

Another step toward globalizing the accounting profession

The International Uniform



In Brief

Options for the Global Accountant

As business and finance become increasingly global in scope, it is natural that accountants will increasingly be global travelers. Yet, accounting licensure remains the province of countless state and national governments. For those with international ambition, however, there is continuing development on international reciprocity, and some arrangements are already in place.

The International Uniform CPA Qualification Examination (IQEX) is a start, allowing Canadian and Australian CAs to practice in the United States. U.S. CPAs desiring to gain the Canadian CA designation can seek reciprocity through the Chartered Accountants Reciprocity Examination (CARE). International reciprocity movements are also under way for the United Kingdom, Ireland, and Mexico.

CPA Qualification Examination

By Quinton Booker, James D. Blum, and William Treacy

A Canadian chartered accountant (CA) and member of a Canadian provincial institute of chartered accountants, A.B. Warner is relocating to the United States. Having many years of auditing experience in Canada, Warner has applied for and accepted employment in the New York office of an international accounting firm. He has inquired about the process necessary for a Canadian CA to become a CPA in the United States and has discovered that he need not complete the Uniform CPA Examination. He can apply for and get reciprocity from most state boards of accountancy (providing he also meets the specific educational requirements of the state) by completing the International Uniform CPA Qualification Examination (IQEX).

The first international reciprocity examination, the Canadian Chartered Accountant Uniform CPA Qualification Examination (CAQEX), was administered in 1993 exclusively for Canadian chartered accountants. Today, both Canadian chartered accountants and most Australian chartered accountants that wish to become CPAs in the United States may take IQEX instead of the Uniform CPA Examination.

Why International Reciprocity?

In the United States, CPA certificates are issued by 54 independent jurisdictions (50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands). Since all CPA certificates rest substantially on the same foundation (i.e., the Uniform CPA Examination), the 54 jurisdictions have processes to promote reciprocal licensing among jurisdictions. This enhances the prestige of the CPA designation and simplifies interstate practice.

In today's global business environment, international reciprocity for professional accountants has become an increasing concern. International reciprocity simplifies cross-border practice and enhances the prestige of professional accountancy. Furthermore, today's accounting environment has been influenced greatly by international agreements such as the North American Free Trade Agreement (NAFTA) and the General Agreement on Trade in Services (GATS). While these agreements do not require signatory countries to enter into professional licensure reciprocity agreements, they do impose an obligation to work toward international reciprocity.

How Does International Reciprocity Work? International accountancy reciprocity begins with a principles of reciprocity agreement between a professional accounting body in another country and the U.S. International Qualifications Appraisal Board (IQAB). Since the rights to issue CPA licenses or certificates are established at the state level, all IQAB reciprocal licensing agreements are advisory to the state licensing authority.

The AICPA and the National Association of State Boards of Accountancy (NASBA) jointly established IQAB to negotiate international reciprocity agreements. Composed of six mem-

bers from the AICPA and six from NASBA, IQAB screens all requests to enter reciprocity agreements based on established criteria. A professional accounting body that passes the initial screening must complete an IQAB questionnaire and provide selected documentation on requirements to become a professional accountant in that country. IQAB must provide similar documentation on requirements to become a CPA in the United States.

IQAB only enters reciprocal licensing agreements with accountants from other countries whose requirements are deemed to be substantially equivalent to the requirements for CPAs. To date, IQAB has entered reciprocal licensing agreements with Canadian chartered accountants (1991) and selected Australian chartered accountants (1997). Accountants from these two countries qualify to earn the CPA designation via IQEX.

The Nature of IQEX

IQEX is a "nondisclosed" examination, which means that the questions and answers are not released after the examination has been given. IQEX is four-and-one-half hours long and has an all-objective-question format. The purpose of the exam is to test candidates' knowledge of U.S. GAAP, GAAS, taxation, and business law. It consists of the following topics:

- Professional and legal responsibilities (10%)
- Business law (20-25%)
- Auditing (10-15%)
- Taxation (25-30%)
- Accounting for governmental and not-for-profit organizations (15%)
- Financial accounting and reporting (10-15%).

Since the objective of IQEX is to assess candidates' knowledge of areas in which there are differences between U.S. and foreign accountancy practice, most of the topics are in areas in which there are major differences. For example, professional and legal responsibilities, business law,

and taxation comprise up to 65% of IQEX because of the many differences between U.S. practice and Canadian and Australian practices in these areas. Managerial (cost) accounting is not tested on IQEX, as knowledge in this area is considered to be the same among the countries.

Since the standards for Canadian chartered accountants and selected Australian chartered accountants are similar, the same version of IQEX is administered to both groups. Should the candidate pool for IQEX become more heterogeneous (i.e., additional professional designations approved for reciprocity), more specific versions of the exam may have to be prepared.

