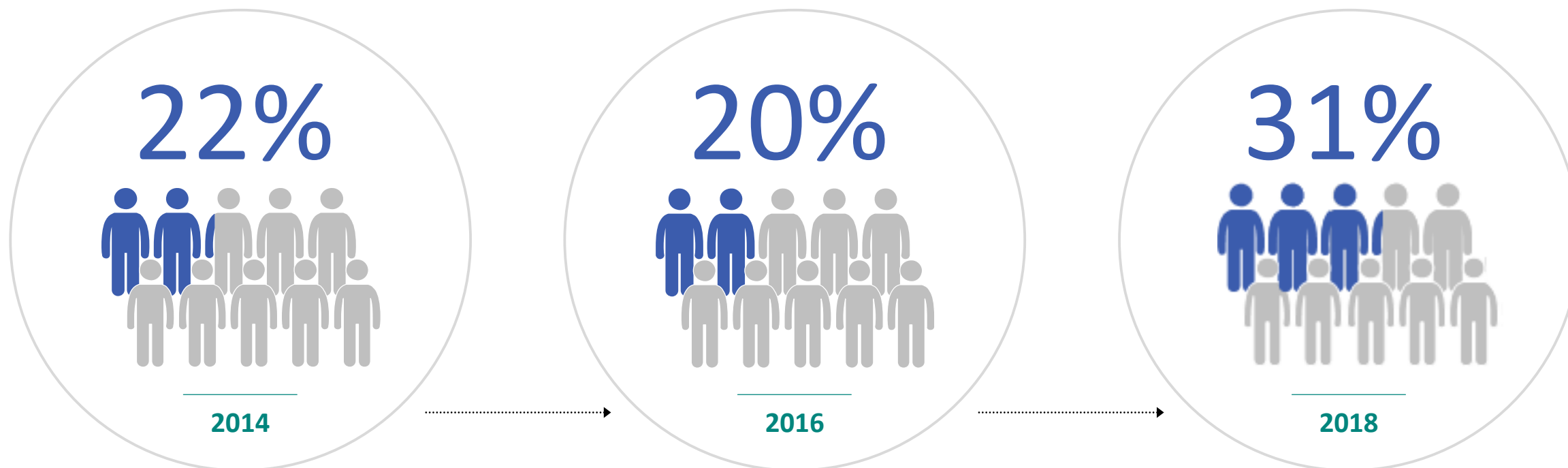
29% ↓

fewer accounting
graduate firm hires since
2014

Source: 2019 AICPA Trends Report

Non-accounting graduate degree hires

Non-accounting hires as a percentage of all new graduate hires are up 11%.

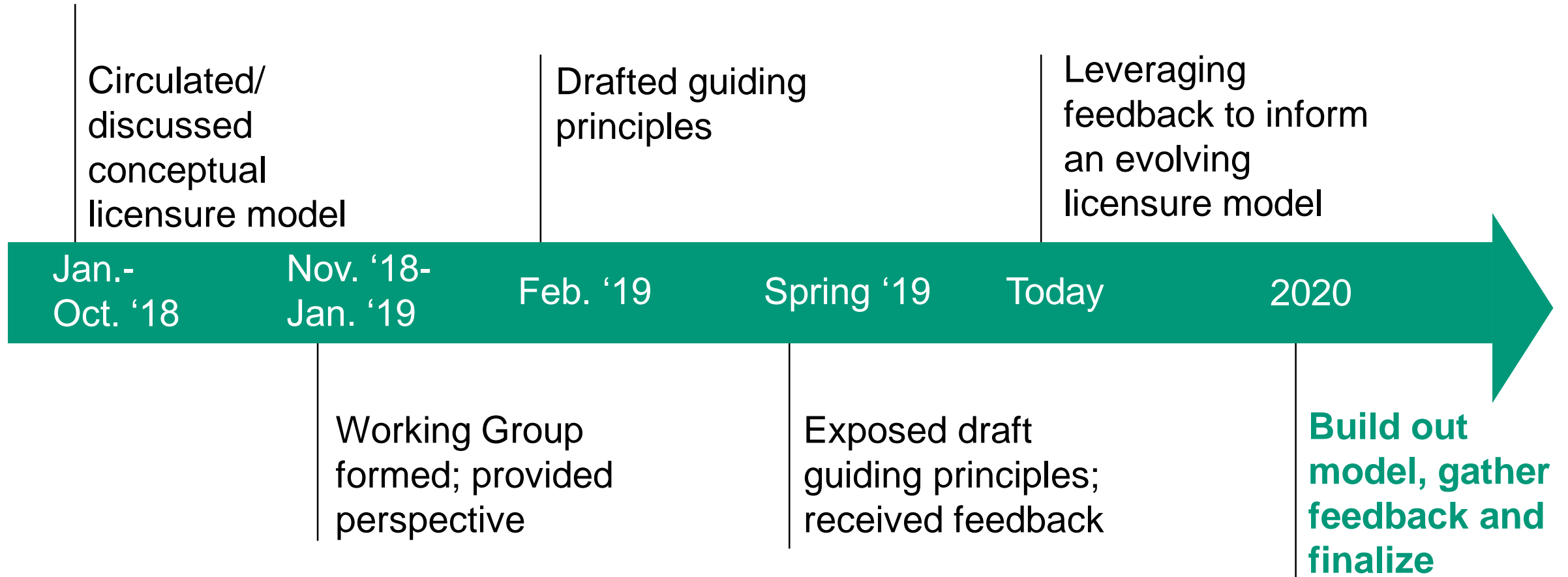


Non-accounting graduates

CPA Evolution

A combined NASBA-AICPA initiative aimed at evolving CPA licensure to reflect the skills and knowledge CPAs increasingly need in a technology-driven marketplace


