

***The Future of the
Accounting Profession
and the Importance of
Diversity of the
Profession***

What's Happening?

- Private Company Financial Reporting
- IFRS
- Sustainability Reporting
- Integrated Reporting
- CGMA Credential
- Diversity Initiatives

What's Next?

Why is Diversity Important?

Financial Reporting

- How will it come together?
 - Private Company Reporting
 - IFRS
 - Sustainability
 - Integrated Reporting
- Impact/Influence GASB?



Private Company Financial Reporting - Background

15,000 issuers vs. 28.5 million private companies but GAAP driven by public company issues

Small businesses employ more than half of all private sector workers

Private companies and their financial statement users have information needs different from public companies

Private Company Financial Reporting – Feedback

- Too many GAAP-specific requirements not useful or relevant for private companies' financial statement users
- Greater FASB emphasis on equity/public company investors
- Most important problem: relevance
- Increased complexity burdensome, time-consuming

Based on 2004 AICPA task force research among constituents with 3,709 responses

Source: AICPA

In sum...

Private companies incurring significant unnecessary cost for financial statement preparation and audit, review or compilation services

Current system not sufficiently understanding needs of private company financial statement users and weighing cost vs. benefit of GAAP for use in private company financial reporting

U.S. Answer: Blue Ribbon Panel on Private Company Financial Reporting

Address how accounting standards can best meet private company financial statement users' needs



Determine future of GAAP standard-setting process for private companies



Sponsored by AICPA, FAF and NASBA



18 panel members: cross-section of financial reporting constituencies, including lenders, investors, owners, preparers and auditors



Blue Ribbon Panel's Conclusions

Resolved: A systemic problem exists that needs solving

Supermajority recommendation #1:

- **Enhance GAAP for private companies by making significant modifications, where warranted**

Supermajority recommendation #2:

- **FAF should create a separate private entities accounting standards board**

Private Company Financial Reporting – FAF Response

“Private Company Standards Improvement Council” (PCSIC) to improve the standard-setting process for private companies (under FASB)

No need for a separate Board for private companies

Public comment through January 14, 2012

(Over 6,200 responses in support of Blue Ribbon Panel’s recommendations)

AICPA Response

Either FAF moves to adopt Panel’s Recommendations or other options will be considered

Private Company Financial Reporting

Impact/Influence on GASB?

“New Reporting Model” fully implemented for period beginning after June 15, 2003

Will small governmental units now want to have a separate set of standards?

IFRS

International Financial Reporting Standards (IFRS)

- Principals Based Standards, Interpretations and Framework adopted by the IASB
- *Commission Statement in Support of Convergence and Global Accounting Standards* issued by the SEC in February 2010