IQEX is computer-administered and offered only in English at various testing centers in the United States, Canada, and Australia. Candidates report to a specific testing center over a three-week period in November to complete the exam. To take IQEX, candidates must file an application with NASBA or a specific state board of accountancy by September 1 and pay a fee ranging from \$700 to \$825.

IQEX is a computer-linear test, meaning that each candidate answers a predetermined set of questions and the computer determines whether the candidate has passed or failed. To help protect the integrity of the exam, candidates do not answer all the same questions. Candidates must also sign a confidentiality statement indicating that they will not disclose the contents of the exam to others.

A numerical grade of 75 (grades range from zero to 100) is the minimum passing score on IQEX. Because IQEX questions are derived primarily from pretested Uniform CPA Examination questions, the passing standard for IQEX is equivalent to the CPA exam.

Unlike the Uniform CPA Examination, IQEX candidates receive only one grade for the exam, and there are no conditioning sections. *Table 1* presents summary information on the number of candidates who have sat for and passed an international uniform CPA qualification examination (IQEX and CAQEX) since inception. Overall, 71% of all candidates have passed, with the rate for particular exam administrations ranging between 61 and 76%.

Individuals passing IQEX must apply to a specific board of accountancy for a CPA certificate. Currently, 36 of 54 boards will issue a CPA certificate or license to Canadian chartered accountants that pass IQEX, and 24 boards will issue a CPA certificate or license to Aus-

TABLE 1
CAQEX/IQEX STATISTICS

Administration	Number of Candidates	Number Passed	Percent Passed
November 1998 IQEX	322	242	75%
November 1997 IQEX	258	179	69
November 1996 CAQEX	251	166	66
November 1995 CAQEX	208	158	76
November 1994 CAQEX	128	91	71
May 1994 CAQEX	22	16	73
November 1993 CAQEX	61	37	61
Total	1250	889	71%

Source: AICPA, 1997 Annual Report of the Board of Examiners Uniform CPA Examination, p. 31.

TABLE 2
JURISDICTIONS ACCEPTING IQEX FOR CERTIFICATION OR
LICENSURE OF CANADIAN CHARTERED ACCOUNTANTS

Alabama	Kansas	New Hampshire	South Carolina
Arkansas	Kentucky	New Jersey	South Dakota
Alaska	Louisiana	New Mexico	Tennessee
Colorado	Maine	New York*	Texas
Delaware	Maryland	North Carolina	Vermont
District of Columbia	Michigan	North Dakota	Washington
Florida	Minnesota	Ohio	West Virginia
Illinois	Missouri	Oregon	Wisconsin
Iowa	Nebraska	Rhode Island	Wyoming

*Passing grade on IQEX satisfies examination requirement. Applicants for licensure still have to meet education and experience requirements.

Source: NASBA (CPA Examination Services), September 1998.



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tralian chartered accountants that pass IQEX. *Tables 2 and 3*, respectively, list the jurisdictions accepting IQEX for certification or licensure of Canadian chartered accountants and Australian chartered accountants.

CARE

The IQEX equivalent for U.S. CPAs to obtain Canadian reciprocity is the Chartered Accountants Reciprocity Examination (CARE). CARE is administered to U.S. CPAs and members of the institutes of chartered accountants of England and Wales, Scotland, Ireland, South Africa, and New Zealand.

In Canada, the CA designation is granted by 12 individual provincial and territorial institutes. To become a mem-

ber of an institute and receive the CA designation, candidates would generally have to—

- earn a university degree and pass selected courses required by the institute, some of which may be part of a degree program;
- work for 30 months in a public accounting firm designated to train students;
- complete the school of accountancy, run by the institute to integrate academic and practical experience and to develop problem-solving and judgment skills; and
- pass the CA profession's 4-day, 16-hour Uniform Final Examination (UFE).

U.S. CPAs and members of the qualifying foreign institutes may bypass the

normal procedures via CARE. Upon passing, a CPA will have satisfied all of the necessary educational and examination requirements to become a chartered accountant in Canada.

CARE consists of two three-hour papers written over two consecutive days. It tests knowledge comprehension and limited application of knowledge in the areas of Canadian GAAP, GAAS, taxation, business law, and rules of professional conduct. The five-part structure of the exam with the time allocated to each subject follows:

CARE/Day One	Time Allocation
Accounting	80-100 minutes
Auditing	80-100 minutes

CARE/Day Two	Time Allocation
Canadian taxation	80-100 minutes
Rules of professional conduct/ethics	49-60 minutes
Canadian business law	32-40 minutes

CARE consists of a mix of multiple-choice and single-subject questions, problems, and short situation cases. The exam does not directly test analysis, synthesis evaluation, or similar higher-order skills. CARE is a closed-book examination offered annually in late October or early November by many of the provincial institutes.

Table 4 contains CARE statistics for all accountants sitting for the exam over the past four years. Passing rates range from 56% to 82% with a mean of 74% over the period. CPAs normally account for about one-third of the total number of CARE candidates. Of the 21 CPA candidates in 1998, 14 passed.

