

Special Note – The American Institute of Certified Public Accountants (AICPA) does not have a brochure offering information to the public on the Certified Public Accountant (CPA). They must have assumed that the public is familiar with this designation so it is not needed. For those that are not familiar, this abbreviated Wikipedia listing is provided.

Certified Public Accountant

From Wikipedia, the free encyclopedia

Certified Public Accountant (CPA) is the statutory title of qualified accountants in the United States who have passed the Uniform Certified Public Accountant Examination and have met additional state education and experience requirements for certification as a CPA. Individuals who have passed the Exam but have not either accomplished the required on-the-job experience or have previously met it but in the meantime have lapsed their continuing professional education are, in many states, permitted the designation "CPA Inactive" or an equivalent phrase. In most U.S. states, only CPAs who are licensed are able to provide to the public attestation (including auditing) opinions on financial statements.

Many states have a lower tier of accountant qualification (below that of CPA), usually entitled "Public Accountant" (with designatory letters "PA"). However the majority of states have closed the designation "Public Accountant" to new entrants, with only about 10 states continuing to offer the designation. Many PAs belong to the National Society of (Public) Accountants.

Many states prohibit the use of the designations "Certified Public Accountant" or "Public Accountant" (or the abbreviations "CPA" or "PA") by a person who is not certified as a CPA or PA in that state. As a result, in many circumstances, an out-of-state CPA is restricted from using the CPA designation or designatory letters until a license or certificate from that state is obtained.

Services provided by CPAs

The primary functions CPA fulfill relate to assurance services, or public accounting. In assurance services, also known as financial audit services, CPAs attest to the reasonableness of disclosures, the freedom from material misstatement, and the adherence to the applicable generally accepted accounting principles (GAAP) in financial statements. CPAs can also be employed by corporations—termed "the private sector"—in finance functions such as Chief Financial Officer (CFO) or finance manager, or as CEOs subject to their full business knowledge and practice. These CPAs do not provide services directly to the public.

Although some CPAs serve as business consultants, the consulting role is under scrutiny following the corporate climate in the aftermath of the Enron scandal. This has resulted in divestitures in the consulting divisions by many accounting firms. This trend has since reversed. In audit engagements, CPAs are (and have always been) required by professional standards and Federal and State laws to maintain independence (both in fact and in appearance) from the entity for which they are conducting an attestation (audit and review) engagement. However, most individual CPAs who work as consultants do not work as auditors.

CPAs also have a niche within the income tax preparation industry. Many small to mid-sized firms have both a tax and an auditing department. Whether providing services directly to the public or employed by corporations or associations, CPAs can operate in virtually any area of finance including:

- Assurance and Attestation Services
- Corporate Finance (Merger & Acquisition, initial public offerings, share & debt issuance)
- Corporate Governance
- Estate Planning
- Financial Accounting
- Financial Analysis
- Financial Planning
- Forensic Accounting (preventing, detecting, and investigating financial frauds)
- Income Tax
- Information Technology, especially as applied to accounting and auditing
- Management Consulting and Performance Management
- Tax Preparation and Planning
- Venture Capital

While some CPAs are generalists and offer a range of services (especially those in small practices) many CPAs specialize in just one area and do not provide all the services listed above.

CPA exam

In order to become a CPA in the United States, the candidate must sit for and pass the Uniform Certified Public Accountant Examination (Uniform CPA Exam), which is set by the American Institute of Certified Public Accountants and administered by the National Association of State Boards of Accountancy. The first law establishing the CPA designation was passed in New York on April 17, 1896.

Eligibility to sit for the Uniform CPA Exam is determined by individual State Boards of Accountancy. Typically the requirement is a U.S. bachelors degree which includes a minimum number of qualifying credit hours in accounting and business administration with an additional 1 year study. This requirement for 5 years study is known as the "150 hour rule" and has been adopted by the majority of state boards, although there are still some exceptions (e.g. California). This requirement mandating 150 hours of study has been adopted by 45 states.

The Uniform CPA exam tests general principles of state law such as the law of contracts and agency (questions not tailored to the variances of any particular state) and some federal law as well.

Other licensing and certification requirements

Although the CPA exam is uniform, licensing and certification requirements are imposed separately by each state's laws and therefore vary from state to state.

State requirements for the CPA qualification can be summed up as the Three Es—Education, Examination and Experience. The Education requirement normally must be fulfilled as part of the eligibility criteria to sit for the Uniform CPA and the Examination component is the Uniform CPA itself. Some states have a two tier system whereby an individual would first become certified as a CPA—usually by passing the CPA exam. That individual would then later be eligible to be licensed once a certain amount of work experience is accomplished. Other states have a one tier system whereby an individual would be certified and licensed at the same time when both the CPA exam is passed and the work experience requirement has been met.

Work experience requirement

The experience component varies from state to state:

- States generally do not require work experience for a CPA certificate (it is required for a license to practice).
- The majority of states still require work experience to be of a public accounting nature.
- The majority of states require work experience to be verified by a licensed CPA. This can cause difficulties for applicants based outside the United States. However, some states such as Colorado and Oregon will accept work experience certified by a Chartered Accountant as well.

Ethics

Over 40 of the state boards now require applicants for CPA status to complete a special examination on ethics, which is effectively a Fourth E in terms of requirements to become a CPA. The majority of these will accept the AICPA self-study Professional Ethics for CPAs CPE course or another course in general professional ethics. Many states, however, require that the ethics course include a review of that state's specific rules for professional practice.

Continuing Professional Education (CPE)

CPAs are required to take continuing education courses in order to renew their license. Requirements vary by state but the vast majority require 120 hours of CPE every 3 years with a minimum of 20 hours per calendar year. The requirement can be fulfilled through attending live seminars, webcast seminars, or through self-study (textbooks, videos, online courses, all of which require a test to receive credit). As part of the CPE requirement, most states require their CPAs to take an ethics course during every renewal period. Again, ethics requirements vary by state but the courses range from 2–8 hours