IFRS Readiness Survey – Spring 2011 Highlights

78% of CPAs already have some knowledge of IFRS

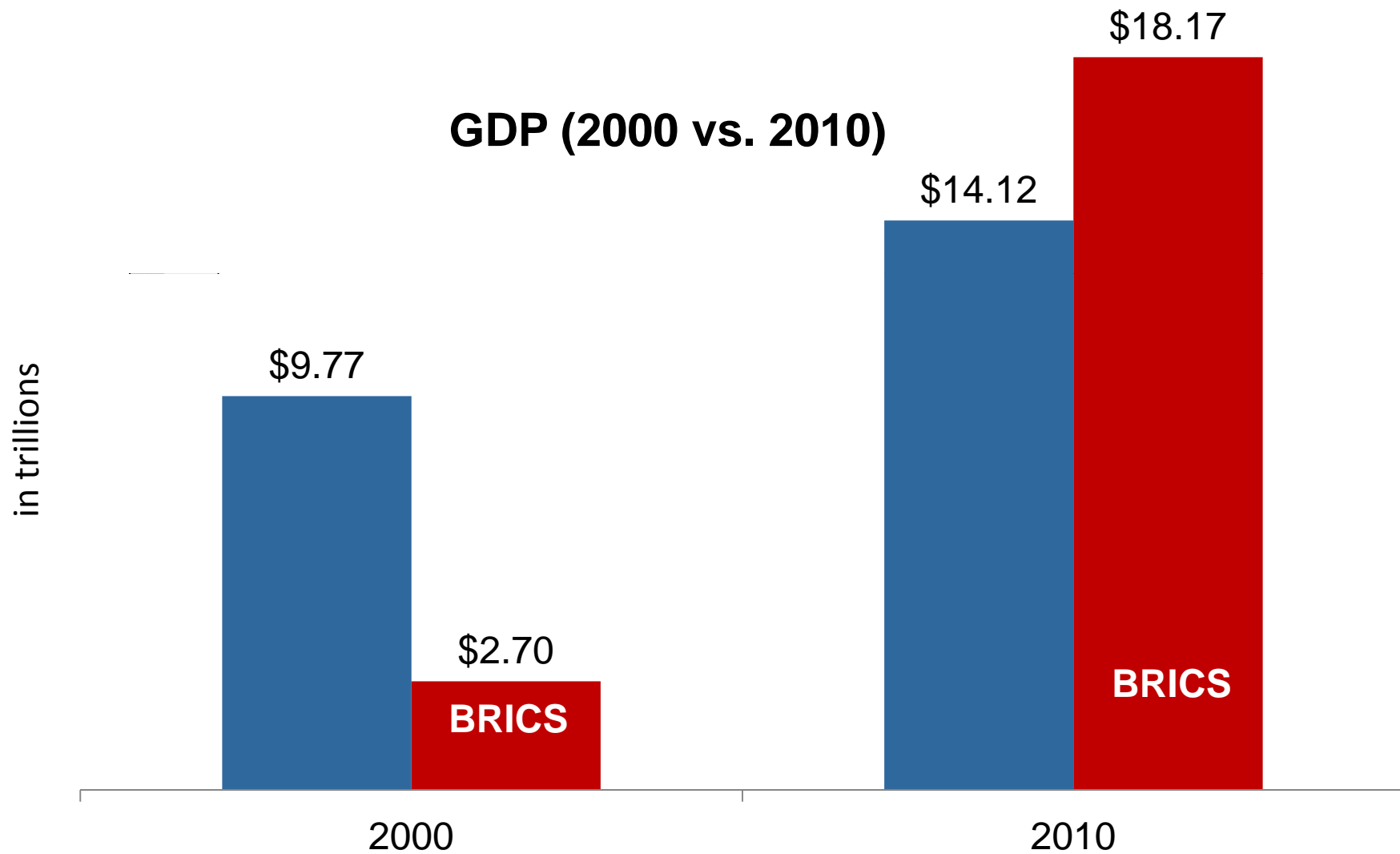
76% of public company respondents report delaying preparations awaiting SEC action

70% aware of FASB/IASB convergence projects

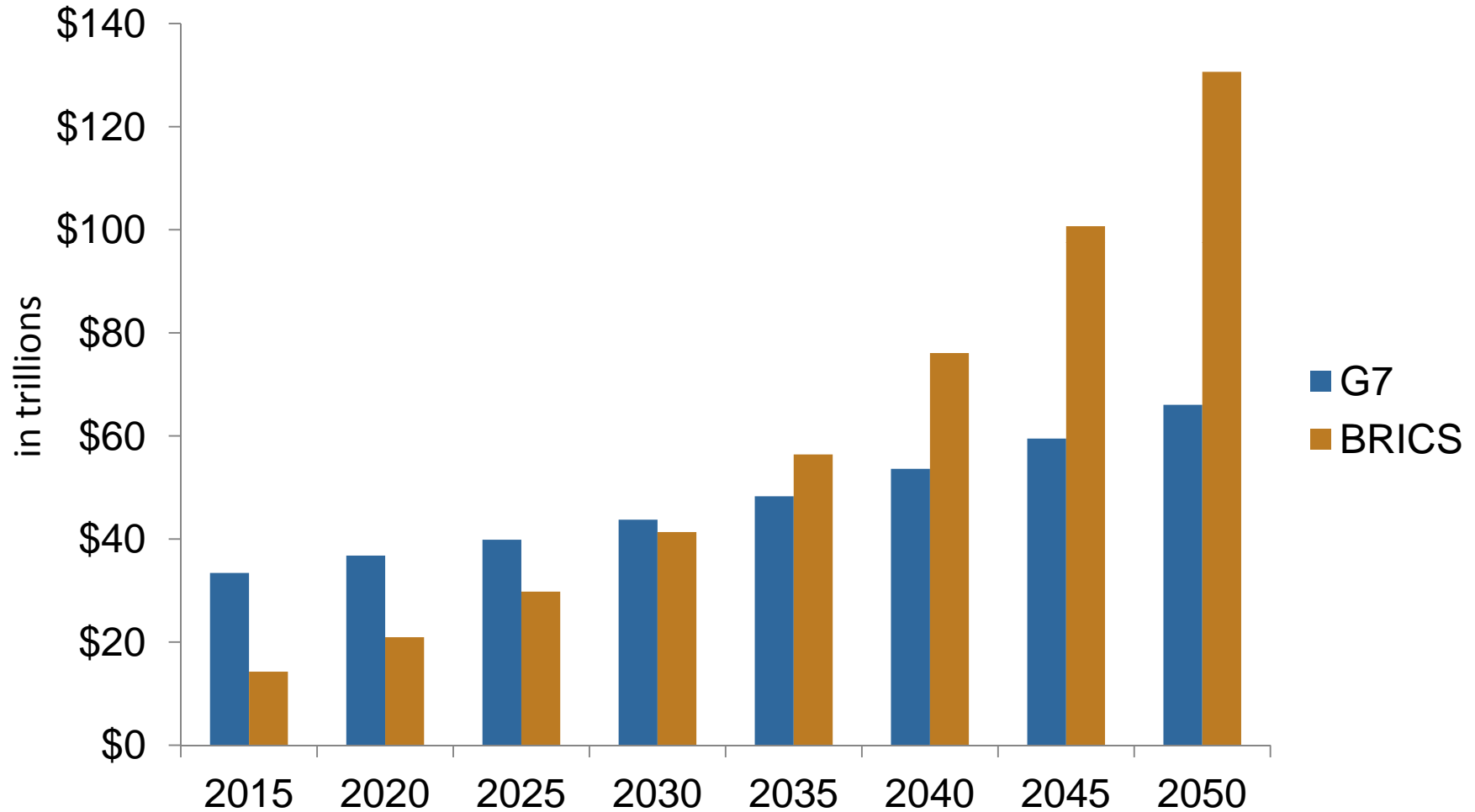
53% of CPAs support an SEC mandate requiring use of IFRS

