CPA Evolution: Proposed CPA Licensure Model (May 2020)

Background

The CPA Evolution initiative aims to transform the CPA licensure model to recognize the rapidly changing skills and competencies the practice of accounting requires today and will require in the future. It is a joint effort of the National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA).

In 2018, NASBA and the AICPA sought feedback on an initial licensure concept from stakeholders throughout the profession and formed a working group of stakeholder representatives to provide further perspective. In Fall 2019, we proposed a new licensure model based on feedback from over 2,000 stakeholders.

Through the beginning of 2020, we’ve heard from over 1,000 more of you and have built out the proposed licensure model even more.

What We Heard From You

Support for the need to change the CPA licensure model
This was the number one comment we heard from you. Most of you also supported a need for greater emphasis on technology skills and knowledge as a prerequisite for licensure. We also heard that evolving licensure would bring needed skills to the profession, position the CPA profession for the future and protect the public interest.

Newly licensed CPAs should all demonstrate strong common core competencies
You told us licensure should be built around a strong core of accounting, auditing, tax and technology.

Questions about the specifics of implementing a new licensure model
You asked questions such as how core CPA knowledge would be defined, how education requirements might be modified and how licensure changes could be effected in the current legislative environment.

This should be about more than technology
The original driver behind CPA Evolution was the impact of technology on the profession. From your feedback, we heard an underlying theme that, while greater technological expertise should be required for licensure, there are other factors disrupting the profession that should also be considered.

The Changing Profession

Stakeholder feedback, results of the Uniform CPA Examination Practice Analysis and other research show that the body of knowledge required of newly licensed CPAs is growing rapidly.

Additionally, procedures historically performed by newly licensed CPAs are being automated, offshored or performed by paraprofessionals. Now, entry-level CPAs are performing more procedures that require deeper critical thinking, problem-solving and professional judgment. Responsibilities that were traditionally assigned to more experienced staff are being pushed down to the staff level. As a result, newly licensed CPAs need to know more than ever before to meet the needs of practice. To protect the public, the CPA licensure model must reflect these changes.

Stakeholders we talked to:
- AICPA Council
- State CPA societies
- Boards of Accountancy
- Firms of all sizes
- Academia
- Volunteer committees
- Federal regulators
- Students
- Technology experts
- CPAs in business and industry
However, the examination and education requirements can only cover so much information in our current licensure model. As the knowledge required of newly licensed CPAs continues to increase over time, we could:

- Stretch the examination and education requirements to cover a greater range of material with less depth, which would water down the requirements for licensure;
- Expand the number of examination and curriculum hours as the body of knowledge continues to grow, which would increase barriers to entry for the profession and ultimately prove unsustainable;
- Or find an alternative solution.

Proposed Model
In Fall 2019, NASBA and the AICPA carefully reviewed all of the feedback we received, studied other professions’ licensure models and considered multiple options for updates to the licensure model before developing the below approach. We believe this approach is responsive to stakeholder input while still propelling the profession into the future. This is a draft licensure model and is not considered final. Similar to the approach of the Professional Engineer (PE) licensure model, we recommend a core + disciplines licensure model. The model starts with a deep and strong core in accounting, auditing, tax and technology that all candidates would be required to complete. Then, each candidate would choose a discipline in which to demonstrate deeper skills and knowledge. Regardless of chosen discipline, this model leads to full CPA licensure, with rights and privileges consistent with any other CPA. A discipline selected for testing would not mean the CPA is limited to that practice area.

This proposed model:
- Enhances public protection by producing candidates who have the deep knowledge necessary to perform high-quality work, meeting the needs of organizations, firms and the public
- Is responsive to feedback, as it builds accounting, auditing, tax and technology knowledge requirements into a robust common core
- Reflects the realities of practice, requiring deeper proven knowledge in one of three disciplines that are pillars of the profession
- Is adaptive and flexible, helping to future-proof the CPA as the profession continues to evolve
- Results in one CPA license

What’s Next
The AICPA Governing Council recently voted to support the CPA Evolution initiative. The NASBA Board of Directors will consider a vote in support of the initiative at their July 2020 meeting. If the initiative receives this vote of support from NASBA’s Board of Directors, we will establish implementation plans for what is expected to be a multi-year effort. Our goal would be to launch a new Exam in January 2024.

As part of the CPA Evolution initiative, the leadership of NASBA, in collaboration with the AICPA, determined that the Uniform Accountancy Act Model Rules around educational requirements for licensure needed to incorporate additional subjects and skills reflective of the evolving profession, and create more consistency. Those changes, which were endorsed by AICPA’s Board of Directors, are currently exposed for public comment through August 31, 2020. You can find the exposure draft here.

NASBA and the AICPA will continue to work collaboratively with stakeholders from across the profession to develop a solution that best meets the needs of the profession, the regulatory community, the accounting education community, organizations, and the public.

If you'd like to share your thoughts on the proposed licensure model, you can email Feedback@EvolutionOfCPA.org.

For more information, visit EvolutionofCPA.org.