

NEWS & VIEWS

NEW BOOK FROM CRUMBLEY AND SMITH—THIS ONE ON PERSONAL FINANCIAL PLANNING

Those prolific CPA/writers from Texas A&M University, D. Larry Crumbley and L. Murphy Smith, are at it again. Just released is *Keys to Personal Financial Planning*, a book designed to help individuals systematically plan for financial success. The book includes chapters on topics such as determining net worth, setting financial goals, budgeting, record keeping, managing debt, insurance, investing, real estate, estate planning, wills, and tax planning. It also includes information on financial advisors and computer software for financial planning.

Crumbley and Smith received widespread recognition in the financial press for an earlier book, *Trap Doors and Trojan Horses*, a novel designed to teach auditing concepts (see *The CPA Journal*, August 1991, p. 8). The latest work is available for \$4.95 in bookstores or by writing to Barron's Educational Series Inc., 250 Wireless Blvd., Hauppauge, NY 11788.

ACCOUNTING & AUDITING ALERT

SSARS ED ISSUED MARCH 18

The AICPA Accounting and Review Services Committee has issued a proposed omnibus statement on accounting and review services, which, if adopted, will impact every compilation and review engagement. Some of the proposals might be considered in the nature of house-keeping, e.g., eliminating the confusion in the wording of review reports of nonpublic and public companies, and some are very significant, such as requiring a letter of representation from clients on all review engagements. A complete discussion of the ED, plus much practi-

cal information, will be presented in the June issue of *The CPA Journal*, in the article "Compilation and Review: The Standards, They Are a Changin'."

FASB ISSUES TWO EDS

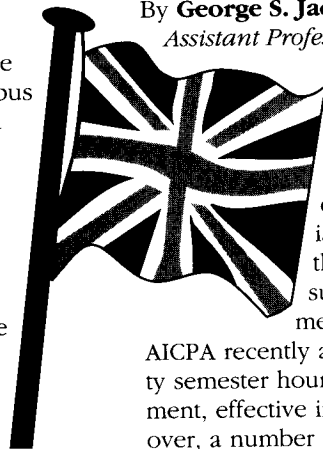
Two new exposure drafts from FASB are on somewhat narrow issues. The first would require defined benefit pension plans to account at fair value for guaranteed investment contracts (GICs) issued by insurance companies and similar contracts issued by others such as banks and thrift institutions. Presently SFAS 35, which prescribes accounting for defined benefit plans, provides for an exception to fair value accounting for GICs. The proposed statement does not deal with the accounting for GICs held by defined contribution plans.

The second ED specifies the accounting for reinsurance of long- and short-duration contracts. It proposes eliminating the current practice of reporting amounts for reinsurance contracts net of the effects of reinsurance.

LIABILITY, LEGISLATIVE & REGULATORY REPORT

REQUIREMENTS FOR BRITISH CHARTERED ACCOUNTANTS

By **George S. Jackson, LL.M., CPA**,
Assistant Professor, East Carolina University



Ascertaining how best to prepare men and women for careers in accounting is a primary concern of the profession. In pursuit of this objective, the membership of the

AICPA recently adopted a 150 university semester hours education requirement, effective in the year 2000. Moreover, a number of changes in the Uniform CPA Examination are to be implemented over the next three years. (See *The CPA Journal*, April 1992, "Two Views About the Availability of

the CPA Exam—Disclosed and Nondisclosed.") Objective questions will include formats other than multiple-choice, candidates will be allowed to use calculators during the exam, and writing skills will be factored into the scoring mechanism. Under consideration are proposals to postpone the earliest point at which a candidate may apply to take exam.

As part of the search for an optimal mix of training and education prerequisites, we should consider how accounting professionals in other countries address the issue. There is perhaps no better place to first look than Great Britain. The surnames of its accountants associated with many of the world's leading firms—Whinney, Price, Cooper, Waterhouse, and Deloitte, to name a few—evidence the major role played by English accountants in shaping the profession.

British Accounting Education

Relative to the U.S., the British accounting profession puts less emphasis on formal education, but gives greater attention to on-the-job training with established firms. Approximately one-third of those seeking entry to public accounting possess a college degree. It should not be assumed, however, that the result is an accountant less respected or qualified than his or her U.S. counterpart. Of the top 500 companies in the U.K., one out of every four has a Chartered Accountant as either its chairman or managing director.

"Qualifying" is the term used by the British to describe the rigorous steps a candidate goes through to gain membership in The Institute of Chartered Accountants (ICA). Since there are no governmental licensing boards in England, sole responsibility for deciding who may utilize the designation "Chartered Accountant" rests with the Institute.

The Training Contract

The initial step in qualifying is obtaining a "training contract" with a firm approved by the ICA. An individual enters a period of work and study lasting three to four years. The candidate receives a salary, and the employ-

er pays all or most costs of preparing for and taking required examinations.