CPA Evolution progress



Guiding Principles

- We must adapt quickly
- Technological expertise is essential
- Licensure requires rethinking
- We must expand our view of the CPA candidate
 - All must demonstrate core competencies
- Change should be rapid yet deliberate





2,000+

stakeholders gave feedback

AICPA and NASBA stakeholder outreach

AICPA
Council

State CPA
societies

Boards of
Accountancy

General
membership

Firms of all
sizes

Academia

Volunteer
committees

Federal
regulators

Students

Technology
experts

CPAs in
business and
industry

Young
professionals

Support for:



Need to change



Bigger technology emphasis

A model that will:



Position CPA for the future



Bring needed skills to the profession



Protect the public interest

What AICPA and NASBA heard

Focus on...

- A core that includes accounting, auditing, tax and technology
- Education that aligns with the core
- Experience requirements that support audit quality
- Supporting existing CPAs
 - Reskilling
 - Promoting emerging services

...while developing appropriate messaging to modify licensure in current environment



This should be
about more than
just technology.

To future-proof the profession,
we must **think differently.**

Body of knowledge for newly licensed CPAs is growing...



Body of
knowledge

Compared to 1980, today there are:

3X as many pages in the
Internal Revenue Code

4X as many accounting standards

5X as many auditing standards

Body of knowledge for newly licensed CPAs is growing...



Body of
knowledge

CPA firms told us:

- Procedures historically performed by newly licensed CPAs are being:
 - Automated
 - Off-shored
 - Performed by paraprofessionals

Result: Newly licensed CPAs need to know more earlier in their career

Body of knowledge for newly licensed CPAs is growing...

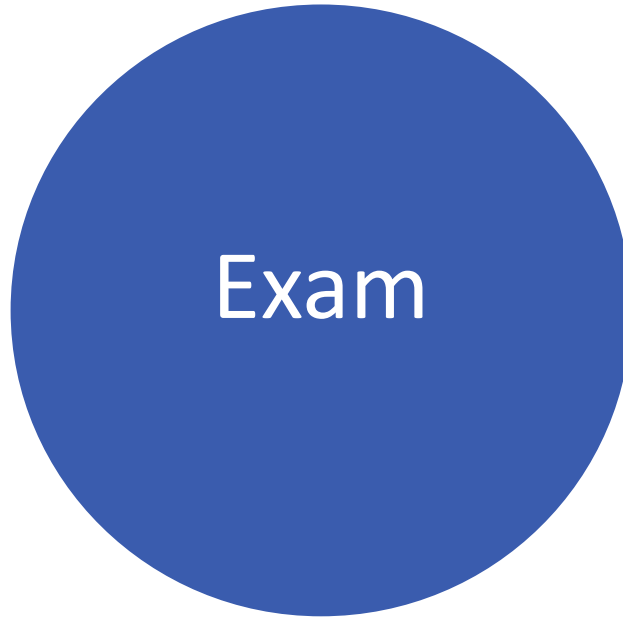


Body of
knowledge

Demands of practice require deeper skillsets

- Critical thinking
- Professional judgment/skepticism
- Problem solving
- Understanding of business
 - Systems, controls, risk
- Data management and analysis
- SOC engagements

...but Exam stays the same size.



What is the exam like today?

Then

- Paper exam offered twice annually
- Take all un-passed sections at each sitting
- Multiple choice, problems and essays
- Exams were taken on piers, in gymnasiums

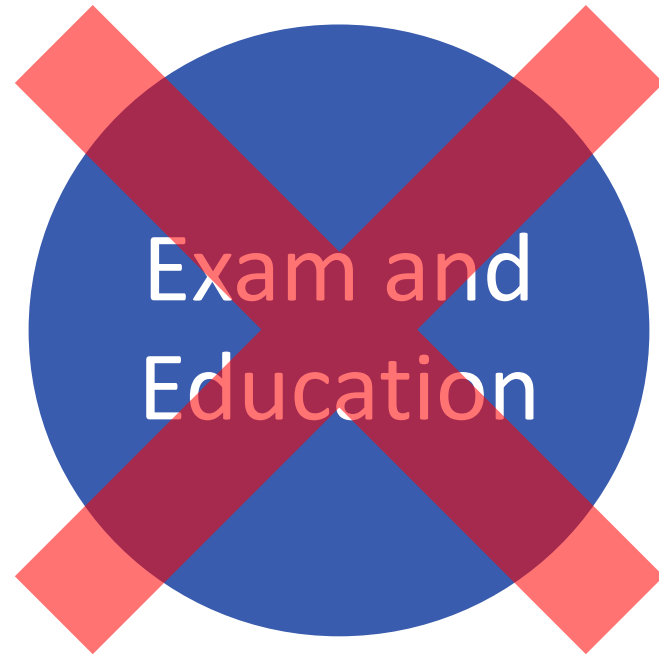
Now

- Computerized exam offered 280 days annually
- Take one section at a time
- Multiple choice, task-based simulations, constructed response questions
- Exams taken in Prometric testing centers



