MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M

ROLL NUMBER

DESCRIPTION

2398

2001 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2398

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2398

Senate Industry, Business and Labor Committee

❑ Conference Committee

Hearing Date February 05, 2001.

Tape Number	Side A	Side B	Meter #
1	x		15.1 to end
1		x	0 to 30
2		x	15.2 to 22.3
(Feb 13/01) 1	x		24.0 to 34.7
Committee Clerk Signature Doris E Perez			

Minutes:

The meeting was called to order. All committee members present. Hearing was opened on SB 2398 relating to accredited public accountants.

SENATOR JERRY KLEIN, District 14, cosponsor. This bill would establish another level of accountancy, that of accredited public accountants.

LARRY KRYZSKO, NDSPA, in favor of this bill. Written testimony attached.

SENATOR KLEIN: What would the difference be between CPA and APA?

L KRYZSKO: CPA do test functions like review and audit, APA would only do compilation.

SENATOR KLEIN: Would an APA board be established?

L KRYZSKO: No, they would be under the present board.

SENATOR KREBSBACH: What is the difference between LPA and CPA?

L KRYZSKO: LPA same as CPA except they cannot audit insurance companies nor banks. APA practice would be more limited.

SENATOR ESPEGARD: What about the LPAs?

L KRYZSKO: Law doesn't allow any more, as they retire they will disappear.

JOSEPH TATE, LPA, in favor. Written testimony attached. Intent of this bill is for a new tier of licensing which would allow small business persons adequate analysis of financial status. With dwindling LPAs, only CPAs will be left and they are consolidated in large populated areas. Small areas would be left without accountants. APA candidates will have to exhibit two levels of competency, undergo an exam and be regulated by the state board. Out there, many people not licensed are doing bookkeeping, under this law, license would be required and a n accounting background. This will benefit everyone.

SENATOR EVERY: City auditors would need to be certified?

J TATE: Yes.

JERRY SPAEDY, self employed bookkeeper, in favor. Introduced letters by , Jason Schuh, CPA; Chad Bomber, Bookkeeper; Jim Lewis, BA in accounting; Dwight Hetletved, CPA; George L. Kelly, LPA; Devon Jokstad, EA; Linda Schaffer; Martha Lyons, LPA; favoring this bill.

SENATOR KLEIN: We are not going to harm those out there who are practicing and don't want to take the exam.

L KRYZSKO: This will not legislate anyone out of business.

SENATOR KREBSBACH: EA (enrolled agent), is it a designation in the accounting rules?

L KRYZSKO: It is an IRS designation, not a state one.

PAUL TRAUGER, CPA, in favor of this bill.

REPRESENTATIVE CURTIS BREKKE, District 15, in favor.

JIM ABBOT, Executive Director ND Board of Accountancy, neutral. Written testimony attached.

KEN TUFA, ND Society of CPAs introduced:

RONALD I TOLSTAD, ND Society of CPAs, in opposition. Written testimony attached.

JOHN MONGEON, ND CPA Society, against. Written testimony attached, including technical discussion regarding this bill.

LARRY KRYZSKO, distributed memorandum in response to technical discussion concerning bill 2398.

Hearing closed.

Committee reconvened. Tape 2-B- 15.2 to 22.3

All members present. Discussion held regarding packets distributed during hearing. Action delayed pending further study.

Feb. 13/01. Tape 1-A-24.0 to 34.7

Committee reconvened. Discussion held.

SENATOR ESPEGARD: Motion: do not pass. SENATOR TOLLEFSON: Seconded.

Roll call vote: 5 yes; 2 no. Carrier: SENATOR KREBSBACH.

FISCAL NOTE

Requested by Legislative Council
01/30/2001

Bill/Resolution No.: SB 2398

Amendment to:

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	$0	$0	$0	$0	$0	$0
Expenditures	$0	$0	$0	$0	$0	$0
Appropriations	$0	$0	$0	$0	$0	$0

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
$0	$0	$0	$0	$0	$0	$0	$0	$0

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

State law now mandates that all expenses of the State Board of Accountancy are to be paid from fees it collects. As a result, there should be no direct fiscal impact -- revenue or expenses -- to the state, or any city, county or school district. One possible exception would be when a governmental unit employs an "accredited public accountant", they may choose to fund the cost of initial examination, annual licensure, and ongoing education. In which case, they could expect an initial expense of approximately $200 (for the initial accounting examination, plus an ethics exam), an annual registration fee of $45, and perhaps annual costs involved with continuing education.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

   B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

   C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the*

executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

No appropriation from state treasury funds would be anticipated, in accordance with existing statute 43-02.2-03 (paragraph 4).

Name:	Jim Abbott	**Agency:**	N.D. State Board of Accountancy
Phone Number:	800-532-5904	**Date Prepared:**	01/31/2001

Date: 2/13/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2398

Senate Industry, Business and Labor Committee

☐ Subcommittee on

or

☐ Conference Committee

Legislative Council Amendment Number

Action Taken Do Not Pass

Motion Made By Sen Espegard Seconded By Sen Tollefson

Senators	Yes	No	Senators	Yes	No
Senator Mutch - Chairman		✓	Senator Every	✓	
Senator Klein - Vice Chairman		✓	Senator Mathern	✓	
Senator Espegard	✓				
Senator Krebsbach	✓				
Senator Tollefson	✓				

Total (Yes) 5 No 2

Absent 0

Floor Assignment Sen Krebsbach

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2398: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends **DO NOT PASS** (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2398 was placed on the Eleventh order on the calendar.

2001 TESTIMONY

SB 2398

Larry Kryzsko

Senate Committee on Industry, Business, and Labor
Senator Mutch, Chairman
Committee Members

I'm sure if we were here today to request that this Committee recommend the eliminate the LPN program in favor of RNs only or X-ray Technicians in favor of Radiologist only, I'm sure this hearing would not take very long and the outcome would be very predictable. The economic effect and the reduced access to care that either of these proposals would create would be disastrous to the people of North Dakota. However, over the years, this is exactly what has happened to the accounting profession in North Dakota. We have not had a new accountant, other than a CPA, in this state since 1976. The youngest LPAs are in their midfifties, the Licensed Public Accountant is a dying class in more ways than one.

Since the requirements to become a CPA has increased to 150 semester hours, there has been a dramatic reduction in accounting students. While the total enrollment in higher education has remained fairly constant for the period of 1997 through 2000, the total enrollment in accounting has decreased twelve per cent. This does not sound like much a serious problem until you look at two factors. In 1997 the total enrollment counted four years of students while in 2000 it includes five years. The other factor to consider is the first and second year enrollment in accounting. At NDSU, the first and second year enrollment in 1997 was 170 students, in 2000 the enrollment is 102. This is a forty per cent decrease. We are creating a shortage of accountants. The future effect on economic development is unpredictable, who will be in the smaller rural communities to provide affordable accounting services.

The proposed Bill before you is a solution to future problems. This bill does not diminish the value nor the prestige of the CPA or LPA. It does provide qualifications that will assure consumer protection. Any candidate wishing to become an Accredited Public Accountant must first meet the education or experience requirements set forth. They must pass an exam that tests the competency of the individual, their scope of practice is limited, the must participate in continuing professional education and there is a system of peer review.

In the past weeks I have traveled to many areas of this state speaking on behalf of this proposed Bill.. This proposal is very well accepted by the general public. I have received some very interesting comments, I have been told that there are students enrolled in North Dakota schools who are moving to Minnesota to establish residency to take advantage of the Minnesota Accounting laws, I have been told that the decrease in enrollment in accounting is due to students attending college in states that do not yet have the 150 semester hour requirement. I have no way to either prove or disprove these statements, however, as a State we cannot afford to have either of these statements to be true. If we lose our young people out of state due to competition, that is beyond our control. However, if we legislate our young people out of state, that is our fault.

I urge you to support this bill, thank you.

Joseph C. Tate
Licensed Public Accountant
917 Bennette Avenue - Box 8
Portland, North Dakota 58274

February 4, 2001

North Dakota Society of Public Accountants
Attn: Mrs. Jean Klein, President
P.O. Box 102
Bismarck, ND 58502-0102

Re: Senate Bill 2398

Dear Mrs. Klein:

As a member of the North Dakota State Board of Accountancy I want you to know that I have fully reviewed and support the provisions of Senate Bill 2398 as proposed.

I believe the addition of the proposed licensing of providers of nonattest financial reporting services will enhance our accountancy law as follows:

1. Our current accountancy law restricts the practice of all aspects of accounting financial services and reporting to currently licensed certified public accountants and licensed public accountants. This provisions of SB 2398 will direct the board of accountancy to license qualified applicants to practice and provide nonattest financial reporting services.

2. I have found the following proposed requirements for this new level of licensing to be adequate;

a. Applicants would be required to have completed a minimum of two years of accounting education from an accepted and qualified university or two year vocational school.

b. Applicants will be required to successfully pass the Accreditation Council on Accountancy and Taxation examination. The ACAT examination is accepted by state boards of accountancy such as Iowa and Minnesota. Unlike the certified public accountant examination, the ACAT examination is geared toward providing testing for providers of nonaudit financial service providers.

c. As pointed out above, SB 2398 would require licensing of currently unlicensed providers of nonattest accounting services, thereby enabling board of accountancy effectively protect the public of such providers.

3. Further, SB 2398 does not in any way compromise the practice of the CPA or LPA communities. Rather, the proposed Bill will enhance their professional standings.

I want you to know that I fully support this Bill. Feel free to call on me for whatever assistance you might need.

Sincerely,

Joseph C. Tate

February 5, 2001

Good Morning!

My name is Jerry Spaedy. I live at 1110 Ward Road here in Bismarck. I have owned my own Bookkeeping and Tax Service since 1977.

The Accreditation Council for Accountancy and Taxation, known by its initials, ACAT, is a private, non-profit corporation affiliated with the National Society of Accountants. ACAT offers and administers the credentials of Accredited Business Accountant, (ABA), Accredited Tax Preparer, (ATP), and Accredited Tax Advisor, (ATA), to individuals who meet required elements of education, examination and experience. In order to maintain the ACAT credential, individuals must meet continuing professional education requirements and adhere to ACAT's Code of Ethics.

The examination for Accredited Business Accountant is 8 hours in length and covers 5 topics, Financial Accounting, Business Consulting, Taxation, Ethics, and Business Law. The exam is written by Professors and CPA's, and is administered nation-wide twice a year.

Our Society is looking to help economic development. Under present law, an individual cannot practice Public Accounting unless you are a CPA with 150 semester hours of education. A bachelor's degree after completing 120 semester hours is not sufficient in our state to get a certified public accountant's certificate in North Dakota. But if individuals wish to practice public accounting in North Dakota, the need for a permanent 2nd tier of accounting is paramount. The alternative is to go into the business sector, or leave the state. North Dakota has the Licensed Public Accountant as part of our existing law, but it is a "dying class" of accountants. After all of our existing Licensed Public Accountants have retired or passed on, there will be only (1) class of accountants in North Dakota. Is this right & proper? We are not asking for the attest function with this legislation. That must reside with those individuals qualified to perform those duties, the LPA's and the CPA's. But the incentives for individuals to practice Public Accounting without becoming a CPA are gone. We feel this is very needed legislation to send a message to prospective students to enter the field of accounting to serve the many small businesses and farmers in our rural communities.