The State of International Reciprocity

As indicated earlier, NAFTA and GATS have served to open the doors to practicing public accountancy across international boundaries. In order to ensure competence and facilitate movement, NAFTA and GATS both stipulate that the licensing of professionals is to be based on fair,

TABLE 3
JURISDICTIONS ACCEPTING IQEX FOR CERTIFICATION OR LICENSURE OF AUSTRALIAN CHARTERED ACCOUNTANTS

Arkansas	Kansas	Missouri	Oregon
Colorado	Kentucky	Nebraska	Rhode Island
Delaware	Louisiana	New Hampshire	Tennessee
Florida	Maine	North Carolina	Texas
Illinois	Maryland	North Dakota	Vermont
Iowa	Michigan	Ohio	Wyoming

Source: NASBA (CPA Examination Services), September 1998.

TABLE 4
CARE STATISTICS

Administration	Number of Candidates	Number Passed	Percent Passed
1998	61	50	82%
1997	54	44	81
1996	42	25	60
1995	16	9	56
Total	173	128	74%

Source: Canadian Institute of Chartered Accountants, January 1999.





There are many non-tariff barriers to international reciprocity—language, widely divergent accounting practices and principles, and politics.

objective, and transparent criteria. Licensing jurisdictions are not required to compromise their national or local qualifications, but they are expected to facilitate recognition agreements and to reduce or remove barriers against the movement of professionals. In order to determine whether a licensing jurisdiction's requirements can be recognized in the United States, IQAB evaluates the use of international standards and the development of disciplines in domestic regulation (including examination measures, certification rules, and educational qualifications, as well as experience and continuing professional education requirements).

More specifically, three principal elements considered by IQAB in determining whether a reciprocity agreement can be reached with a professional accounting body in another country are the education, examination, and experience required to obtain the foreign accountancy designation. The foreign designation should have requirements deemed substantially equivalent to the Uniform Accountancy Act's minimum recommended requirement of 1) a baccalaureate degree with at least 150 semester hours of study; 2) a professional qualifying examination (comparable to the Uniform CPA Examination); and 3) professional experience of at least one year. Examinations such as IQEX and CARE are being developed to bridge the gap where differences are found between accounting practices and standards of the two countries (i.e., tax laws).

The United Kingdom and Ireland. The IQAB has invested a significant amount of time exploring the possibility of reciprocity agreements with England and Wales, Scotland, and Ireland. The appraisal process is complete, and it indicates that their requirements are substantially equivalent to U.S. requirements. However, the United Kingdom's Department of Trade and Industry (DTI), which administers the Companies Act for England, Scotland, and Wales, is

delaying approval of the U.S. CPA designation in those countries. The DTI has the authority to grant audit rights, even though the institutes of chartered accountants of England and Wales and Scotland are authorized to issue licenses to chartered accountants or CPAs.

Ireland, as a republic, is not governed by the Companies Act or regulated by DTI in any way and, as such, is free to enter into a mutual recognition agreement with the United States were it not for its membership and licensure of chartered accountants from Northern Ireland (which is part of the United Kingdom). As a courtesy and convenience, Ireland makes available the CA designation to qualified residents of the six counties of Northern Ireland, which is under the jurisdiction of the DTI and the Companies Act. This reciprocity with Northern Ireland complicates the Republic of Ireland's unilateral efforts to move forward with an agreement with the United States.

The DTI is concerned that the lack of recognition of other U.K. designations by IQAB is inequitable and thus is disinclined to authorize audit rights to U.S. CPAs in return. Diplomatic efforts to resolve these issues are under way; however, there can be no timeline forecast for a resolution.

Mexico. The qualifications of the Mexican *contadores* (public accountants) are also under consideration by IQAB. The Mexico situation poses numerous equivalency issues. Currently, an individual is a licensed public accountant in Mexico upon receiving a bachelor's degree in accounting from an approved Mexican university. There is neither a national licensing examination nor an experience requirement to become a Mexican public accountant. Added to the examination and experience issues are the facts that Mexican accounting standards lack the rigor of U.S. standards and that the language of business in Mexico is Spanish.

The Mexican accounting profession is working on these issues. For example, in 1994, the National Center of

Evaluation for Higher Education (Geneval) was created. One of its goals was to develop, with the professional accounting organizations, the Professional Quality in Accounting General Examination. This examination can be taken by all Mexican public accountants; however, to date it is not a requirement for licensure. Additionally, a few large Mexican university business schools are researching and developing accounting standards in order to make Mexican accounting standards more closely aligned with the rigor of those in the United States. The road will not be easy.

The Future

In addition to equivalency in education, examination, and experience, there are many non-tariff barriers to international reciprocity. These include language, widely divergent accounting practices and principles, and politics. The task of developing reciprocity agreements with accounting bodies worldwide will not be simple. There are processes in place to foster international reciprocity. As we move into the 21st century and countries place additional emphasis on international accounting standards, the future of reciprocity agreements is bright. □

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