Models considered

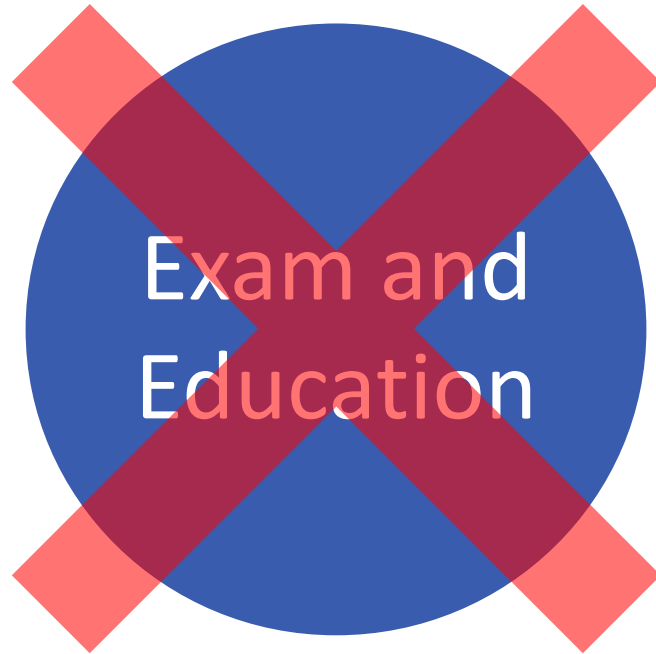
Stretch to cover more material with less depth



Impact

- Requirements for licensure are watered down
- Candidates know less about what matters most