Thank you!
Jerry Spaedy

Jason Schuh
Certified Public Accountant, PLLC

February 2, 2001

Industry, Business, and Labor Committee
Chairman Senator Duane Mutch
and Other Committee Members

Dear Distinguished Senators:

I am writing this letter to show my support for Senate Bill 2398. I recently went into business for myself as a self-employed CPA. One of my first requirements was to find a qualified individual to help in the preparation of tax returns and financial statements. After running an ad in the Bismarck Tribune for a week and having a listing posted with Job Service, I had only two applicants. I truly believe that with the passage of this bill, it will enable small business owners such as myself, to find and hire more qualified individuals.

Sincerely,

Jason Schuh

Jason Schuh, CPA

JASON J. SCHUH, Certified Public Accountant, PLLC
2'5 Airport Road • P.O. Box 296 • Bismarck, ND 58502 • 701-258-1201 • Fax 701-258-4948 • Email schuhcpa@btigate.com

COUNTRYSIDE ASSOCIATES
BOOKKEEPING, TAX PREPARATION & SMALL BUSINESS CONSULTING
P.O. BOX 127 • FINLEY, ND 58230 • TEL (701) 524-2756 FAX (701) 524-2755 • E-mail: chad_csa@mlgc.com
MAYVILLE (LOCATED IN MAYPORT INSURANCE BLDG.) • (701) 786-2070
CHAD BOMBER, E.A.

February 2, 2001

To Whom It May Concern:

RE:Senate Bill 2398

My name is Richard (Chad) Bomber, and I am asking to be heard about bill 2398.

I graduated from Mayville State with an B.S. in Business Administration and a minor in Accounting. I took every available accounting class. I choose NOT to test for the CPA designation because in a small town such as Finley, the only need for a CPA would be by the Large Grain Elevators and Banks and they would call in the Large firms for their needs anyway. By NOT having the CPA designation I found that a number of people called on my services because they figured I would be more reasonable in my fees. Over the 13 years I have been in business, I have handled several dozen different types of business entities. Many times banks have called on me for financials so that a determination could be made as far as making loans to GOING CONCERNS. I choose the designation of E.A.(Enrolled Agent) to lend credibility to my business. AM I any less qualified to do the work of a CPA...NO. I do the same work everyday...EXCEPT...that I do NOT certify it. Is there a need for this bill....Absolutely.. Our farm operations are growing in size every year, requiring larger loans and better records. Who is going to come to the small town Finley's and do it...the Eide Bailey's...NO. With the states efforts turned to Economic Development..are the big accounting firms going to be available for financial help...NO. There are a GREAT many of us out here who choose NOT to have the CPA designation...but are still HIGHLY competent to do PROFESSIONAL work for the public we serve...

PLEASE take a HARD look at passing this bill and helping the future of North Dakota.

Sincerely,

Chad Bomber

February 2, 2001

Senator Mutch, Chairman
Industry, Business and Labor Committee
North Dakota State Capitol
Bismarck, N. Dak. 58501

Senator Mutch,

I would like to inform you that I am in support of Senate Bill 2398. As a graduate of the University of North Dakota in 1955 with a B.A. in accounting. I did not pursue the CPA accreditation as I entered the banking field as an examiner. I was employed in banking for 41 years with much of my experience in analyzing financial statements. I have met and worked with many licensed public accountants in North Dakota I certienly feel that there is a need for LPA's in the State and I would like to have your support on Bill 2398.

Sincerely,

Jim Lewis
P.O. Box 312
Harvey, North Daktota 58341

DWIGHT HETLETVED
CERTIFIED PUBLIC ACCOUNTANT

505 5th Avenue, P. O. Box 1106
Washburn, ND 58577-1106

Telephone 701-462-3376 FAX 701-462-3371

February 3, 2001

Industry, Business, and Labor Committee
Senator Duane R. Mutch, Committee Chair
Committee Members

As a member of the North Dakota Society of Public Accountants as well as a member of the North Dakota Society of Certified Public Accountants I am asking for your support of Senate Bill 2398.

I have been in public accounting practice since 1982 and in order to prepare financial statements I had to become a CPA. My practice now is entails preparing income tax returns and compiled financial statements. I do not prepare reviewed or audited financial statements, although because I am a CPA, I am qualified to do so. This bill would allow the Accredited Public Accountant to practice as I am.

Since the accounting degree and CPA exam now require 150 semester hours, the number of accounting students has declined by a concerning amount. Because of this decline, I understand accounting firms are having difficulty in hiring accounting staff.

This bill provides for protection of the public by requiring competency testing, continuing education, peer review and limiting the scope of practice of the Accredited Public Accountant.

Again, I am asking you to send this bill to the full senate with a "Do Pass" recommendation.

Thank you.

Dwight Hetletved

Dwight Hetletved, CPA

GEORGE L. KELLY
1519 25TH AVENUE SOUTH
FARGO, ND

February 03, 2001

Jean Klien, President
ND Society of Accountants
804 6th Avenue NE
Mandan, ND 58554

Dear Jean:

I'm writting to you in support of Senate Bill 2398. I'm in agreement that this is indeed a great bill and support it 100%.

I am the State Director for the ND Society of Accountants. I am the liason between ND and the National Society of Accountants. Both the National and ND Society of Accountants feel that this bill is good for the people of ND, especially the rural areas where many larger accounting firms don't have any desire to go, because of distance and the cost. An APA could provide the services of these small businesses and be more cost effective for these businesses. We know that many small town bankers would appreciate having a compentant accountant in their area to serve the needs of rural ND.

Economic development is always uppermost in the minds of everybody these days. Governor Hoeven spoke about it when he ran for Governor. Mn has recently passed legislation for another tier of accountants in their state. What is happening in the towns on the border - like Fargo and Moorhead - is that students are taking up residency in Mn, going to school in ND, in order to qualify for status so they can call themselves an Accountant in Mn. We are spending monies for professionals to teach our young men and women - and then to have them move to another state like Mn because they can call themselves an Accountant and make a better living for themselves.

The Licensed Public Accountant is a dying class - and there are limited numbers of us left. We desperately need a class such as the APA in order to serve the needs of ND.

I urge you to encourage the committee to support SB 2398 - and encourage every other elected official to support this great SB 2398.

Thank you.

Sincerely

George L. Kelly

George L. Kelly, Licensed Public Accountant
and ND State Director

DEVON JOKSTAD
809 SOUTH 19TH STREET
FARGO, NORTH DAKOTA 58103

February 3, 2001

Jean Klein, President of
North Dakota Society of
Public Accountants
804 6th Avenue N.E.
Mandan, ND 58554

Dear Jean Klein:

I strongly feel that we should all support Senate Bill SB2398. For the following reasons.

1. It will help strengthen the economic development of North Dakota. As you know under current state laws, anyone with an interest in the accounting profession has to move out of state unless they can become a CPA. A lot of students can not afford to go this route due to the fact that they have to go to school for five years.

2. Not every small business needs or can afford the services of a CPA firm.

3. The small towns need the services of an accountant but their is no one in their town who can provide the services, because the CPA firms can't afford to locate there.

The state of North Dakota needs to keep its young people in the state not send them away, which is what you will be doing if this legislation does not go though.

Respectfully yours,

DeVon Jokstad

Devon Jokstad EA

2-1-01

I WRITING IN REGARDS TO A BILL THAT IS BEING INTRODUCED BY REP. KEMPENICH, WALD AND SEN. KLEIN, STENEHJEM

THIS BILL WOULD BE VERY BENEFICIAL TO MANY PERSONS IN NORTH DAKOTA.. SOME LIKE ME

I HAVE WORKED FOR MORE THEN 30 YRS IN THE OFFICE OF A LPA. I HAVE LOST ONE EMPLOYER TO DEATH AND THE OTHER IS AGING. WHAT HAPPENS AFTER THIS ONE IS GONE? I HAVE BEEN DOING THE ACCOUNTING, TAX WORK EST UNDER THIS LICENSEE. I HAVE BEEN DOING THIS WORK UNDER THIS OFFICE FOR MOST OF MY ADULT LIFE. I WOULD LIKE TO CONTINUE THIS WORK FOR SOME TIME ! WITH OUT A NEW LICENSING SOME OF THE CLIENTS THAT I WORK WITH WILL NOT BEABLE TO COUNT ON ME, IF I NO LONGER HAVE A LPA TO WORK UNDER. IM SURE THERE ARE MAY PERSONS THAT WILL HAVE THE SAME PROBLEM AS I DO. WE NEED MORE LEVELS OF LICENSING SO WE CAN KEEP OUR CLIENTS AND KEEP ACCOUNTING, BOOKKEEPING PERSONS IN OUR STATE

THANK YOU,

Linda Schaffer

LINDA SCHAFFER
FARGO ND

LYONS & LYONS LPA
1324 3rd AVE SO
FARGO ND 58103
Phone (701) 236-7234
Fax (701) 236-7287

2-1-2001

I have been a Licensed Public Accountant in North Dakota since the original bill was passed in the Legislature.

My practice is much smaller than it was when there were two of us in our firm. After the death of my husband 15 years ago I have been able to continue with my daughter assisting me as an Associate in the North Dakota Society of Public Accountants.

I am very much in favor of another Level of Accountants in North Dakota. There are many small businesses in this state who do not need the services of a CPA to conduct their every-day operations to prepare the information needed by Financial Institutions and the Internal Revenue Service. We are discouraging our young people to go into the Accounting field

I agree with the bill as it provides Competency Testing, Continuing Education, Peer Review, and Limited Scope of Practice.

I cannot understand why the present Accountancy Board should feel that this bill would lower the Standard of Accounting in this State.

Martha Lyons, LPA

Martha Lyons

TESTIMONY BEFORE THE
SENATE INDUSTRY BUSINESS AND LABOR COMMITTEE
February 5, 2001

Testimony in opposition to SB 2398

Testimony presented by: Ronald I. Tolstad Jr., CPA, M. Acc.
North Dakota Society of Certified Public Accountants

Chairman Mutch and members of the Senate Industry Business and Labor Committee, my name is Ron Tolstad and as some of you know, I work for the Office of the State Auditor. Today I am here representing the North Dakota Society of Certified Public Accountants. I am testifying in opposition to SB 2398. The CPA Society represents over 1,400 CPAs. About 40% of our members are in public practice in CPA firms other members include business owners, government and business employees, teachers and even some lawyers.