- **23% think IFRS should be an option for public companies**

BRICS: Future Economic Leaders



BRICS' GDP to Exceed G7's by 2035



Sustainability Reporting

Reporting information about economic, environmental, social and governance performance
- “transparency and accountability”

Will government set the standards?

Which profession will lead?

Integrated Reporting

Integrated Reporting combines the most material elements of information currently reported in separate reporting strands (financial, management commentary, governance and remuneration, and sustainability) in a coherent whole, and importantly:

- *shows the connectivity between them; and*
- *explains how they affect the ability of an organization to create and sustain value in the short, medium and long term.*

Integrated Reporting



Integrated Reporting – Key Developments

2011

- Pilot Program
- Discussion Paper
- Regional roundtables

2012

- Review of IIRC Governance Structure – for adoption of IR standards
- Expansion of Pilot Program
- Review of Discussion Paper comments
- Continued stakeholder engagement

Sustainability/Integrated Reporting

Government Influence?

Impact on Public/Private Partnerships?

Impact on Government financial Reporting Standards?

New CGMA Credential

**“A Globally Recognized Management
Accounting Designation”** AICPA

- AICPA & CIMA, two of the world’s largest and most respected professional accounting bodies
- Delivered through the AICPA in the Americas and to US CPAs anywhere in the world, with the US CPA credential being a preferred entry path
- Differentiated by ongoing competency/relevant knowledge program
- Benefits for members of AICPA and state CPA societies
- Launched in January 2012

Global Landscape Overview

"We don't believe there will be a single accounting credential in 10-20 years, but 3-4 credentials; the CPA being one of them."

- Inaugural G400 Meeting, September 2010



(Germany, Australia)