Increase Exam and curriculum hours

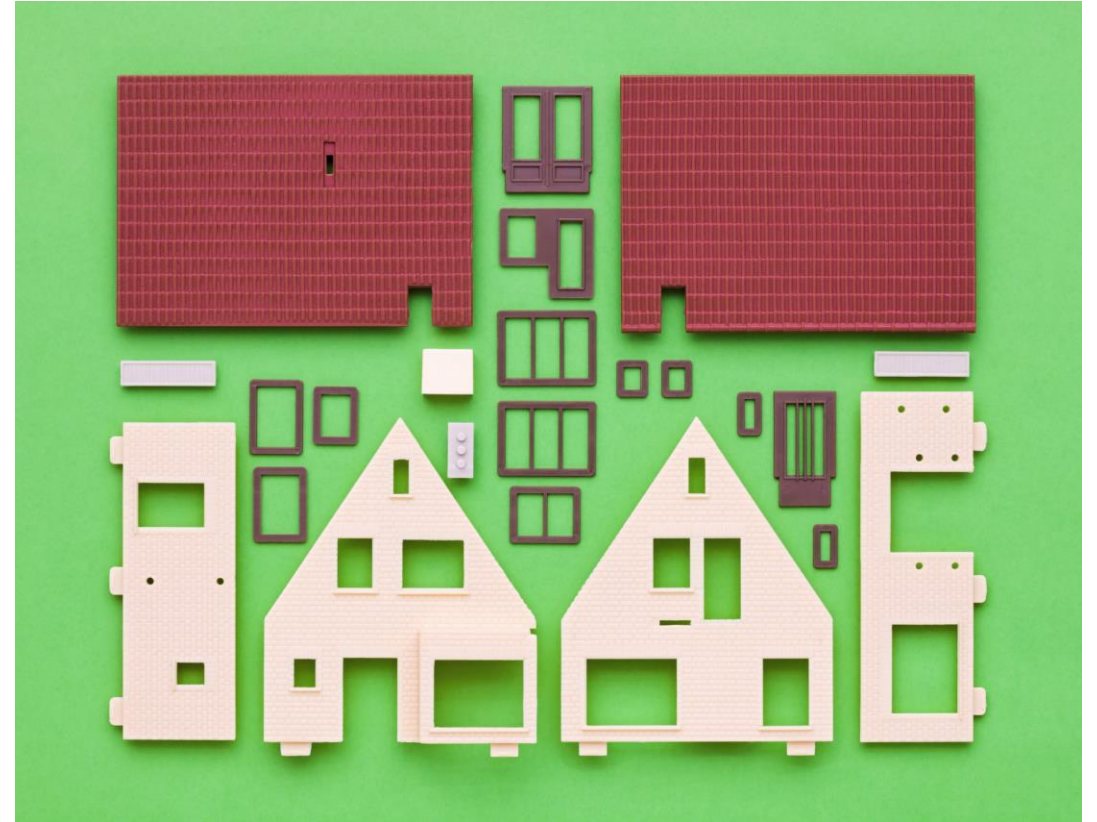


Impact

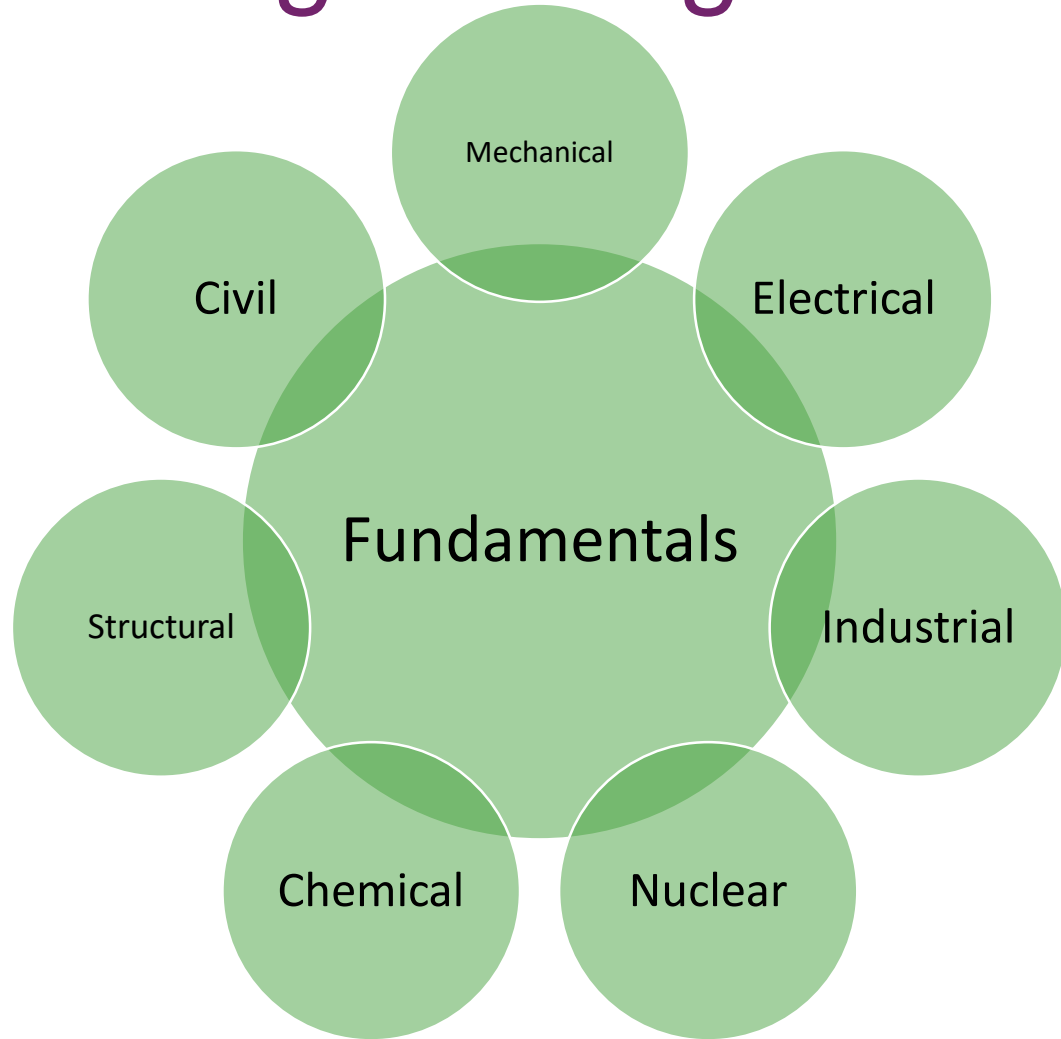
- Increases barriers to entry, impacting pipeline
- Unsustainable approach over long term

Other models considered

- ✗ CPA – Audit, CPA – Tax, etc.
- ✗ Two tier
- ✗ Medical
- ✗ Legal
 - Engineering