In addition to training in an authorized office, each individual must successfully complete a series of examinations administered by the ICA. The exam series follows specified "educational pathways," which require a candidate first to demonstrate basic knowledge in accounting related topics. Then, more sophisticated analytical issues are introduced. The exams, each lasting several days, are spaced over the candidate training period.

An exam consists of various "papers," which may require the examinee to solve problems, make accounting entries, write essays, or select from multiple-choice alternatives. In 1991, the ICA changed its closed-book testing policy. Now, copies of professional standards published by the Institute are permitted in exams, as are calculators. The intent is to lessen the emphasis on memorization, and make tests more like "real world" tasks.

A person who enters training without a recognized university degree in accounting is required to complete satisfactorily the Foundation Examination which tests "knowledge-based" skills in accounting fundamentals, business law, business management, and finance.

After successfully completing the foundation papers (or obtaining waiver via a degree), an individual who has completed at least 12 months training may apply for the Intermediate Examination. At this level, by way of five papers covering auditing, taxation, financial reporting, financial planning, and business finance, examinees are required to "apply" the earlier tested knowledge-based skills.

Candidates who pass four of the five papers are given one opportunity to retake the failed part. If they are unsuccessful on re-examination, all five parts must be taken again. All persons required to repeat the intermediate examination are advised of their marks on the first attempt. Papers are classified as Pass, Marginal Pass, Marginal Fail, Fail, or Bad Fail.

An individual who passes the Intermediate Examination then returns to training for 12 months. Thereafter, a candidate may apply for the Final Exam-

ination. It consists of three independent papers in auditing and reporting, business planning, taxation, and a separate multi-disciplinary case study.

Following the three papers, candidates are tested via a four-hour, single scenario case which cuts across the various accounting disciplines. Persons who fail only one part of the final exam are allowed two opportunities for re-examination on that topic before they are required to retake the entire exam.

The U.S. and U.K. certification processes also differ in the exam preparation information provided each individual. To assist a candidate with preparation, the ICA publishes detailed "syllabuses" that outline major topics to be tested on each paper, the topics' relative weight, and additional details. Appended to the information is a listing of "exclusions," topics which are not included in the examinations.

Which System is Better?

Does the repetitive work/study/examination routine utilized by the ICA produce a more competent accountant than the U.S. system? Perhaps there is no closure on the question.

MASON REOPENS ISSUE OF NATIONAL CPA CERTIFICATE

In a commentary appearing in *Accounting Today*, March 16, 1992, Eli Mason, senior partner of Mason & Co. and past president of the NYSSCPA, revives the call for a national CPA certificate. Mason points out the idea is not new. His article "A Proposal for Restructuring Our Profession," appeared in the July 1975 issue of *The CPA Journal*, and described the benefits of the national designation. At that time, with Mason's support, AICPA Council action on a proposal for a national certificate was deferred, in the words of Mason, "Because of fear the proposal could get out of hand in Congress."

But Mason believes the time is now to reconsider the issue. The need for the national designation arises because of the lack in uniformity of regulation among the 54 jurisdictions governing CPAs. The national CPA certificate could be issued by a federal corporation created by a resolution by either the

U.S. Senate or House of Representatives.

The benefits, says Mason, would be that examination requirements, educational requirements and experience requirements, would all be on a uniform basis—and a CPA could practice anywhere in the 54 jurisdictions without limitation or fear of violating state, civil, or criminal laws. Mason's choice to be in charge of the new structure would be the Comptroller General of the United States.

APLS+ NOW OBTAINED THROUGH THE SINGER INSURANCE GROUP

Exhibit 1 to Dan Goldwasser's article, "Importance of Having Insurance," March 1992, *The CPA Journal*, incorrectly indicated Accountants Professional Liability System (APLS+) address. The correct address is 2959 Monterey-Salinas Hwy, Monterey CA 93940. Coverage is also available through The Singer Insurance Group, Inc., 1415 Queen Anne Road, P.O. Box 16, Teaneck, NJ 07666-0016.

TAX TALK

MORTGAGE POINTS—IRS SPELLS OUT THE RULES

By **Ed Morris, CPA**, *Rosenberg, Neuwirth & Kuchner*

In general, points paid in connection with debt incurred in connection with the purchase or improvement of a principal residence are deductible in the year paid. As with any generalization, the exceptions to and the execution of the rule can be complex and confusing. (See "Winning the Deductibility Game on Points," *The CPA Journal*, February 1992, p. 24.) In Rev. Proc. 92-12, the IRS has summarized the requirements for deductibility from its perspective, to minimize possible disputes with taxpayers.

Beginning in 1991, the IRS will, as a matter of administrative practice, allow the deduction in the year paid if:

- The amounts are clearly designated as points on the settlement statement.