I am speaking in opposition to this bill which would create a lower classification of accountants. I have three 3 basic objections to this bill relating to:

1. Regulatory concerns;
2. the lack of public or market demand; and
3. concern about lowering standards.

Since I am a student of government, I would like to start with my regulatory concerns. The State establishes occupational and professional boards primarily to protect the public. The State has created over 60 occupational and professional boards, which are state agencies, primarily to provide regulation in the interest of the public. These boards go from Abstracters to Wholesale Drug Distributors, from Electricians to Electrologists And Electronic Hair Removal Technicians. It is curious that most every legislative session has one or more groups wishing to establish additional occupational and professional boards. This session you will see bills for Acupuncture, Guides and Outfitters and Marriage and Family Therapists. The primary reason many of these groups want to establish boards is not so they can have more state regulation or even to protect the public, but rather to have the State legitimize their activities, basically giving them the benefit of saying they are "State certified." If you have followed the troubles of the State Board of Podiatrists, you know this certification comes with a cost to the State.

The State Board of Accountancy was established to protect the public. The system has worked so well that I think many take it for granted. Our free enterprise system relies on accurate financial information. Some of this information is so important that the markets want the information compiled or verified by independent sources, accountants and auditors. Some 25 years ago the ND Legislative Assembly set the standard for accountants to be Certified Public Accountants (CPAs). In the interest of fairness Licensed Public Accountants (LPAs) were "grandfathered in" as a dying class. This dying class of accountants has all the rights and obligations of CPAs.

SB 2398 would, for the first time in ND, establish a second or lower class of accountant. I do not think that this would be a wise decision. Consider, if you will, other professional boards. Would it be a good decision to establish a second, or lower class, of podiatrists? Maybe their services would be limited to treating athletes foot, or perhaps hang nails. How about attorneys? Perhaps a lower class of lawyer should be established, now there's a scary thought. All humor aside, I don't think it would be any better to establishing a lower class of accountant, than it would be to establish a lower class of lawyer or any other profession.

Getting back to the most important reason for professional boards, to protect the public, this bill would not do anything to enhance the public protection. As a rule, professional boards regulate the entire profession, without certification or a license, it is illegal to provide the services to the public. From doctors, to electricians, to participate in the profession, one must be licensed. This wouldn't be true for this new class of accountant, as it would be voluntary. No one would be compelled or required to be licensed or accredited to provide the same services as an "accredited public accountant," nor should they be. Individuals are now, and will continue to, perform essentially all the same services as an "accredited public accountant" without being licensed. The NDSCPAs supports regulation of those services where there is particular public interest, but other less sensitive services, should be left open to the free market. There is no compelling reason for the state to accredit a second or lower level of accountant.

This brings me to my second objection. This bill is not the result of the public demanding an additional class of accountant. Quite to the contrary by all available evidence the public is being served well by the current system. A 1994 survey, see attachment, of banks and businesses showed that 100% of the banking group and 94% of the business group thought their present accounting services were meeting their needs. The survey also asked if the state should have control over all preparers who complete financial statements. 75% of the banking group said no and 11% said yes. Only 36% of the business group were in favor of regulating all preparers of financial statements. There just doesn't seem to be a public clamoring for more accounting-related regulation.

To further demonstrate that another class of accountant is not necessary, I have attached a listing of CPAs and where they practice. You can see there are over 500 CPAs in public practice and where they are located. Notice that there already are CPAs in towns as small as Wimbledon, Donnybrook and Arthur. With even small communities having practicing CPAs, there aren't any North Dakotans having difficulties finding competitive accounting services.

Indeed this bill is not being brought to meet public demand or to protect the public's interest, but rather it is being brought by individuals who want the State to give them credibility. Credibility, in my opinion, without meaningful standards for admittance. This will only serve to lower the standards for people providing "licensed accounting services" which would not serve the public good. This brings up my third objection, low standards.

The CPA profession is held in high esteem by the public. Its high standards for professional integrity, meaningful entrance requirements and continuing educational requirements help to ensure we maintain public trust. The only services restricted to CPAs and LPAs by law and regulation are assurance reports on financial statements. That is to say audits, reviews, and compilations. This bill dilutes the high standards of knowledge and training that are expected of those who can call themselves public accountants. It creates a new state endorsed designation, to perform an assurance service, the compilation of financial statements. This new State endorsed designation would create a lower class of accountant with considerably lower admittance standards.

You should be very concerned about legitimizing a lower class of accountants to issue compilation reports to the public. These compilation reports are relied upon by banks, investors, bonding companies, and management. For the state to endorse lower standards would not be in the publics best interest.

A CPA is required to have a college degree with an emphasis in accounting (24 semester credits) and other business education (another 24 credits) and to pass the CPA Examination. CPAs are also required to have at least one year of experience. The proposed lower class of accountant's entrance requirements would allow for no college credits, and incredibly no accounting education. Allowing such individuals to issue an assurance report with the same language used by CPAs and LPAs would not be in the public's best interest. This is not an improvement, this only downgrades standards and decreases public protection.

Relating to lower standards, the proposed test, the ACAT Exam, has been evaluated by the education community at a level of competency below that of college sophomore accounting students. Several years ago, Paul Parkinson, then chair of the Ball State University Accounting Department characterized the ACAT Exam as "definitely not appropriate for the licensing of public accountants of any kind at any level of service." He went on to say "I would also expect anyone who had a good high school accounting background to be able to pass the test. The test does not include anything concerning income taxes or the performance of compilations." Perhaps the test content has changed since this study, but these comments at least call into question the validity of the proposed testing.

While I sincerely believe a lower class of accountants is not necessary or wise, even the 10 states that have a second tier of public accountants have higher standards for admittance. Each of these 10 states require passing 1-3 parts of the CPA examination and 7 of the 10 require testing relating to auditing. This bill prohibits the testing of auditing.

We ask you to make a do not pass recommend to the full Senate. Thank you for your time and I would be happy to answer any of your questions.

Attachments: Business Survey.
Listing of public CPAs and the communities they serve.

CPAs in public practice <u>are</u> located throughout the state – even in very small communities

1	Arthur
1	Balfour
1	Beach
1	Berthold
1	Beulah
85	Bismarck
6	Bottineau
1	Bowbells
2	Cando
1	Carrington
1	Carson
1	Casselton
2	Cavalier
1	Cogswell
1	Cooperstown
1	Crary
1	Crosby
11	Devils Lake
23	Dickinson
1	Donnybrook
2	Drayton
2	Elgin
178	Fargo
2	Fordville
7	Grafton
71	Grand Forks
2	Harvey
1	Hazelton
1	Hazen
1	Hettinger
1	Hillsboro
2	Horace
12	Jamestown
1	Kenmare
3	Langdon
1	Lidgerwood
2	Lincoln
2	Linton
2	Lisbon
1	Maddock
9	Mandan
1	Mayville
1	Mcclusky
1	Mcgregor
1	Moville
39	Minot
2	Mohall
1	Northwood
4	Oakes
1	Oxbow
1	Page
2	Park River
2	Parshall
1	Ray
1	Reeder
3	Rolla
3	Rugby
1	Stanley
1	Tioga
8	Valley City
7	Wahpeton
1	Walhalla
2	Washburn
1	Watford City
12	West Fargo
1	Wheatland
13	Williston
1	Wilton
1	Wimbledon
2	Wyndmere

2/2/01 List consists of CPAs in public practice living in ND with a certificate in good standing.

LPA SURVEY

CHAD B. KOST
UNDER THE DIRECTION OF
DR. RAGHU TADEPALLI

PREPARED FOR
MR. GEORGE KELLY, LPA
FARGO, NORTH DAKOTA

APPENDIX A

Initial Survey

EXECUTIVE SUMMARY

The purpose of this research project was to determine whether there exists the need for another classification of accountants in North Dakota. Currently, only Certified Public Accountants (CPAs) and Licensed Public Accountants (LPAs) may use the term "accountant" in their business practices. The LPA's have been slowly phased out over the past 15 years, but believe that another classification of accountants can effectively provide accounting services to the people of rural North Dakota.

RESEARCH CONDUCTED

In order to justify that the need for another classification of accountants existed, a survey of selected North Dakota businesses and banks throughout rural North Dakota was conducted. The medium used for this particular survey was the telephone. Businesses and banks were polled on their understanding and feelings toward current financial services available to them. An initial survey (appendix A) was designed by Mr. George Kelly, a Fargo LPA, and Dr. Raghu Tadepalli, Assistant Professor of Marketing at North Dakota State University.

The descriptive research conducted used a multiple cross-sectional design because the number of samples used (banks and businesses) were sampled only once. The survey itself followed a structured format, which specified the set response alternatives. More specifically, these questions were dichotomous questions which provided only two responses (yes and no), but also contained a neutral response (don't know). This allowed the interviewers to maintain an adequate amount of control in the responses given by those in the sampled population.

The initial survey was tested on a small percentage of those businesses in the population sampled. By conducting this initial testing, the interviewers were able to determine whether the survey would provide results the LPA's were looking for. However, the initial results led the researchers to believe that there was a lot of response error, more specifically inability error and unwillingness error. The inability error determined was the respondent's inability to provide us with accurate answers to the questions, and their unwillingness to provide us with accurate answers. It was determined that the wording of the survey questions was a bit complex for the sample population and respondents were providing answers merely to: finish quickly with the survey, avoid embarrassment (because respondents didn't want to appear unknowledgeable), or to simply please the interviewers.

Because of these findings, the survey was edited to convey questions that were more understandable to those in the selected sample population (appendix B). By using short and simple questions, the researcher felt the response rate would be more favorable and would greatly reduce selection bias. While some respondents had difficulty with a few of the questions, most of the respondents were aware of what each question meant.

CONCLUSIONS

A total of 395 businesses and 40 banks throughout communities in North Dakota were selected to take part in the survey. Of these 395 businesses, 210 were successfully contacted and participated in the survey. While this survey had a success rate of 53%, there were several businesses that were no longer operating or respondents could not be reached after two or more attempts. The bank survey had a success rate of 90% (36 out of 40). Again, the same factors mentioned above were the underlying reasons for not reaching all of the respondents.

Nonetheless, the survey provided useful results, which were broken down into percentages of: yes--no--don't know, and N/A. Results of the business survey (appendix C) showed that most respondents were being provided with some type of accounting services. Most respondents knew of accounting services offered in or to their communities, but many did not understand the difference between LPAs and CPAs. While most respondents had access to accounting services or did their own bookkeeping, there still exists an awareness problem of the services LPAs can provide compared to CPAs.

Most businesses felt that their small communities could not support the services that an accountant could provide, or their community had an accountant residing there already and could not support another one. Many respondents felt that tax preparers should be registered with a state agency, but seemed opposed to more government control.