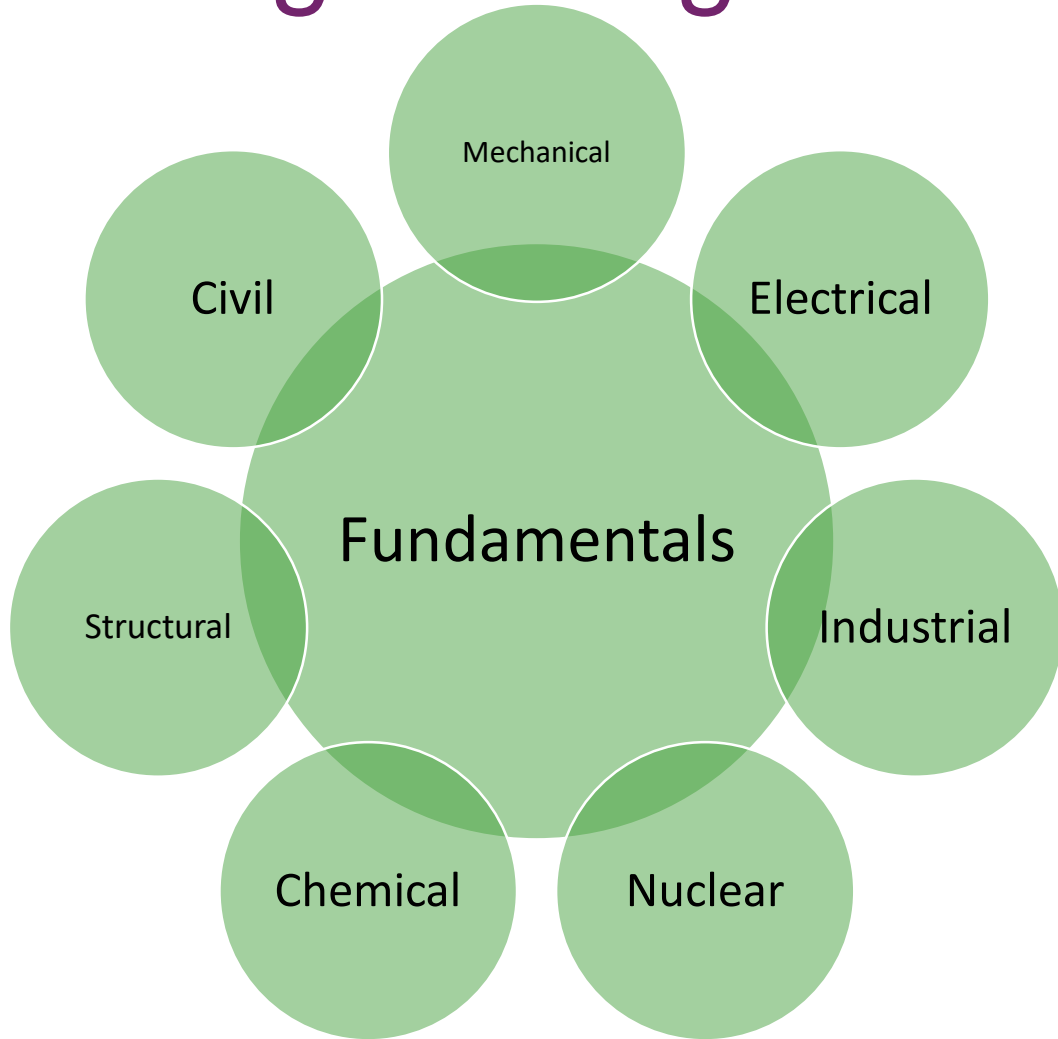


Engineering Model



Professional
Engineer (PE)