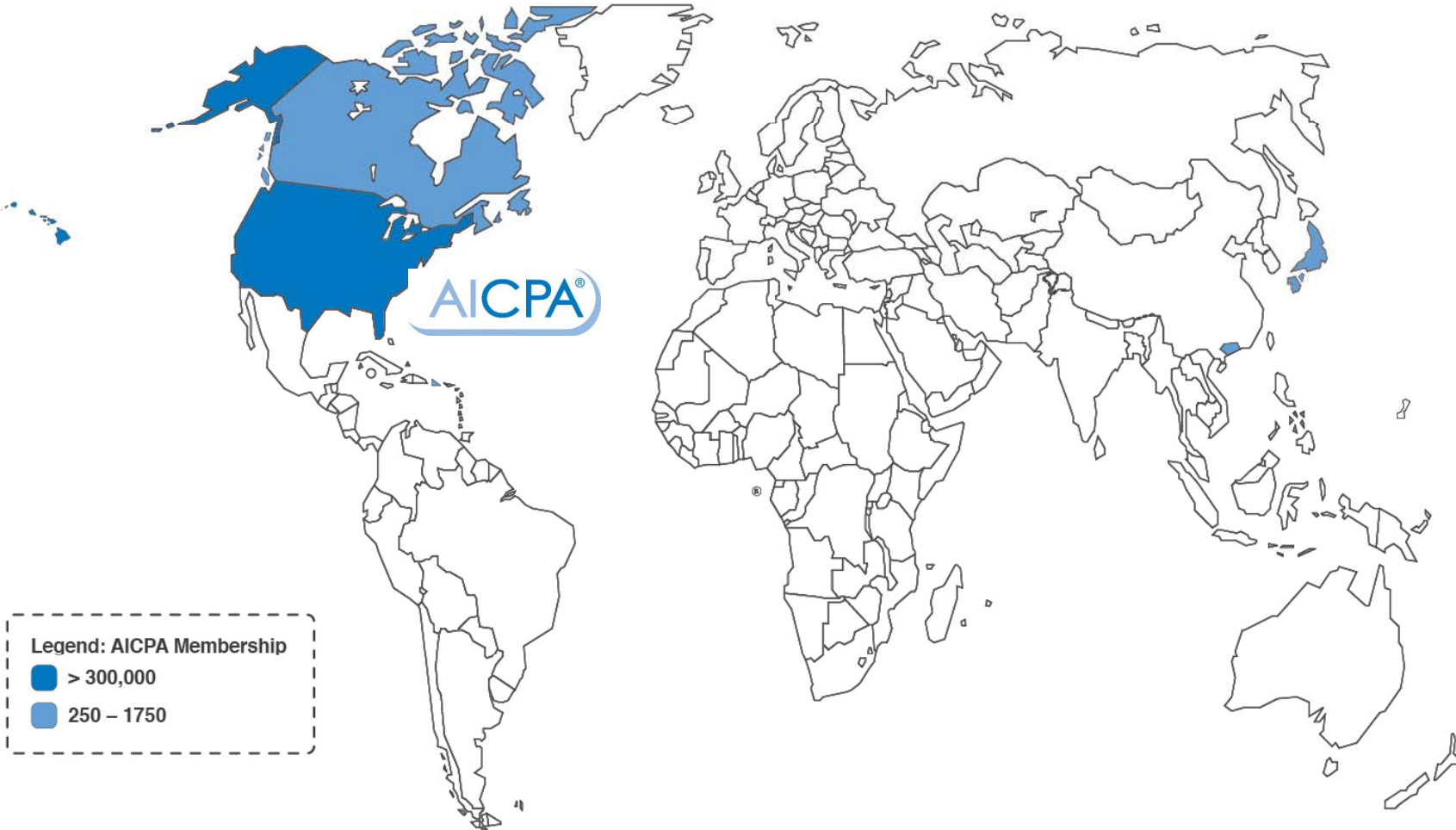
New Joint Venture

Association of International
Certified Professional Accountants



- Establish and promote a new joint designation as the global standard for management accounting
- Leverage the power of more than 550,000 members in practice and in business
- Advance AICPA position as a global advocate for professional accountants