The response rate in the survey of North Dakota banks (appendix D) provided more insight because they had a better understanding of the purpose of the survey. The capacity of bankers relative to their position in the community enabled them to understand the survey's content and how it affected their community. A majority of the bankers surveyed understood the difference between LPAs and CPAs, and what type(s) of accounting services were being provided in or to their community. While the bankers were split on whether their community could support the services of a new or additional accountant to reside there, many felt that it would be beneficial to have an accountant other than a CPA provide services there.

The bankers were evenly split among having a "lay person" appointed to the State Board of Accountancy, but were adamantly opposed to having state control over those people who completed financial statements. Most all of the bankers accepted balance sheet and profit loss statements without a disclaimer.

SUMMARY

The research conducted in this project shows there may be the need for an alternative classification of accountants in rural communities throughout North Dakota. However, education of these alternative services to the private sector of rural North Dakota is paramount. Most businesses are unaware of these services, and if the LPA's want to penetrate this market, they must inform people that their services are there.

APPENDIX B

Revised Survey

QUESTIONS

1.	Is your community presently being provided with accounting services?	Yes	No	Don't Know
2.	Do you understand the difference between licensed pubic accountants and certified public accountants?	Yes	No	Don't Know
3.	At present who provides you with accounting services?	Certified Public Accountant ____ Licensed Public Accountant ____ Other ____		
4.	Are their offices located in your community?	Yes	No	Don't Know
5.	If no, do you believe your community can attract an accountant to reside there?	Yes	No	Don't Know
6.	Do you believe your community would benefit by having someone other than a CPA provide accounting services there?	Yes	No	Don't Know
7.	Would you be in favor of appointing someone other than an accountant to the State Board of Accountancy?	Yes	No	Don't Know
8.	Are your present accounting services meeting your needs?	Yes	No	Don't Know
9.	Do you accept balance sheet and profit loss statements without a disclaimer?	Yes	No	Don't Know
10.	Should tax preparers be registered with a state agency?	Yes	No	Don't Know
11.	Should the state have control over all preparers who complete financial statements?	Yes	No	Don't Know

APPENDIX C

Business Survey Results

SURVEY RESULTS
OF NORTH DAKOTA BUSINESSES
NORTH DAKOTA LPA ASSOCIATION

	Percentage Breakdowns: Yes	No	Don't Know	NA
Q1. Is your community presently being provided with accounting services?	81.90	10.48	7.14	
Q2. Do you understand the difference between LPAs and CPAs?	33.81	60.48	4.76	.48
Q3. At present who provides you with accounting services-- CPA 55.24, LPA 12.86, Other? 30.00				
Q4. Are their offices located in your community?	51.48	40.95	1.90	5.24
Q5. If no, do you believe your community could attract an accountant to reside there?	18.57	9.05	10.95	60.95
Q6. Do you believe your community would benefit by having someone other than a CPA provide services there?	36.19	21.90	35.71	5.71
Q7. Would you be in favor of appointing someone other than an accountant to the state board of accountancy?	36.67	24.76	37.62	.48
Q8. Are your present accounting services meeting your needs?	94.29	2.86	2.38	
Q9. Should tax preparers be registered with a state agency?	65.24	17.14	16.19	.95
Q10. Should the state have control over all preparers who complete financial statements?	36.19	44.76	18.57	

APPENDIX D

Bank Survey Results

SURVEY RESULTS
OF NORTH DAKOTA BANKS
NORTH DAKOTA LPA ASSOCIATION

Percentage Breakdown:

	Yes	No	Don't Know	NA
Q1. Is your community presently being provided with accounting services?	88.89	11.11		
Q2. Do you understand the difference between LPAs and CPAs?	52.78	47.22		
Q3. At present who provides you with accounting services-- CPA 88.89 LPA 11.11				
Q4. Are their offices located in your community?	33.33	66.67		
Q5. If no, do you believe your community could attract an accountant to reside there?	16.67	27.78	16.67	38.89
Q6. Do you believe your community would benefit by having someone other than a CPA provide services there?	50.00	25.00	11.11	13.89
Q7. Would you be in favor of appointing someone other than an accountant to the state board of accountancy?	33.33	27.78	38.89	
Q8. Are your present accounting services meeting your needs?	100.00			
Q9. Do you accept balance sheet and profit loss statements without a disclaimer?	75.00	19.44	5.56	
Q10. Should tax preparers be registered with a state agency?	41.67	36.11	19.44	2.78
Q11. Should the state have control over all preparers who complete financial statements?	11.11	75.00	13.89	

Comments to the Senate Industry, Business & Labor Committee
February 5, 2001.

My name is Jim Abbott. I serve as the Executive Director of the N.D. State Board of Accountancy.

The Board learned of the bill just recently, and has not discussed it as a group.
So I don't bring any formal Board position in support or opposition.
But this legislation directly affects the Board's area of responsibility, so I am available for questions, and I will make just a few observations for your help in evaluating the bill.

1. From my experience, the Board of Accountancy, as a group, has displayed no interest in regulating additional groups of people. Over the last several years when various changes have been made in accounting regulation, the Board has not proposed broadening its reach beyond the LPA and CPA community. The Board's duty is basically to regulate a specific narrow area of the financial community – the providing of reports on financial statements. These reports are used by bankers, bonding companies and internal management to make decisions, some of which can be quite substantial. This type of work is restricted to public accountants, plus various "accounting-type" titles is about the only area the state has chosen to regulate accounting services. And the Board has not sought to expand beyond that scope.

2. To my knowledge the Board has not received requests from the general public for additional accounting classifications. We have received no request from the general public to lower the requirements for those authorized to perform compilations.

3. The Board has not received any material number of complaints about unlicensed people doing poor work.

4. The national trend in recent years has been toward stronger standards for the accounting profession.

5. As a Board our primary responsibility is protection of the public. This bill does lower the educational requirements for a person to be able to hold themselves out to the public as a public accountant, and perform compilations. The change in standards is from a college degree, with an adequate accounting concentration, to either a 2 year degree or even no formal education, and no accounting education.

6. When the Board has initiated changes in statute and regulations over the past few years, it has usually assembled a drafting team of representatives from the CPA association, the LPA association, and the Board itself -- two members of each, plus myself. It takes much thoughtful consideration to draft regulatory law and regulation. The Board members have had limited opportunity to study this proposal.

7. The bill seems to have structural problems.
One of the three entrance options seems almost impossible for anyone to meet. It allows granting of the credential after 5 years of experience performing services as an APA. . Part of the bill appears to authorize APAs to prepare financial statement and reports, but elsewhere prohibits their issuing reports on financial statements.

The bill authorizes APAs to perform numerous services that now require no authorization; this would seem unnecessary.

I am available to respond to questions that may arise.

Comments regarding SB 2398
To the Senate Industry, Business & Labor Committee
February 5, 2001

My name is John Mongeon, and I am a member of the North Dakota CPA Society. I am a practicing CPA and shareholder with the regional firm of Brady, Martz & Associates, P.C.

The meat of this bill is the qualification of an individual to sign their name on a compiled financial statement and the public trust placed in that signature. A public trust that CPAs take very seriously. That is why I speak in opposition to SB 2398 today.

This issue has been brought up in the past and addressed.

The issue arose during the 1993 Legislative Session, and a commitment was made to address the issue. Following that 1993 Session, meetings were held about the issue of a new classification of accountants, including how the credential could be structured. These gatherings included representation from the leadership of the ND CPA Society and the ND Society of Public Accountants. Meetings were also held in five cities across the state, and the proposal was presented to ND CPA Society members. In addition, surveys were conducted of North Dakota businesses and bankers along with a survey of our Society members. We sent a letter to each of the 1995 returning legislators of the Senate and House IBL committees to inform them of the processes that were followed and results of our surveys.

The survey results did not support or justify the creation of a new credential. Virtually all the business and banking respondents felt their present accounting services were meeting their needs. Of the CPAs responding to the issue, ninety-three percent were opposed.

We informed the Legislative members that we didn't support a new credential for the following reasons:

1. There is not a demonstrated need for an additional credential.
2. There is already a greater supply of CPAs created yearly than our state economy is absorbing.
3. We questioned how much of the type of services authorized by the new credential is currently being supplied by out-of-state firms, and therefore, we would question the job development value of such a proposal.
4. Such a credential may confuse the public and not protect their interests.

This proposed bill is calling for a new credential, but without a market need or demand being shown. In fact, North Dakota has exported, out of state, approximately 40% of its new CPAs over the last ten years.

The CPA credential is a challenging pursuit, yes, but certainly attainable, and in fact with less rigor than some professions.

This proposal lowers the bar for entrance requirements, a move that doesn't seem appropriate.

The second point I'd like to make is that the skill level required of this credential is just not sufficient to issue compilation reports.

Statements on Standards for Accounting and Review Services (SSARS) is the authoritative guidance followed in the preparation of compilation reports. Some of the procedures that must be followed include: gain an understanding of the entity, acquire an adequate understanding of the accounting principles and practices of the client's industry, the accounting basis used (GAAP/OCBOA) to prepare the client's financial statements, and reviewing the information collected to prepare the financial statements and compilation report and considering whether additional or revised information must be obtained.

North Dakota has incorporated Rules 201 and 202 of the AICPA Code of Professional Conduct as standards for licensees who provide compilation services. Specifically Code Rule 201 requires proper planning and supervision when performing a compilation engagement. The only place you find out how to do this is in auditing standards. The subject of auditing will not be tested in the examination offered for accreditation under SB 2398. In addition, other requirements under the Code relate to subsequent event disclosures and determine if the client is a going concern. An APA would not be educated about these things with a two year degree.

There are other complex issues involved in issuing compilation reports such as: reporting and recognizing departures from accounting principles, following quality control standards, and what constitutes issuing a compilation report. We believe that the skill level required is not sufficient under this new accreditation to comply with the complexity of issuing a compilation report.

The third and most important point is that the public would be at risk. As I have explained above, there are complex issues that must be addressed when a compilation report is prepared and issued. Use of SSARS in a compilation implies to the public a higher level of knowledge and skill now attested to by passage of the CPA exam. Simply having a two year degree and working somewhere for two years comes nowhere close to having at least a four year degree, passing the very difficult Uniform CPA exam, and having at least a year experience. Yet, the public on the receiving end of these SSARS compilations wouldn't know this. All they would know is that someone who is supposed to be in compliance with professional standards, has attested to the validity of the numbers. They would most likely assume that the person was a CPA, when in fact they were something far less skilled.

Misrepresentation could come into play. Accredited and Certified are close in definition, meaning even if the title were spelled out rather than abbreviated the general public wouldn't know what they were dealing with. The public will need to be aware, since they will assume a CPA and an APA are the same thing. In fact, when most citizens think of public accountants, they think of CPAs. Adding an additional title of APA will cause confusion with the public with some going to APAs believing they are receiving the expertise of a CPA. Those who do notice a difference in titles may even think that "accredited" has more expertise than "certified".

For the reasons stated, I ask the Committee to vote, "do not pass".

