

International Accounting Section

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American Institute of Certified Public Accountants and the National Association of State Boards of Accountancy Working Group for the CPA Evolution Model Curriculum
Via electronic submission to feedback@evolutionofcpa.org

We appreciate the opportunity to comment on the CPA Evolution Model Curriculum (the “model curriculum”) facilitated through the June 2021 meeting offered in cooperation with the American Accounting Association (AAA). This comment letter was developed by the AAA International Accounting Section (IAS) and does not represent an official position of the American Accounting Association. We understand that the “model curriculum” is intended to serve as a “tool for the academic community by providing examples of how to address any gaps between what is currently taught by accounting programs today and the skills and competencies expected of CPAs by their clients in a technology-driven environment.” We commend the AICPA and NASBA for organizing the material into core accounting knowledge requirements and specialty areas which recognize the changing skill sets needed of accountants today and into the future. In particular, integration of technological skills in the basic accounting core knowledge is, in our view, very appropriate.

We understand the effort and outreach that went into creating this document in response to faculty calls for guidance on the CPA Evolution. We look forward to the release of the CPA Exam Blueprints that will provide additional exam-specific detail. We are concerned, however, that using the more general label “model accounting curriculum” for this document may cause some schools and textbook publishers to think that its contents are effectively the *only* things an academic accounting program needs to cover. Related to this concern is the fact that development of an academic curriculum is not the responsibility of the AICPA or any professional body; the development of an academic curriculum is the role of academic institutions. We note that the model:

- lacks discussion of the critical thinking skills necessary to apply the topics and techniques in a holistic fashion to produce information of interest to users;
- lacks inclusion of alternative accounting frameworks, and the application of accounting in different jurisdictions, that challenges learners to apply critical thinking skills rather than using rote learning in applying current requirements; and
- lacks any reference to the conceptual framework of accounting and the use of the information it produces.

We suggest clarifying the AICPA’s position as having developed a U.S. CPA Curriculum, similar to the approaches taken by the CFA Institute, the Institute of Management Accountants, CPA Australia, and Chartered Accountants of Australia and New Zealand, among others.¹

A CPA Curriculum should focus on expanding students’ ability to think critically about subject matters and to be creative problem solvers. The proposed CPA Curriculum serves more as a “check the box” list of topics that will be included in the CPA exam. This “check the box” approach is likely to lead to schools and/or instructors adopting curricula that focus on students learning the current accounting treatment for each of the topics that will be addressed on the exam. It also appears to be very similar to

¹ For example, the CFA Institute provides educational resources at <https://www.cfainstitute.org/en/programs/cfa/curriculum>

an algorithmic approach of the “same as last year” mentality which ultimately limits the value that accounting professionals can provide to their clients. Such an approach will undercut an ideal goal of establishing CPAs and other accounting professionals as thought leaders who evolve with the changing world and identify valuable ways to serve their clients. Such an approach would lead to students who are less capable of adapting to that evolving world, including evolving accounting standards.

In addition, we see the document as conveying to the world the mistaken notion that the knowledge base of accountants in the U.S. is devoid of any international context. In fact, such a context is essential for the practice of accounting at a time when international trade is ever more accessible by ever-smaller entities. While we realize that the decision to eliminate International Financial Reporting Standards (IFRS) from the CPA exam was made separately from the development of this CPA evolution, we nonetheless view that decision as inherently connected to conceptual weaknesses in the CPA Curriculum.

Developing Critical Think Skills

Oxford Languages defines critical thinking as “the objective analysis and evaluation of an issue in order to form a judgment.” The AICPA Guide to Critical Thinking (per The Foundation for Critical Thinking) defines it as “the art of analyzing and evaluating thinking with a view to improving it” (p. 4) while applying the principles of objectivity, due care, professional skepticism, and continuous improvement. For cohesion, we strongly encourage reference to this guide throughout development of any curriculum.

Critical thinking implies a need to evaluate decisions – against a benchmark (the conceptual framework) and against alternative perspectives (e.g., IFRS, other accounting models, or previously acceptable ways of doing things amid a change). New CPAs and other accounting professionals must be able to think critically – to evaluate alternatives, assess the pros and cons, and make a reasoned recommendation. At the very least, they must be able to identify what additional information is needed, what at least some of the risks are, and what the next steps might be in understanding decision contexts.

A logical way to develop accounting students’ critical thinking and problem-solving skills is to expose them to a diverse set of topics and methods. Including international accounting issues in the curriculum is a unique and valuable way to do this, because (1) accounting standards are not uniform across countries, and (2) enforcement, auditing, and a number of institutions vary across countries such that even when a standard is the same, outputs of accounting systems differ. The international setting allows students to think about why different standards may be preferred in different institutional settings and how the institutional setting affects the application of the standard. Opportunities to critically compare and contrast alternatives arise in a few other places in the accounting curriculum (e.g., the choice of inventory costing systems). However, those are isolated instances, whereas comparing, contrasting, and investigating the “why” of the contrasts is a core part of international accounting.