Engineering Model



+ Competence

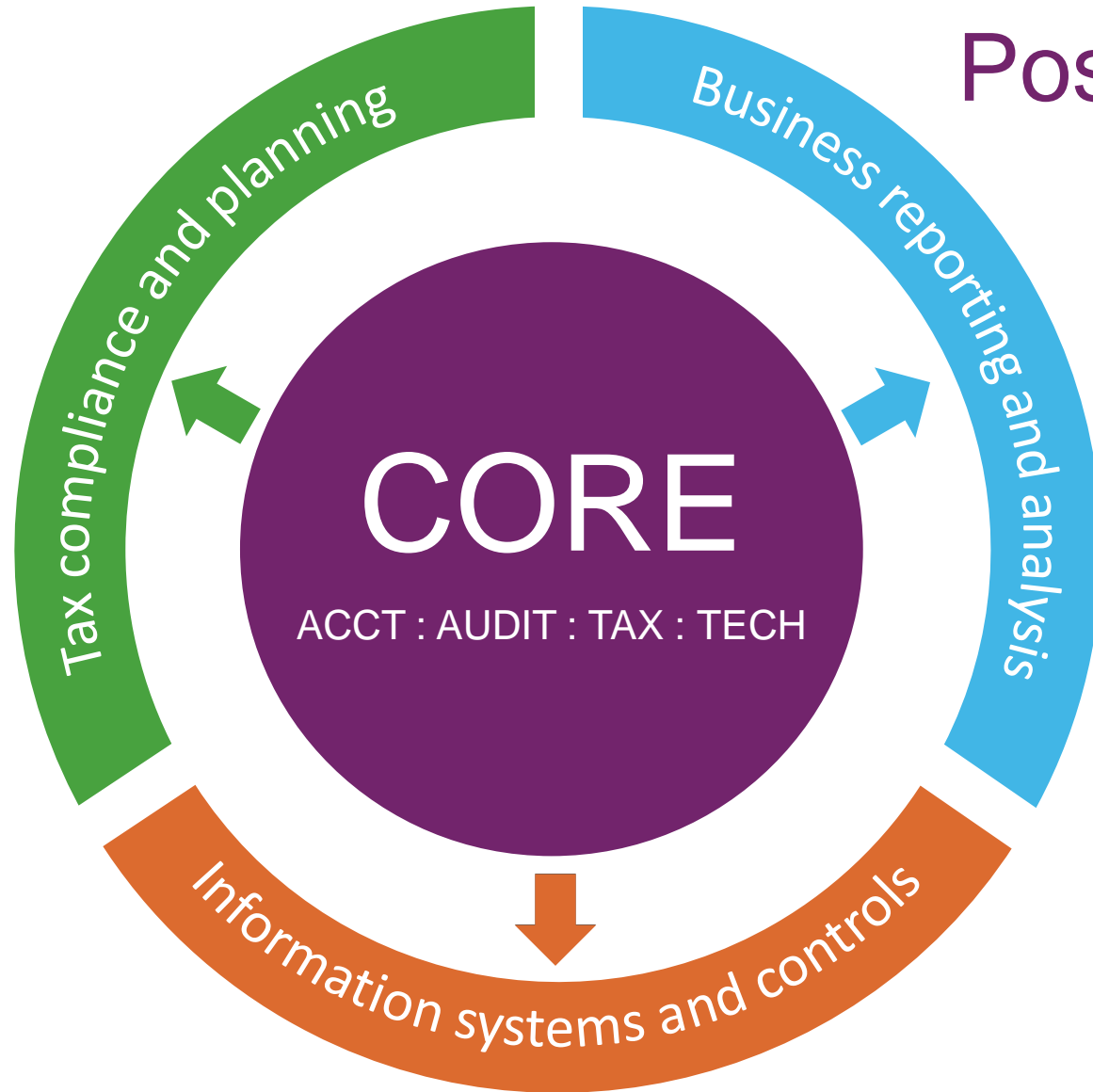
= PE

With signing authority

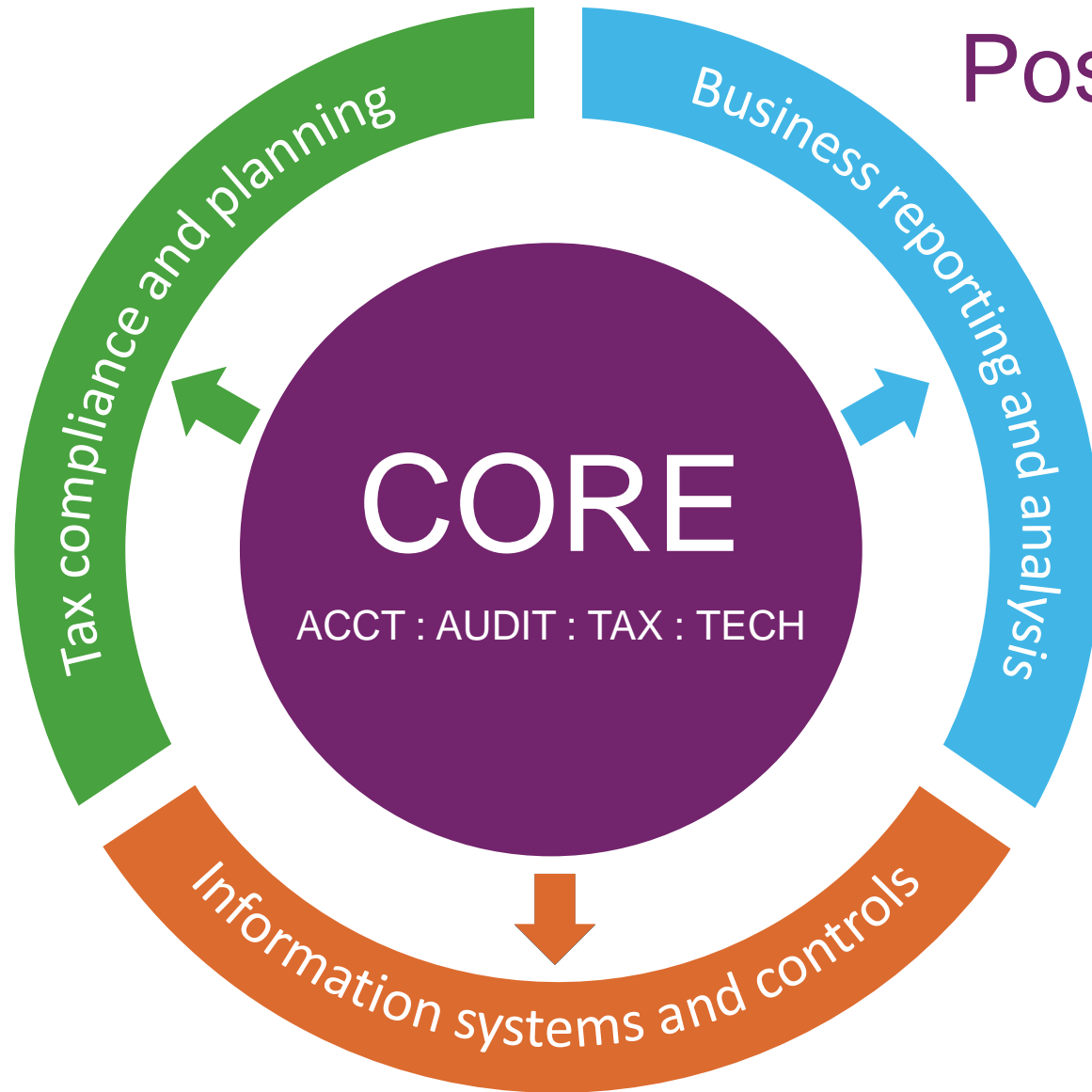
AICPA-NASBA leadership current thinking

AICPA volunteer leadership
NASBA volunteer leadership
State Society, State Board leadership
Senior AICPA and NASBA staff
Small firm
Top 100 firm
Big 4 firm
Technology expertise
Tax expertise
A&A expertise
Governmental expertise
Consulting expertise
Regulatory expertise
Testing/Exam expertise