New C[illegible]s in the Previous 10 Years and Their [illegible]ation

1991 — 85 new CPAs

In State	51
Out of State	34
AK	1
AL	1
AZ	1
FL	1
IN	1
KS	1
MI	2
MN	15
MO	1
MT	1
NC	1
NE	1
NV	1
SD	2
TX	2
WI	2

1992 — 102 new CPAs

In State	50
Out of State	52
Canada	1
England	1
AL	1
AZ	2
CA	1
CO	5
CT	1
DC	1
IL	1
IN	1
LA	1
MN	21
NC	1
NE	1
NV	1
OR	1
SD	2
TX	5
WI	1
WY	3

1993 — 113 New CPAs

In State	74
Out of state	39
Canada	1
Hong Kong	1
AZ	1
CA	2
CO	2
DC	2
IL	1
MN	22
MT	1
NE	1
OH	1
SC	1
TX	1
WI	1
WY	1

1994 — 112 New CPAs

In State	58
Out of state	54
England	1
Hong Kong	1
AZ	1
CA	3
CO	3
ID	1
IL	1
KS	1
MN	26
MO	1
SD	2
TX	3
UT	1
VA	2
WA	3
WI	3
WY	1

1995 — 70 New CPAs

In State	43
Out of state	27
Australia	1
CO	3
FL	1
IL	1
MN	12
NV	1
OR	1
SD	3
TX	1
VA	1
WI	2

1996 — 93 New CPAs

In State	57
Out of state	36
England	1
Military	1
AZ	1
CO	3
CT	1
FL	1
ID	1
KS	2
MD	3
MN	13
MO	1
MS	1
MT	1
NE	1
NH	1
SD	1
TX	2
WA	1

1997 — 70 New CPAs

In State	47
Out of state	23
AZ	1
CA	3
CO	2
FL	1
MI	1
MN	8
MO	1
MT	1
NV	1
SD	2
TN	1
TX	1

1998 — 89 New CPAs

In State	57
Out of state	32
CA	2
CO	3
IL	2
KS	2
MN	18
NY	1
PA	1
RI	1
SD	1
TX	1

1999 — 83 New CPAs

In State	59
Out of state	24
CA	2
CO	2
IA	1
MN	17
OH	1
PA	1

2000 — 114 New CPAs

In State	59
Out of state	55
Canada	3
Switzerland	1
Hong Kong	1
Germany	1
Cayman IS	1
CA	8
CT	1
FL	1
GA	1
IA	2
ID	1
KY	1
MA	3
MI	2
MN	13
NE	1
NJ	2
NY	3
OH	1
OR	1
SD	1
TN	1
TX	2
VA	1
WA	2

2001 — 35 New CPAs

In State	23
Out of state	12
FL	1
IA	1
IN	1
MA	1
MN	5
MT	1
SD	1
TX	1

Numbers listed include original certificates only.
Total Original Certificates issued from 1/1/91 to Present = 966
Of these 60% are in state and 40% are out of state.

John Mongeon

Technical Discussion Regarding
Senate Bill 2398
APA Designation

- Page 1, lines 10 through 14 amends part of the ND Business Corporation Act at NDCC 10-19.1-50 where it provides what information a director of a corporation is entitled to rely on. The bill limits the reliance on financial statements to those prepared by CPAs and LPAs.

- Page 2, lines 6 through 10 amends part of the of the ND Nonprofit Corporation Act at NDCC 10-33-45 where it provides what information a director is entitled to rely on. The bill limits the reliance on financial statements to those prepared by CPAs and LPAs.

- Page 2 defines "attest," "attest service," and "an examination of prospective financial information" These terms are not currently in the NDCC and should not be. These definitions change periodically as our financial world and the associated financial reporting standards change. These are ever evolving national, and quickly becoming international, standards that should not be etched in stone in the NDCC.

- Page 3, lines 7 through 11 defines a compilation. This is a definition that is not current in statute, just like "audit" and "review" are not in statute, and they should not be. But, more importantly
  - ♦ It provides for "preformed in accordance with statements on standards for accounting and review services....." It should be noted that there is nothing in this bill that would test an APA applicant on their knowledge of statements on standards for accounting and review services.
  - ♦ It provides that the board "**MUST**" refer to the standards developed for general application by the American institute of certified public accountants **OR OTHER RECOGNIZED NATIONAL ACCOUNTANCY ORGANIZATION.** First this should not be in statute as the development of national and international standards might be some other organization in the future. Even more of a concern is that this wording could be interpreted that if some other recognized national accountancy organization developed standards, the board would be **REQUIRED** to adopt them even if they conflicted with more appropriate standards. This should not be mandated in state law.

- Page 8 lines 7 through 14 provides that an APA can in part "prepare financial statements, schedules, or reports." Page 4 lines 3 through 16 define that a "Report," when used with reference to financial statements, means an opinion, report, or other form of language that state or implies assurance as to the reliability of any financial statements and that also includes or is accompanied by any statement or implication that the person or firm issuing it has special knowledge or competence in accounting or auditing. It also provides that a "report" includes any form of language that disclaims an opinion when the form of language is conventionally understood to imply any positive assurance as to the reliability of the financial statement referred to or special competence on the part of the person or firm issuing such language. "Report" includes any other form of language that is conventionally understood to imply such assurance or such special knowledge or competence. With the statutory definition of a "Report" that accompanies financial statements, why would the legislature want to significantly lower the standards of the persons who can sign a "Report" (the signature page of financial statements prepared by public accountants).

- Page 6, lines 19 through 23 mandates that the board **SHALL** recognize a successful accreditation council for accounting and taxation examination taken in this state or any other state. It should be noted that the NDCC at 43-02.2-04 for the exam for CPAs states "The examination required to be passed as a condition for the granting of a certificate must test the applicant's knowledge of the subjects of accounting and auditing. In contrast, this bill mandates recognition of not only a current specific examination that the board has no control over but also mandates that it shall recognize any and all successful accreditation councils for accounting and taxation taken anywhere under any conditions. This is just plain a bad idea.

  This part goes on to provide "if the applicant has been engaged in the practice of public accounting since passage of the examination. This is confusing. It appears to be saying that a person has to be practicing public accounting before they are granted the license of being an APA. By the same token, it appears to be denying the license to those who have not been practicing public accounting prior to being licensed as an APA.

- Page 6 lines 24 & 25 states that the examination must test the applicant's knowledge of accounting and precludes testing of audit. It is silent about testing on reporting standards which are critical in issuing compilation financial statements.

- Page 6 lines 26 & 27 provide for the very specific examination provided by the accreditation council for accounting and taxation over which the board has no control nor options.

- Page 7 line 22 provides that the board may adopt rules establishing experience and education requirements. Then lines 23 through 31 appear to negate line 22 and mandates that if any of the three items listed are met, the applicant can write the exam.
  - ♦ Two years experience working for a CPA or LPA as an accountant
  - ♦ A two or four year degree with a concentration in accounting. We question and have significant concern relating to how much accounting knowledge a person obtains from most two year degree programs with an emphasis in accounting.
  - ♦ The applicant has at least five years of continuous, full-time experience engaged in performing services as an accredited public accountant. We question how one can practice for five years as an accredited public accountant if they are not yet an accredited public accountant.

- Page 8 lines 7 through 14 provide what an APA could do. As already noted, most of these are currently unregulated and we believe they should remain unregulated. It also provides for financial statements, schedules, reports and to make compilation. Other than noting that "make compilation" is rather poor terminology, these items have been address above and in other testimony.

  Some very disturbing additional wording that is in this part is "prepare an internal verification and analysis of books or accounts of original entry." This almost sound like auditing.

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MEMORANDUM

TO: Larry Kryzsko, Public Relations Director
North Dakota Society of Public Accountants
FROM: Monte L. Rogneby *Monte L. Rogneby*
DATE: February 7, 2001
RE: Response to Technical Discussion concerning Senate Bill 2398

At your request I have reviewed the "Technical Discussion" concerning Senate Bill 2398. As indicated below, the "Technical Discussion," contains multiple erroneous statements concerning the legal effect of Senate Bill 2398. Where appropriate, I have noted my suggested amendments to Senate Bill 2398 to eliminate the concerns raised in the Technical Discussion.

1. DEFINITION OF ATTEST SERVICE

The Technical Discussion raises a concern over the definition of "attest" and "attest service," arguing these terms should not be in the North Dakota Century Code because the definition of "attest" or "attest service" may change in the future.

This criticism is misplaced because, in its present form, Senate Bill 2398 does not define the scope of "attest service." Rather, Senate Bill 2398 delegates to the State Board of Accounting the authority to define the parameters of what accounting activities fall within "attest services." The Board is given discretion to adopt rules by reference to "standards developed for general application by the American institute of certified public accountants or other recognized national accounting organization." The parameters of "attest service" may be changed by the Board to reflect changing national or international standards.

To the extent Senate Bill 2398 defines "attest service," this definition is not etched in stone as suggested in the Technical Discussion. The Century Code may be amended, from time to time, if necessary due to changing national or international accounting standards. If such a change is necessary in the future, this matter could be reconsidered by the North Dakota Legislative Assembly.

The approach used in Senate Bill 2398 is the same approach under consideration by the Iowa legislature. Furthermore, several states currently include a definition of "attest service" in their state statutes. See Louisiana Statutes Annotated 37:73; New Hampshire Revised Statutes Annotated 309-B:3; and Tennessee Code Annotated sec. 62-1-103.

2. Definition of "Compilation."

The Technical Discussion raises a concern over the definition of "compilation" arguing this terms should not be in the North Dakota Century Code because the definition of "compilation" may change in the future.

This comment is misplaced because, in its present form, Senate Bill 2398 does not define "compilation." Rather, Senate Bill 2398 delegates to the State Board of Accounting the authority to define "compilation." The Board is given discretion to adopt rules by reference to "standards developed for general application by the American institute of Certified public accountants or otner recognized national accounting organization. In other words, the parameters of what a "compilation" is may be changed by the Board to reflect changing national or international standards.

To the extent Senate Bill 2398 defines "compilation," this definition is not etched in stone as suggested in the Technical Discussion. The Century Code may be amended, from time to time, if necessary due to changing national or international accounting standards. If such a change is necessary in the future, this matter could be reconsidered by the North Dakota Legislative Assembly.

As noted above, there is nothing inherently wrong with defining accounting terms as part of the North Dakota Century Code. The definition language in Senate Bill 2398 was adapted from a similar bill under consideration in Iowa. This approach also finds support in the state statutes of several states, including Delaware (24 Del.C. sec. 115); Louisiana (LSA-R.S. 37-73); Main (32 M.R.S.A. sec 12201); Ohio (OH St S 4701.1); Tennessee (TN ST sec. 62-1-103); and Utah (UT ST Sec 58-26a-102).

The Technical Discussion also is critical of the definition of "compilation" because it claims nothing in Senate Bill 2398 would test an accredited public accountant's knowledge of "statements on standards for accounting and review services." In this regard the Technical Discussion mixes apples and oranges.