Unclear Basis for Inclusion or Exclusion of Items Listed in the CPA Curriculum

The practice analysis states that the reason for removing the testing of differences between IFRS and U.S. GAAP from the CPA exam was to allow greater focus on the critical knowledge and skills that all CPAs must possess. However, the core + disciplines model provides an opportunity for individuals to focus on the topics in their chosen area of specialization. In an analogous situation, the practice analysis similarly led to removing the application skill level content for derivatives and hedge accounting from the CPA exam, but, unlike IFRS content, the derivatives and hedge accounting content is re-introduced in the BAR discipline. So it is unclear why some content that was removed based on the practice analysis is now being retained in BAR, while other content is not. Further, this kind of inconsistency contributes to the confusion about the objectives of the CPA Curriculum. Is it intended to take a high level/broad-based view about the education of CPAs in general or is it solely a blueprint preview of a prescriptive list of topics? This type of inconsistency also is apparent in the occasional inclusion of parenthetical examples

of how some skills (e.g., communication skills) but not other skills (e.g., critical thinking) could be demonstrated. Both critical thinking and communication skills involve understanding the “whys” of specific accounting standards and practices that must reference the conceptual framework of accounting, not a prescriptive list of topics.

IFRS and Other International Topics

Reviewing information available on the World Trade Organization web site (wto.org) readily shows the importance of international trade across all business activities. World merchandise trade exceeded \$16 trillion in 2019, with the U.S. being one of the leading exporters and importers, at \$1.6 and \$2.6 trillion, respectively. The growth rate in international trade also has been phenomenal: from 1990 to 2001 global trade increased 75% while global gross domestic product only increased by 27%. These rates have decreased in more recent years, especially during the Covid-19 pandemic, but nonetheless the import/export activity is driven by small firms as well as large. Companies with fewer than 500 workers comprise 97% of U.S. exporters and numbered 407,753 in 2015 (U.S. Dept. of Commerce, 2017). Within our domestic markets, the U.S. has over 500 foreign private issuers with worldwide market capitalization in excess of \$7 trillion that report under IFRS. To encourage consistency in financial reporting, over 120 countries have adopted IFRS.

These significant numbers suggest that international accounting topics are still very important in the U.S. While the CPA exam content addresses the accounting implications of collection from export sales or payments for imports made in a foreign currency, these are not the only relevant issues for early career CPAs. Even practitioners only two years out of university need exposure to international topics and IFRS. Studying International Accounting involves:

- the study of standards and guidelines that exist within each country as well as comparison of these items across countries;
- the study of supranational accounting: standards, guidelines, rules for financial reporting, auditing and taxation issued by supranational organizations (IASB, IFAC, OECD);
- the study of Accounting standards, guidelines, rules, and practices that a company follows specifically related to its international business activities and foreign investments: foreign currency transactions, tax rules related to these transactions, techniques for evaluating performance of foreign operations, and other techniques.

A likely consequence of removing IFRS from the CPA exam will be the removal of IFRS related content from textbooks used in U.S. accounting courses for the very reason that the AICPA and NASBA claim is the reason for this choice: because of the need to focus topics with efficient use of resources. Yet the evidence given above demonstrates the need for including international business and accounting knowledge now more than ever. U.S. GAAP and IFRS are not completely converged--the biggest differences where divergence persists are in property, plant and equipment (revaluation); intangible assets (capitalization of development costs); and inventory (LIFO disallowance and treatment of write-down reversals)—and may well continue to diverge further as show by recent developments with credit loss models and other areas. The full list of areas not covered between U.S. GAAP and IFRS is available on the FASB web site at <https://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156304264>

The application of IFRS in different jurisdictions is also an important issue for CPAs dealing with foreign clients or functioning outside the U.S. Understanding different jurisdictions is important for practicing accountants—and the U.S. itself has so many state jurisdictions. Requiring knowledge of institutional arrangements both within and outside the U.S. is of utmost importance to educate those who will call themselves professional accountants.

In sum, we believe the AICPA needs to reconsider the fundamental question of what skills they would like to see students develop through the U.S. CPA Curriculum. Is this a curriculum solely

intended to prepare students to pass the CPA exam? Or is the goal to develop creative professionals with skills, including the ability to evolve, that are not easy to replicate either with other individuals or with bots? We hope that the AICPA and NASBA find the feedback we have offered in this letter helpful for reconsidering this fundamental question.

Sincerely,

AAA International Accounting Section
as Represented by the Ad Hoc Committee to Respond to the CPA Evolution Model Curriculum

A handwritten signature in cursive script, appearing to read "Judy Beckman".

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