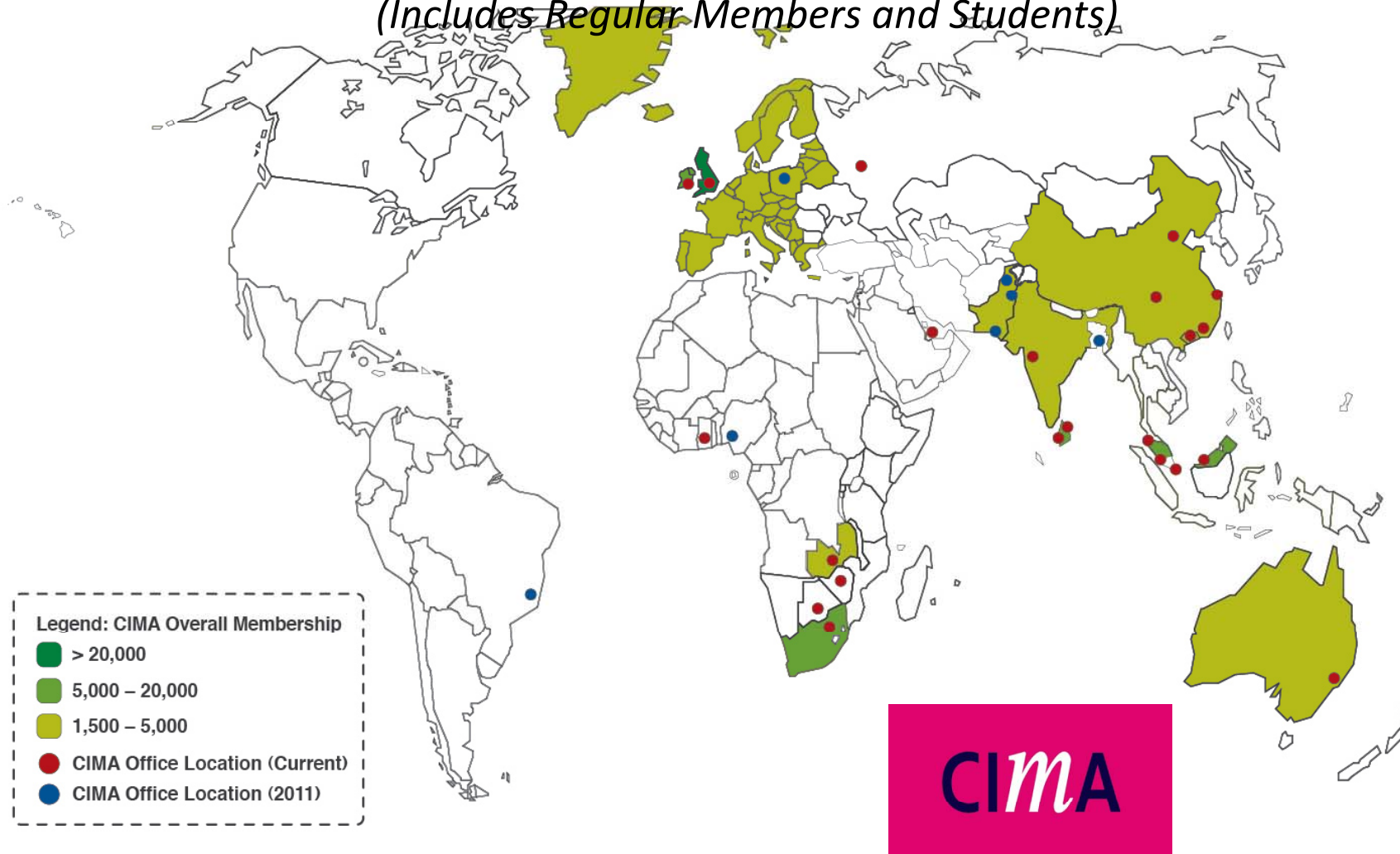
AICPA Presence – Overall Membership 2010



Note: Unshaded areas represent fewer than 250 AICPA members (country level)