Senate Bill 2398 defines "compilation" to differentiate between the services which can be performed by certified and licensed public accountants, and the services provided by accredited public accountants. The Board is given discretion to adopt rules setting forth the proper definitions. In adopting the rule, the Board is directed to review standards developed by national accounting organizations, such as the American Institute of Certified Public Accountants

An accredited public accountant need not be familiar with the statements on standard for accounting and review services. An accredited public accountant would, however, need to be familiar, and would have to follow, the administrative rules adopted by the Board concerning compilation services.

The Technical Discussion is mistaken when it implies accredited public accountants would not be tested on compilation services. The Comprehensive Examination For Accreditation in Accounting (ACAT) tests applicants on financial accounting and financial statement preparation, presentation and reporting, including preparation of compilations.

The Technical Discussion next is critical of the word "must" on Page 3, line 9. The word "must was not in The North Dakota Society of Public Accountants proposed bill draft. After consulting with the Legislative Counsel, it appears that the word was included by accident. The word "must" should be changed to the word "may."

3. REPORTS PREPARED BY AN ACCREDITED PUBLIC ACCOUNTANT

The Technical Discussion states that Senate Bill 2398 would "significantly lower the standards of persons who can sign a "Report" (the signature page of financial statements prepared by public accountants)." This statement is not accurate.

Under the Act, a "report," when used with reference to financial statements, "means an opinion . . . that states or implies assurance as to the reliability of any financial statements <u>and</u> that also includes or is accompanied by any statement or implication that the person or firm issuing it has special knowledge or competence in accounting or auditing." (Emphasis added.) The Act makes it illegal for any person or firm that is not licensed under the Act to "issue a report on financial statements" of any person, firm, organization, or governmental unit." A compilation, however, that does not state or imply assurance as to it reliability is not a "report" under the Act as it exists today. The Act does not clearly prohibit a non-certified or non-licensed individual from preparing a compilation, as long as the individual does not give assurances as to the reliability of the compilation or otherwise hold himself or herself out as possessing special knowledge or competence in accounting..

Senate Bill 2398 clears up this loophole in the Act by mandating that only a certified, licensed or accredited public accountant may prepare a compilation, regardless of whether the compilation is a "report" under the Act. This is a strengthening of the standards for compilation services, not a weakening of the standards for compilation services.

Senate Bill 2398 does not authorize accredited public accountants to issue financial statement "reports." To clarify this principle, one change should be made to the Bill. On page 8, line 11, the following change should be made to the tasks which may be performed by a accredited public accountant: "prepare financial statements, schedules, or reports . . ." should be changed to "prepare financial statements or schedules . . . ."

Senate Bill 2398 carefully distinguishes between the services which may be provided by certified and licensed public accountants and services provided by accredited public accountants. Only certified and licensed public accountants are authorized to perform attest services. An accredited public accountant is only authorized to perform a compilation. <u>Although Senate Bill 2398</u>

allows accredited public accountants to prepare financial statements the Bill also explicitly states that "an accredited public accountant may not give an opinion attesting to the reliability of any representation embracing financial information."

Underlying the criticism in the Technical Discussion is the belief that an accredited public accountant will not possess the necessary skills to prepare a compilation. This criticism is unsupported and unfounded. A review of the subjects tested as part of the ACAT exam demonstrates that an accredited public accountant will possess the necessary skills to prepare a compilation.

4. **EXAMINATION REQUIREMENT**

The Technical Discussion alleges, without offering any support or reasoning, that it is a bad idea to 1) use the exam in accountancy by the Accreditation Council for Accounting and Taxation as the licensing exam for North Dakota accredited public accountants and 2) allow accountants who have successfully completed the ACAT exam to use that result as part of their application for licensing as an accredited public accountant.

The Accreditation Council for Accountancy and Taxation was established in 1973 as a non-profit independent testing, accrediting and monitoring organization. The Council seeks to identify professionals in independent practice who specialize in providing financial, accounting and taxation services to individuals and small to mid-size businesses. It is not improper for Senate Bill 2398 to rely on the examinations prepared by this organization.

The Technical Discussion alleges that the Bill requires the Board "recognize any and all successful accreditation councils for accounting and taxation taken anywhere under any conditions." This is not true.

Senate Bill 2398 delegates to the Board the authority to use all or part of the ACAT examination as part of the examination for becoming a certified accredited public accountant and delegates to the Board authority for determining a passing score on the exam. The Bill also provides, however, that once the Board has set the standard for successfully completing the ACAT exam, the Board must give an applicant credit if the applicant previously took the exam and otherwise meets the Board's requirements ("the board shall recognize a successful accreditation council for accounting and taxation examination taken in this or another state.")(emphasis added). If the applicant's prior examination does not meet the Board's standards, then the prior application is not a "successful" examination and the applicant would need to retake the examination.

The Technical Discussion contends the Bill requires an applicant to have practiced public accounting before they can become an accredited public accounting. This is a misinterpretation of the Bill.

The Bill does not require an applicant to have practiced public accounting before they can become an accredited public accountant. Rather, the Bill states that an applicant may only use a prior successful ACAT exam result if the applicant has practiced public accounting since completing the examination. This provision limits those who may become accredited without having to take the ACAT examination. It has no bearing on applicants who are not attempting to use a prior ACAT examination.

5. THE ACAT EXAMINATION

The Technical Discussion challenges whether the ACAT examination tests an applicant's knowledge of reporting standards. The Technical Discussion assumes, without support, the ACAT examination does not test knowledge of reporting standards and that the ACAT examination is the only option the Board has for testing applicants.

The ACAT examination is a uniform, national examination. The exam tests the proficiency of candidates in financial accounting, compilation services, managerial accounting, taxation, business law and ethics. The ACAT examination is an appropriate examination for accredited public accountants.

The Bill does not mandate that the Board use the ACAT examination. Rather, the Bill gives the Board discretion to use "all or any part of the examination in accountancy provided by the accreditation council for accounting and taxation." The Bill uses the word "may" in relation to the ACAT examination and does not use the word "must."

6. EXPERIENCE REQUIREMENTS

The Technical Discussion next questions the Bill's language concerning the experience requirement for becoming an accredited public accountant. The Technical Discussion alleges the Bill is confusing because it grants the Board some authority to "adopt rules establishing experience and education requirements" and then sets forth other more specific experience and education requirements. This concern is based on an erroneous interpretation of the Bill.

The Bill provides the basic experience and education requirements necessary for becoming an accredited public accountant and delegates authority to the Board to adopt rules on education and experience consistent with the requirements in the Bill. Although such grants of discretion are common in legislation regulating professionals, to avoid a misreading of this section, the delegation of additional authority to the Board could be deleted.

The Technical Discussion next challenges whether a two year degree is sufficient to prepare an applicant to become an accredited public accountant. This is not a technical issue and goes to the substance of the Bill.

The Technical Discussion also notes that an applicant can satisfy the experience requirement by performing services an accredited public accountant. This section contains an error. The North Dakota Society of Public Accountants' final draft stated:

> The applicant submits evidence of at least five years of continuous experience engaged in performing any of the services delineated in section 43-02.2-02(1) on a full-time basis.

As part of the editing of the Bill this section was changed. After discussing this with the Legislative Counsel, I recommend that the language be amended as follows:

> The applicant has at least five years of continuous, full-time experience engaged in performing one or more of the services listed in section 9

SERVICES PERFORMED BY ACCREDITED PUBLIC ACCOUNTANTS

The Bill includes a list of tasks an accredited public accountant may perform. The Technical

Discussion assumes that all items in the list are now to be regulated by the Board. This assumption is incorrect. Except for the preparation of compilations, as noted above, the Bill does not regulate any additional areas of accounting or bookkeeping.

The Technical Discussion implies the portion of the Bill that authorizes an accredited public accountant to "prepare an internal verification and analysis of books or accounts of original entry," "almost" sounds like it is authorizing an accredited public accountant to conduct an audit. The Technical Discussion is mistaken because it ignores the other plain language of the Bill which specifically prohibits an accredited public accountant from performing attest services, including performing audits.

CONCLUSION

Except for the changes outlined above, I believe the Bill is internally consistent and is ready for consideration by the full Legislative Assembly.

Senate Committee on Industry, Business, and Labor
Senator Mutch, Chairman
Committe Member:

RE: Senate Bill 2398

I would like to take this opportunity to dispell some of the concerns voiced in opposition to using the Accreditation Council for Accounting and Taxation (ACAT) exam as the test for licensing of the Accredited Public Accountant (APA).

The State Board of Accounting has stated that this test is not nationally recognized as a test for accounting knowledge. This is true only because there are no national standards established for a second tier of accountancy.

The Accreditation Council for Accountancy and Taxation completed a formal practice analysis study of the work of Accountants in public practice. The results of this study were used to validate the content of the ACAT exam.

The ACAT exam is an eight hour exam ~~compromised~~ comprised of the following ~~[illegible]~~:

1) Financial accounting and Financial Statement Preparation, Presentation, and Reporting.

2) Business Consulting Services

3) Taxation

4) Business Law

5) Ethics and Professional Conduct

As you can see, there are basically the same areas covered by the CPA exam. The major difference between the two exams is that the ACAT exam is a test of practical knowledge used in the practice of accounting, where the CPA exam is a test of book knowledge.

The attachments include an in depth analysis of study used to formulate the exam and a presentation on the structure of the exam.

Thank you for your consideration.

Sincerely

Larry Kryzsko, Public Relations Director
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Results of Practice Analysis Study
Accountants in Public Practice
--September 25, 1997--

Commissioned by
Accreditation Council for Accountancy and Taxation

<u>Executive Summary</u>

The Accreditation Council for Accountancy and Taxation (ACAT) of Alexandria, VA, in conjunction with its contractor, the National Assessment Institute of Clearwater, FL, has completed its formal practice analysis study of the work of accountants in public practice. The results of the study will be used to validate the content of the Comprehensive Examination for Accreditation in Accountancy/Uniform Accredited Business Accountant Examination.

RATIONALE FOR THE STUDY

The Accreditation Council for Accountancy and Taxation (ACAT) had two goals when it began its practice analysis research process a year ago.

1. To update its accountancy examination to ensure that its test reflects what accountants in public practice actually do, and:

2. To meet states' requirements for a content-valid accountancy examination as legislators and state boards of accountancy recognize the need to test and regulate an additional tier of licensee.

ACAT's accountancy examination and credential is the voluntary public accountancy alternative to the certified public accountant examination and designation. Therefore, the Accreditation Council has an obligation to provide a competency measure that reflects the true picture of accountants in public practice. After successfully completing the Council's examination, a candidate earns the right to use its trademarked credential, "Accredited Business Accountant" or to use the credential's description, "Accredited in Accountancy".