Possible model for discussion



= CPA

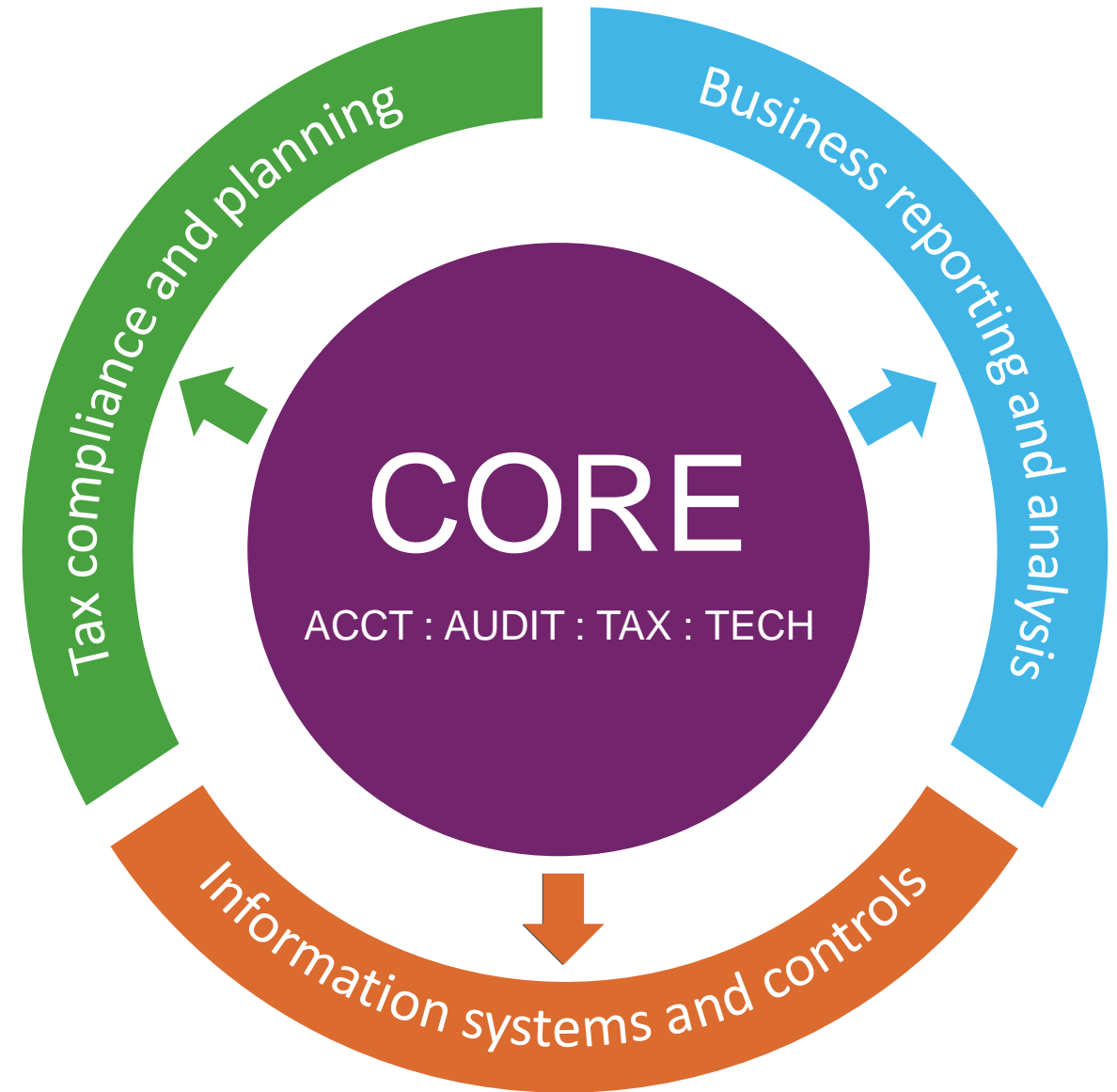


Possible model for discussion

- Strong core with accounting, auditing, tax and technology
- Deeper knowledge in three primary disciplines
- Reflects reality of practice
- Adaptive and flexible
- One CPA license
- Enhances public protection