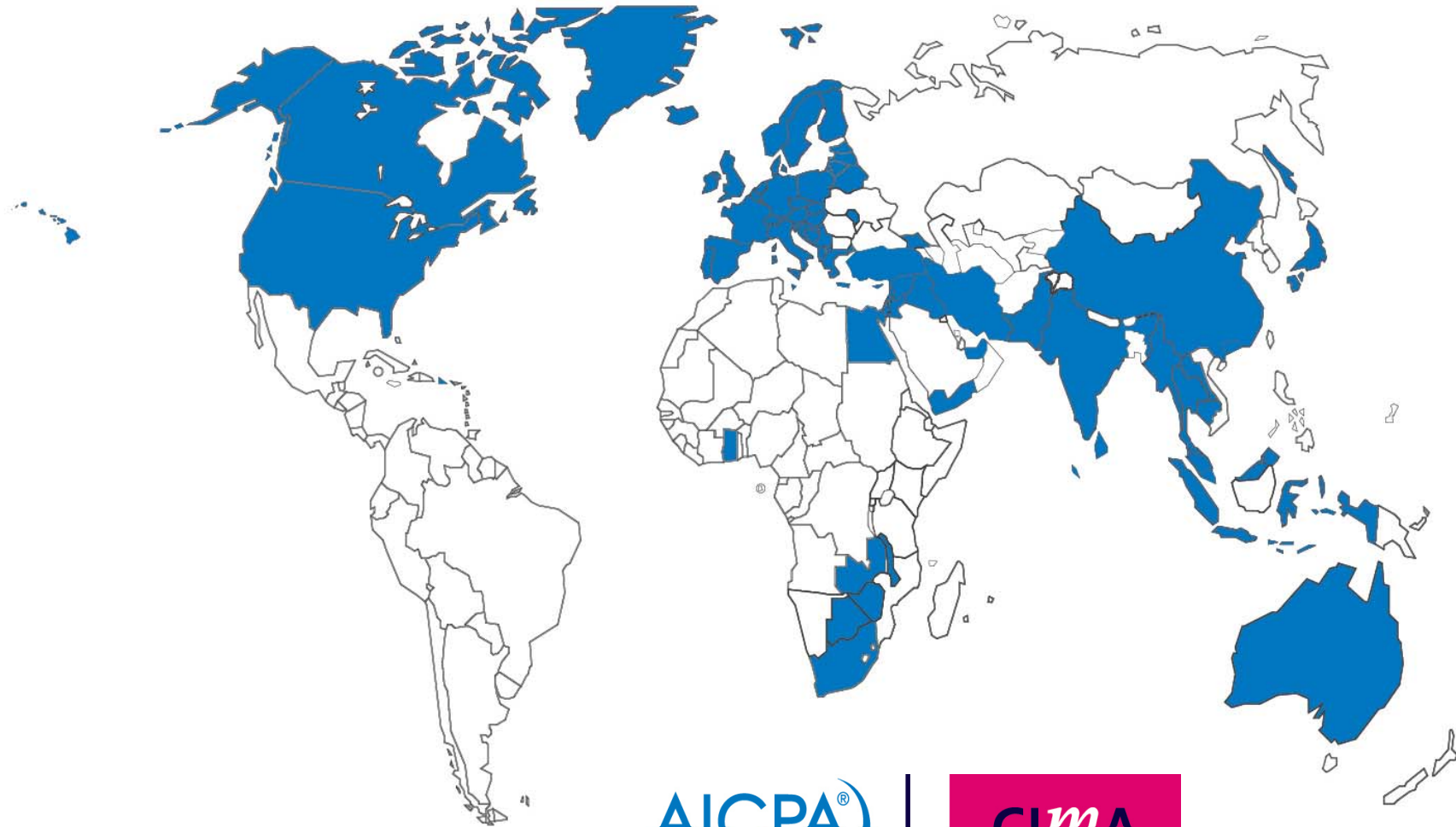
CIMA Presence – Overall Membership 2010

(Includes Regular Members and Students)



Note: Unshaded areas represent fewer than 1500 CIMA members / students

Complementary Global Presence



Chartered Global Management Accountant (CGMA)

- CGFM – Certified Government Financial Manager
- CMA – Certified Management Accountant
- CPA – Certified Public Accountant
- CIA- Certified Internal Auditor
- CFE -Certified Fraud Examiner
- CFM – Certified Financial Manager
- CFP – Certified Financial Planner

Diversity

Diversity Model – Inclusion, reflecting the globalized economy and workforce, valuing individual perspectives

Business Case – Better understand demographics of the marketplace it serves

Diversity Challenge – Assimilation of members outside the dominant group

Diversity - Business Case

All minorities combined will be the majority in the United States by 2042

Minorities now make up about 35 percent of the population, an increase of 5 percent from 2000

Nationally, 46 percent of children under the age of 15 are minorities, compared with 40 percent in the year 2000

The best and brightest among the above populations are going to be attracted to firms that value and embrace diversity

Diversity - Business Case

Diversity in the CPA profession in Indiana has changed little over the last 25 years

Only 1 percent of public accounting partners are African American and only 3 percent of CFOs of Fortune 500 companies have minority backgrounds

In 2007-2008, 22 percent of all new accounting graduates were minorities, down from 26 percent in the previous year. Within this group only 4 percent were African Americans in 2007-2008, down from 8 percent in 2006-2007

Diversity – Strategies for Success

- **Balanced recruitment** – Recruiting and interviewing at college campuses, ensure that your team and the promotional materials exhibit diversity
- **Partner with high schools and colleges** – Create more opportunities to interact with students early and inform them about the diverse careers and amazing potential in our field
- **Partner with minority organizations and schools with more minority candidates** – Work with organizations that are focused on diversity and empowering minority accounting professionals
- **Tone at the top** – The right mindset and leadership at the top of an organization will go a long way toward making a diversity initiative successful
- **Mentoring and buddy program** – When a mentor owns the responsibility to give a hand up and actively guides a minority employee to success, that employee will have better opportunities for success and will remain with the company