HOW THE RESEARCH WAS CONDUCTED

The practice analysis survey was developed with information obtained from a literature review, including the current exam specification, and from a series of focus group interviews with accountants across the country, representing a range of practice and regulatory settings.

Following the information gathering phase, a Subject Matter Expert Advisory Panel was assembled to oversee the formulation of the survey instrument as well as provide content area expertise to the process. The panel members include a diversity of content expertise, geographic distribution, practice and regulatory settings and demographics of the profession. A listing is at Attachment A.

The survey was designed to capture information regarding the work activities performed by accountants in public practice. The survey results are to be linked to the measurement of the knowledge, skills and abilities tested on the comprehensive examination. In addition, the survey asked respondents to describe various aspects of their professional backgrounds - the demographic information

The practice analysis survey focused on 73 professional responsibilities (tasks) organized into six broad categories (job dimensions). The six broad categories were:

Client Data Assembling Services,
Financial Statement Reporting and Preparation,
Ethics and Professional Conduct,
Management Consulting Services,
Business Law,
Taxation.

For each task within the six categories, respondents were asked to indicate if they performed the task, the time spent on the task, and its importance to their professional practice. Respondents were asked one open-ended question: to comment regarding long range changes occurring in the public accountancy profession and how they would affect the knowledge and skills required of accountants in public practice.

Surveys were mailed to a sample of 1,400 practicing accountants across the country. The returns yielded 459 usable responses, providing a 33% return rate.

The surveys were collected, processed and analyzed by the National Assessment Institute, and the results presented to the Subject Matter Expert Advisory Panel for interpretation and recommendation to the Board of Directors of the Accreditation Council.

RESULTS

Demographic Characteristics:
51% of respondents were sole proprietors and 40.6% were a form of corporation; most respondents reported more than one credential (Licensed PA, Unlicensed, Accredited in Accountancy, CPA, Accredited Tax Advisor, Enrolled Agent, Accredited Tax Preparer); 88.5% were full-time practitioners; 59% have more than 20 years' experience with 24% in practice from 11 to 20 years, 40.5% of respondents had four-year college degrees while 24.4 had two-years of college; 70% of the respondents were male.

Professional Responsibilities.
Tasks reported as performed in 50% and higher of the respondents' practices (see page 3 of Attachment B) were considered for use in the study and were carefully reviewed by the subject matter panel to determine the extent of the linkage between the tasks and the topics on the comprehensive examination. Tasks reported as being performed by fewer than 50% of the respondents were reviewed and a determination made to not consider them for further use.

A listing of tasks sorted by percentage of respondents performing the tasks is at Attachment B.

More than 90% of accountants in public practice perform these functions:

- Prepare individual tax returns
- Determine appropriate accounting methods for clients
- Set up client accounting systems
- Prepare partnership tax returns
- Prepare C corp. and S corp. tax returns
- Perform payroll related functions
- Prepare responses to government tax notices
- Provide business start-up consultations
- Organize client data and provide required reports

More than 80% of accountants in public practice perform these functions

- Perform tax impact analysis
- Provide advice on tax aspects of divorce
- Provide advice on tax aspects of retirement
- Assist clients in entity formation
- Instruct clients in entity compliance issues
- Provide tax and accounting advice concerning legal agreements
- Represent clients before compliance agencies
- Conduct compilations

More than 70% of accountants in public practice perform these functions

- Prepare fiduciary income tax returns
- Provide information on tax aspects of estates
- Prepare budgets, forecasts, and projections
- Prepare loan information and documentation packages
- Provide cash flow planning services
- Advise clients regarding employment and regulatory compliance
- Advise clients regarding powers of attorney

More than 60% of accountants in public practice perform these functions:

- Prepare estate and gift tax returns
- Prepare nonprofit income tax returns
- Prepare GAAP financial statements
- Evaluate investments or business opportunities for clients
- Evaluate internal control systems
- Provide client financial counseling services
- Provide assistance regarding employee benefits

In reply to the open-ended question regarding long range changes, respondents overwhelmingly commented on the increasing use of computers and canned software by individuals and small businesses, and the need for accountants to move away from write-up services and into management/business consulting services. Representative comments:

"Bookkeeping services or write-up will no longer be done and accountants will have to do more consulting and business advisory services.";

"We will have to become more advisors and consultants than number-crunchers";

"Public, consumer, and business use of computers has decreased the demand for bookkeeping/write-up services and has increased client sophistication in tax preparation matters. Consulting and client education are becoming much more important and computer knowledge is absolutely essential."

IMPLICATIONS OF THE PRACTICE ANALYSIS

Based on the results of the practice analysis, the Subject Matter Technical Advisory Panel has updated and revised the examination plan to more accurately reflect the knowledge and abilities needed by practicing accountants.

Many topics of the current exam are relevant and will remain in place, particularly in the areas financial accounting, taxation and business law

Business Consulting Services topics, such as "evaluating business opportunities", have been added to the exam blueprint. The number of questions in Taxation has been increased, from the current 35 to 50 questions, extending the taxation portion of the exam to 25% of the total exam. Managerial accounting topics such as job order costing, process costing and inventory control have been dropped.

Topic titles as well as assignment of weights are as follows:

· Financial Accounting and Financial Statement Preparation, Presentation and Reporting	50.0%	100 items
· Business Consulting Services	13.5%	27 items
· Business Law	7.5%	15 items
· Ethics and Professional Conduct	4.0%	8 items
· Taxation	25.0%	50 items

This blueprint retained the general examination format of two independent sections of 100 items each, to be administered in morning and afternoon sessions.

The revised examination plan is at Attachment C. The resulting examination plan will provide solid guidance to item writers with respect to the topics to be included in the examination and the relative weight (number of questions) assigned to those topics. Accordingly, item development, examination construction and final examination forms will reflect the new practice analysis results. Changes in the content outline and test specifications will be indicated on materials sent to prospective candidates as the process is completed.

Testing based on the revised, content-valid blueprint begins on December 11, 1993.

####

Attachment A

Attachment A

JOB/PRACTICE ANALYSIS COMMITTEE

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Attachment B

All survey tasks in order of percent of respondents who perform the task.

ACAT Criticality Ratings *Sorted by % Rating*

July 14 1997

Task		Criticality	% Rating	Size	Sample
F3	Prepare individual tax returns	4.10	96.51	443	459
F11	Prepare response to gov't tax notices	3.25	94.99	436	459
A7	Reconcile bank accounts	3.00	94.12	432	459
F1	Clarify employee/ind contractor status	2.59	93.68	430	459
A5	Perform payroll related functions	3.04	93.03	427	459
A6	Provide required reports at appropriate	3.19	92.81	426	459
A4	Organize data received from client	2.58	92.16	423	459
A9	Set-up accounting systems	2.76	91.29	419	459
F5	Prepare C corporation tax returns	[illegible]	91.29	419	459
F6	Prepare partnership tax returns	[illegible]	91.29	419	459
A3	Determine appropriate acct'g methods	2.50	90.85	417	459
F4	Prepare S corporation tax returns	3.40	90.85	417	459
D10	Provide bus start-up consultation	2.80	90.20	414	459
B8	Read & evaluate financial statements	2.92	89.32	410	459
A8	Reconcile cash deposits with sales	2.57	89.11	409	459
B1	Complete work papers, procs & check lis	2.92	89.11	409	459
B3	Determine level of fin services required	2.70	88.89	408	459
C2	Evaluate activities in terms of ethical	3.00	88.24	405	459
A2	Code cash/receipts disbursements	2.55	86.49	397	459
B5	Prepare trial balance from gen ledger	2.70	86.27	396	459
F2	Perform tax impact analysis	2.68	86.06	395	459
F13	Provide advice on tax aspect of retire	2.58	85.84	394	459
E3	Assist clients in entity formation	2.62	85.62	393	459
E4	Instruct client in entity compliance	2.56	83.66	384	459

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ACAT Criticality Ratings *Sorted by % Rating*

July 14, 1997

Task		Criticality	% Rating	Size	Sample
D25	Represent clients before compliance agen	2.65	83.44	383	459
C4	Refer client to acctg professionals	2.29	83.22	382	459
C3	Provide referrals to nonacctg prof	2.25	82.79	380	459
E5	Provide tax/acctg advice about legal agr	2.42	81.05	372	459
F14	Provide advice on tax aspect of divorce	2.27	81.05	372	459
B11	Conduct compilations	2.82	80.17	368	459
F7	Prepare fiduciary tax returns	2.39	79.30	364	459
F15	Provide/maintain tax records	2.16	75.16	345	459
D11	Provide cash flow planning svcs	1.99	74.95	344	459
E1	Advise clients re: employment law	2.09	74.95	344	459
F12	Provide advice on estate/gift planning	2.10	73.64	338	459
D8	Prepare loan info & documentation pkgs	1.96	73.20	336	459
E2	Advise clients re: powers of attorney	1.35	72.77	334	459
D6	Prepare budgets, forecasts & projections	1.79	72.33	332	459
B2	Define services in engagement letter	2.05	72.11	331	459
B7	Prepare financial statements using OCBC	2.35	71.46	328	459
D4	Evaluate the internal controls system	1.85	68.41	314	459
F8	Prepare estate/gift tax returns	1.57	68.19	313	459
C1	Determine the industry/skill match	1.99	65.58	301	59
D3	Evaluate investments/bus opportunity	1.75	65.14	299	459
F9	Prepare nonprofit tax returns	1.74	64.71	297	459
A1	Classify employees for compliance issues	1.26	63.18	290	459
D13	Provide client financial counseling svcs	1.74	62.96	289	459
B6	Prepare GAAP financial statements	1.99	62.75	288	459

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ACAT Criticality Ratings *Sorted by % Rating*

July 14, 1997

Task		Criticality	% Rating	Size	Sample
D16	Provide assistance on employee benefits	1.52	51.85	238	459
B4	Obtain representation letter from client	1.53	59.26	272	459
F16	Provide fixed-asset mgmt services	1.35	57.95	266	459
D7	Prepare business plans	1.35	56.43	259	459
D24	Provide pro-bono tax/acctg advice	1.22	53.38	245	459
D27	Review client insurance coverage	1.19	53.16	244	459
D5	Evaluate/install hardware/software	1.33	52.29	240	459
D14	Provide debt counseling services	1.07	47.71	219	459
D21	Provide nonprofit oriented acctg	1.01	45.10	207	459
B10	Conduct reviews	1.15	42.27	194	459
D17	Provide industry specific services	[illegible]	42.27	194	459
D1	Act as consultant in buying/selling bus	1.06	42.05	193	459
D22	Provide research services	.95	41.18	189	459
F10	Prepare qualified plan tax returns	.96	38.56	177	459
D28	Value or extend client inventories	.80	36.82	169	459
D15	Provide planning advice for elder care	.73	32.68	150	459
D12	Provide clients education workshops	.72	31.37	144	459
D9	Provide bankruptcy consultation svcs	.62	29.85	137	459
D29	Assist client in taking inventories	.56	26.80	123	459
D2	Assist in prepare of employee handbooks	.54	25.93	119	459
D23	Provide risk analysis services	.45	21.13	97	459
D26	Represent clients before regulatory agen	.53	20.92	96	459
D19	Provide litigation support	.48	20.48	94	459
D18	Sell financial products	.55	18.30	84	459

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ACAT Criticality Ratings *Sorted by % Rating*

July 14, 1997

Task		Criticality	% Rating	Size	Sample
B9	Conduct audits	.52	18.05	63	459
D20	Provide medical billing/consultation svc	.15	7.63	35	459

COMPREHENSIVE EXAMINATION FOR ACCREDITATION IN ACCOUNTANCY

Examination Plan, Conditions, and Fees

Accreditation Council for Accountancy and Taxation
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August 1999 **Introduction**

Based on the results of the 1997 practice analysis study, the Subject Matter Technical Advisory
Panel has updated and revised the examination plan to more accurately reflect the knowledge and
Abilities needed by practicing accountants. By testing to a broader range of accountancy related topics, ACAT is providing a competency measurement for examinees to satisfy regulatory bodies and provide an increased of confidence to the public.