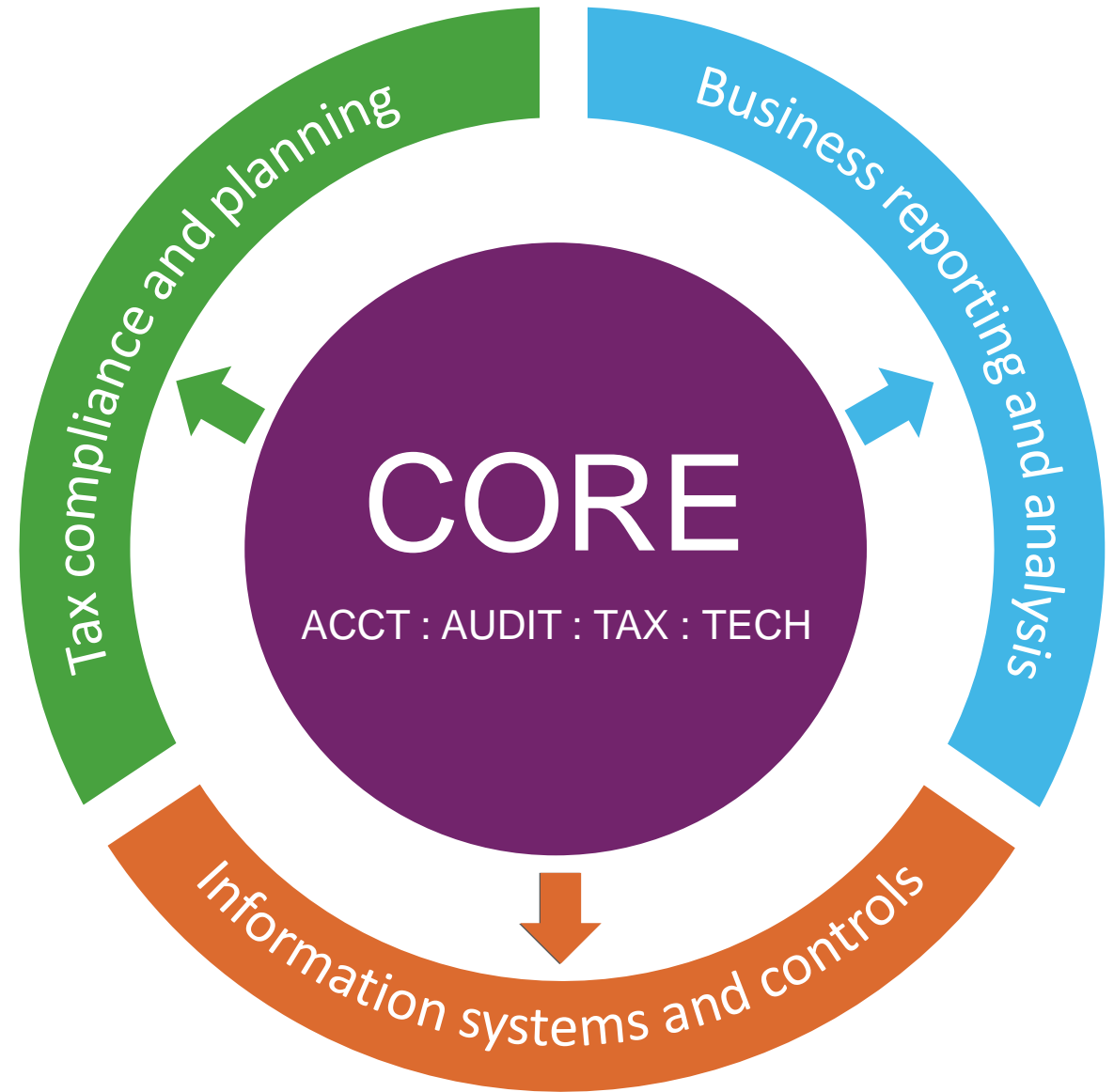
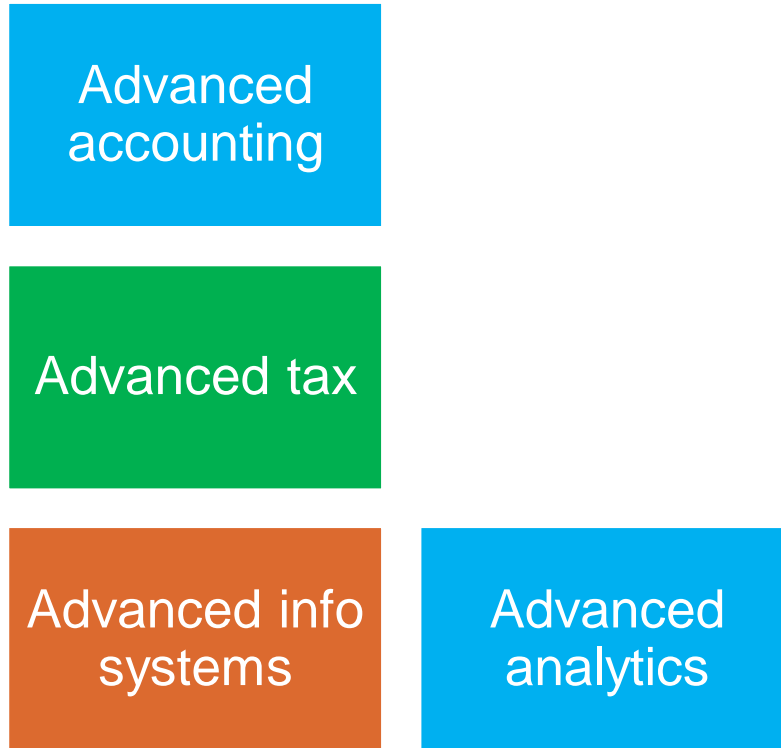
For example...*

Principles and intermediate accounting	Advanced accounting	Audit and attest
Tax fundamentals	Advanced tax	Ethics
Fundamentals of info systems, analytics	Advanced info systems	Advanced analytics
Business law	Economics	Finance



* Content would be determined by formal practice analysis

For example...*



* Content would be determined by formal practice analysis

Where do we go from here?

- Build out model and continue to seek feedback
- Continuing dialogue into 2020
 - Regional Council
 - State societies and state boards
 - Spring Council
 - NASBA Regional Meetings
 - AICPA and NASBA Boards of Directors
- **Goal: Finalize model in summer 2020**
- Plan and map out implementation



Thank you