The Examination

Named the "Uniform Accredited Business Accountant® Examination, " or, the "Comprehensive Examination for Accreditation in Accountancy," it it a one-day, eight-hour exam with the following topic titles and assignment of weight:

• Financial Accounting and Financial Statement Preparation, Presentation and Reporting	50.0%	100 items
• Business Consulting Services	13.5%	27 items
• Taxation	25.0%	50 items
• Business Law	7.5%	15 items
• Ethics and Professional Conduct	4.0%	8 items

Structure of the Examination

Practice I - covering Financial Accounting and Financial Statement Preparation, Presentation and Reporting; consisting of 100 multiple choice questions (2.25 minutes allotted per question); time limit of hour hours (8:00 am to 12:00 pm)

Lunch - 12:00 pm to 1:00 pm

Practice II - covering Business Consulting Services, Taxation, Business Law, and Ethics; consisting of 100 multiple choice questions (2.25 minutes allotted per question); time limit of four hours (1:00 pm to 5:00 pm).

PRACTICE I 8:00 am - 12:00 pm

Financial Accounting and Financial Statement Preparation, Presentation and Reporting

100 questions from these topics:

Topic 1 - Accounting Principles & Pronouncements
Topic 2 - Record Setup
Topic 3 - Accounting Cycle
Topic 4 - Cash vs. Accrual
Topic 5 - Revenue Recognition
Topic 6 - Adjusting, Reversing, Closing Entries & Error Correction
Topic 7 - Worksheet Preparation
Topic 8 - Financial Statement Preparation & Presentation
Balance Sheet
Income Statement
Statement of Cash Flows & Analysis
Statement of Changes in Equity
Supplemental Information
Disclosures
Topic 9 - Accounting for Cash and Equivalents
Topic 10 - Accounts & Notes Receivable
Topic 11 - Investments
Topic 12 - Inventories
Topic 13 - Property & Equipment - Depreciation & Depletion
Topic 14 - Intangible assets & Amortization
Topic 15 - Current Liabilities & Long-term Liabilities
Topic 16 - Stockholder's Equity
Topic 17 - Payroll
Topic 18 - Accounting for Leases
Topic 19 - Accounting for Pension
Topic 20 - Engagement Letters
Topic 21 - Other Comprehensive Basis of Accounting
Topic 22 - Work Papers
Topic 23 - Reports & Transmittal Letters
Topic 24 - Statement & Ration Analysis
Topic 25 - Working Capital Changes

PRACTICE II 1:00 pm - 5:00 pm

Business Consulting Services

27 questions from these topics:

Topic 1 - Cost-Volumes-Profit Analysis
Topic 2 - Departmental Analysis
Topic 3 - Time Value of Money
Topic 4 - Capital Budgeting
Topic 5 - Capital Investment Analysis
Topic 6 - Budgets
Topic 7 - Managerial Decisions
Topic 8 - Provide Cash Flow Planning Services/Cash Budgeting
Topic 9 - Evaluating Internal Control Systems
Topic 10 - Evaluating Investments/Business Opportunities
Topic 11 - Identify Employee Benefit Plans

Taxation

50 questions from these topics:

Topic 1 - Filing Considerations/General (including: Filing requirements; Filing Status
Claiming of dependents, phase-out exemptions)

Topic 2 - Accounting Methods (including: Adopting or changing tax year; Adopting or
Changing accounting methods; Installment sales; Cash vs. accrual)

Topic 3 - Inclusions in Income (including; Compensation income and arrangements;
Fringe benefits; Debt relief; Other income, social security, unemployment
Compensation; Retirement distributions)

Topic 4 - Adjustments to Income (including; Alimony; Self-employment health
insurance; Keogh/SEP contributions; IRA contributions; Self-

employment tax
deduction; Moving expense; Early withdrawal penalty)

Topic 5 - Itemized Deductions (including: Medical expense; Tax expense; Interest
expense; Charitable contributions; Miscellaneous; Unreimbursed employee business expense; Casualty of theft losses; Reduction in total itemized deductions)

Topic 6 - (a) Sole proprietorship; (b) Self-Employment; and (c) Rental Activity (including: Trade or business activities; Inventory; Depreciation and amortization; Business use of home; Farming activities; Rental activities; Basis of assets)

Topic 7 - Taxation of Investments and Planning (including: Sale of capital assets;
Income from investments; Vacation home; Like-Kind exchange; Section 1231 property; Passive activities, at risk rules)

Topic 8 - Income Tax Credits (including: Personal credits (EITC, foreign, dependent
care, etc.); Business credits (low income housing, R & D, et al.); Estimated taxes and withholding)

Topic 9 - Special Tax Computations (including: Alternative minimum tax; Tax on lump
sum distributions; "Kiddie tax"; Self-employment tax; Capital gains; Retirement distribution penalties; Passive computations)

Topic 10 - Taxation of Partnerships (including: Allocation of incomes or loss; Formation
of partnership rules; partnership distributions and guaranteed peyments; Liquidation of partnerships?

Topic 11 - Corporate Taxation (including: Computation of taxable income; Special
corporate taxes; Corporate distributions; Corporate reorganizations and liquidations)

Topic 12 - S Corporations (including: S corporation elections; S corporation income and
pass-through; S corporation distributions)

Topic 13 - Fiduciary Income Tax Returns (including: Basic characteristics of fiduciary
income taxation (conduit principle); Issue of simple vs. complex trust

or estate; Grantor trusts)

Topic 14 - Federal Estate Tax Returns (including: Inclusions in gross estate; Computations of taxable estate and federal estate tax: Basis of assets acquired from decedents)

Topic 15 - Practice Procedures and Ethics (including: Taxpayer and preparer penalties;

Circular 130 requirements: Amended returns and refunds: Audit and appeals process; Collection activities)

Topic 16 - Limited Liability Entities

Topic 17 - Independent Contractor Issues

Topic 18 - Non-Profit Issues

Business Law

15 questions from these topics:

Topic 1 - Property Law
Topic 2 - Contracts
Topic 3 - Uniform Commercials Code
Topic 4 - Agency
Topic 5 - Partnerships
Topic 6 - Corporations
Topic 7 - Trusts
Topic 8 - Limited Liability Entities

Ethics

8 questions, of general nature.

- **Conditions**: For those who have "conditioned" (passed) either Practice I or Practice II of the comprehensive exam, the "condition" must be written off within the next four exams or candidates will be required to take the entire exam. Please contact the Accreditation Council's office with questions regarding "conditions."

Exam Registration Fees: The fee to sit the the examination is $75.

- The ACAT Board of Directors recommends that a candidate have a minimum educational background of two years of college-level accounting or four years of work experience in Accounting.

- A review course, designed to cover topics of the comprehensive exam is available through ACAT's affiliated membership society, the National Society of Accountants by calling 800-966-6679.

H&R BLOCK tax services

February 5, 2001

Industry, Business, and Labor Committee
Bismarck ND 58505

Dear Committee Members,

I am in support of Senate Bill 2398 because another tier of accountants would be beneficial to the public. The competency testing, continuing education, peer review and the limited scope of practice provide consumer protection.

We are also in need of this tier of accountants for economic development. New and existing businesses are in need of qualified individuals to develop their future plans.

The enrollment in accounting program has dropped and in Wahpeton ND the NDSCG no longer has an accounting decree. Having an accounting program based on this tier of accountants could be beneficial to our ND schools and help keep our young people stay in North Dakota.

Sincerely,

Velma Bjorgum

Velma Bjorgum, EA
Owner
Vbjorgum@hrblock.com

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www.hrblock.com

AAKER'S BUSINESS COLLEGE

4012 19th Ave S.W.
Fargo, ND 58103
www.aakers-college.com

Phone: 701-277-3889
Fax: 701-277-5604
Toll Free: 1-800-817-0009

February 5, 2001

Reference: Proposed Amendments to N.D.C.C. Chapter 43-02.2 - Accountants

To Whom It May Concern:

In regard to the above-mentioned proposed amendment, Aaker's Business College would like to give its full support. We are a business college that offers an Associate Degree in Accounting. The Accredited Public Accountant (APA) would help to add some validity to anyone with an Associate Degree in Accounting. The curriculum that we offer encourages students to focus on an intense study of accounting which encompasses financial, payroll, tax, government and not-for-profit and cost accounting. Also included in this curriculum are general education and business education classes which shapes students into well-rounded business professionals.

In today's rapid changing, fast-paced business environment, we feel that students with Associate degrees can be competitive in business and industry. By the time students graduate with a two-year degree in Accounting, they are prepared to enter the workforce as professionals. Because there is a shortage in the workforce, there has been an increase in demand for professional bookkeepers. Many businesses cannot afford an individual with a four-year degree and would elect to hire someone with a professional certificate. North Dakota needs to have competent individuals involved in business if our State intends on pursuing economic development. What better way than to offer professional certification?

There has been much media attention focused on keeping our young people in North Dakota. Many of our students have shown interest in moving to a different state just so they can take the Certified Public Accountant exam. But on the other hand, many of them have also shown interest in staying in North Dakota if they could take some type of a professional exam and be recognized by the state as professionals. These students are eager to learn and are more than willing to comply with the continuing professional education requirements.

We are not negating the fact that four-year degree accountants and Certified Public Accountants do not have a place in our state. There is a large void that needs to be filled by properly trained individuals that CPAs cannot fill. We do not have the population in

North Dakota to support CPAs as the only accounting professionals. Therefore, we need to amend our law to add an additional tier to support an Accredited Public Accountant.

Thank you for taking the time for allowing me to voice my concerns about this issue.

Sincerely,

Kathy Sauer CPA

Elizabeth Largent

Kathy Sauer, CPA
Elizabeth Largent, Director

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