

REGULATION AND ITS IMPACT  
ON SUPPLY AND DEMAND WITHIN THE  
ACCOUNTING PROFESSION

UNIVERSITY OF ILLINOIS  
Lyceum Series  
Urbana-Champaign (UIUC) Campus  
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Leslie A. Murphy, CPA  
Plante & Moran – Group Managing Partner  
AICPA Chair – Board of Directors

# Agenda for Today

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- **The Current Landscape of Federal Regulation**
- **Staffing Realities within the Profession**
- **Your Opportunity**

# The Current Landscape of Federal Regulation

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## ■ SEC

- Christopher Cox – One-year anniversary
- Political climate when he took office
- Discord amongst the Commissioners
- Recent New Chief Accountant appointed – Conrad Hewitt (E&Y, Former Bank Regulator)
- Ongoing budget constraints
- Current criticism over drop in level of enforcement activity
- Pro-business environment prevails

# The Current Landscape of Federal Regulation (Cont)

## ■ PCAOB

- Created by the Sarbanes-Oxley Act
- Quasi public – private entity reports to the SEC
- Salary structure set at market
- Funding mechanism being challenged legally
- Standard setting activity has been limited
- Slow progress with implementation guidance
- Mark Olson appointed as leader by Cox in Fall, 2006 (Bill Gradison served as interim for one year)

# The Current Landscape of Federal Regulation (Cont)

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## ■ Section 404

- Political climate when the Act was passed
- Implementation without guidance
- Fear dominated the original implementation
  - Companies (C-Suite)
  - Auditors
- Risk-based principles have been re-introduced
- Influx of work impacted staffing considerably
  - \$1.4 Billion in fees Year 1

# The Current Landscape of Federal Regulation (Cont)

## ■ Section 404 (Cont)

- Cost – Benefit being challenged by the business community
  - Estimates of reduction in time Year 2 approximately 40%
  - Criticism that the profession is getting rich from the work
- SEC and the PCAOB each conducted listening tours to get input
- PCAOB agreed to consider changes to AS2
- SEC extended the implementation date for small corps (Committee recommended no 404 attestation by auditors)

# The Current Landscape of Federal Regulation (Cont)

- Overall Relationship between SEC and PCAOB
  - Authority lines have been blurred between PCAOB and SEC
  - Enforcement responsibility over auditors is in question
    - The level of auditor judgment that the SEC will permit remains an open question
  - PCAOB just issued it's first alert regarding the timing of options
  - Political pressures impact the landscape

# The Current Landscape of Federal Regulation (Cont)

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## ■ The Future of SOX

- Sarbanes and Oxley each retire this year
- Business community is leading an effort to reform the Legislation in 2007 (or 2008)
  - All agree some improvements are necessary
  - Many will be addressed with AS2 revision
  - Some are getting concerned that it could get more cumbersome in the political process
  - Chamber is linking the liability reform and concentration of audit firms issue to SOX

# The Current Landscape of Federal Regulation (Cont)

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- Other Issues of Priority on a National Level:
  - Complexity in Financial Reporting
    - Principles vs. rules-based (linked to liability reform)
  - Transparency of Financial information
    - Digitization of reported information (XBRL technology)
      - Cox priority
  - International Convergence – Auditing Standards and Accounting Principles
  - Concentration of audit firms
  - Tax gap estimated at \$345 Billion

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# Staffing Realities Within the Profession

## Your Opportunity

# Demand – Greater Than Ever

## Job Forecast 2006

*Looks like it's going to be a good year for accountants and other professionals.*

By Renee Beckman, CPA

**THE ILLINOIS DEPARTMENT OF EMPLOYMENT** reports that the Illinois Occupational Employment Projection shows 10 percent growth for accountants and auditors, 12 percent in the nation in general for the same period. 15 percent growth is expected for the Illinois metropolitan areas (Chicago, Naperville and Joliet), and 15.2 percent for the rest of the state.

Over the last 8 months, the Chicago Metropolitan Area has proven the forecast strong since the 1999 boom. Corporations are hiring and allocating resources to their accounting departments.

The specific areas of growth are internal financial analysis and staff accounting. Middle management and, in fact, we are seeing growth in the management tier.

The traditional structure of a corporation is changing. There is a great deal more emphasis on technology and technical professionals. There are fewer opportunities in executive management roles. Instead, the focus is on the breadth and scope of technical responsibilities. Accounting structures are becoming increasingly complex and will continue to grow.

Let's take a look at specific growth positions and the demand for them.

## INTERNATIONAL Accounting BULLETIN

### Demand for CPAs exceeding supply in the US

Published: February 2005

Source: International Accounting Bulletin

The need for certified public accountants (CPAs) in the United States, post-Sarbanes-Oxley, is at an unprecedented high, resulting in aggressive competition between firms and companies for their services.

**The need for certified public accountants (CPAs) in the United States, post-Sarbanes-Oxley, is at an unprecedented high, resulting in aggressive competition between firms and companies for their services.**

A strong market during the past 12 months is driving this need for CPAs. The latest IAB survey of the US shows overall growth among firms is up 8 percent on total revenue of \$30.1 billion. The US regulatory environment has pushed up the value of both the reputation and the price of audit, illustrated by the Big

**The need for certified public accountants (CPAs) in the United States, post-Sarbanes-Oxley, is at an unprecedented high, resulting in aggressive competition between firms and companies for their services.**

there and the biggest thing is managing growth... People are saying they are winning engagements but they want to be sure they can service clients appropriately. If they lose people, it's devastating."

## Accounting: Facts & Trends



### News Item Features

 Printer Friendly

# Staffing Realities



[Home](#) · [Online Publications](#) · [The Practicing CPA](#) · [December 2003](#) · [Top CPA Firm Concern: Recruitment and Retention](#)

## Top CPA Firm Concern: Recruitment and Retention

*CPA firms rank staff recruitment and retention issues first among their accounting practice. Despite increased interest in careers in accounting, shortages in all fields. Although work-life balance initiatives may help, initiatives may not be as important as the tone top management sets.*

Once again, "finding and retaining qualified staff" topped the list of m



## Mixing and Managing Four Generations of Employees

By Greg Hammill

## PRACTICE MANAGEMENT

Few firm employees leave without a good reason—here's how to give them one.

# The A to Z of Keeping Staff

BY DAVID SATAVA

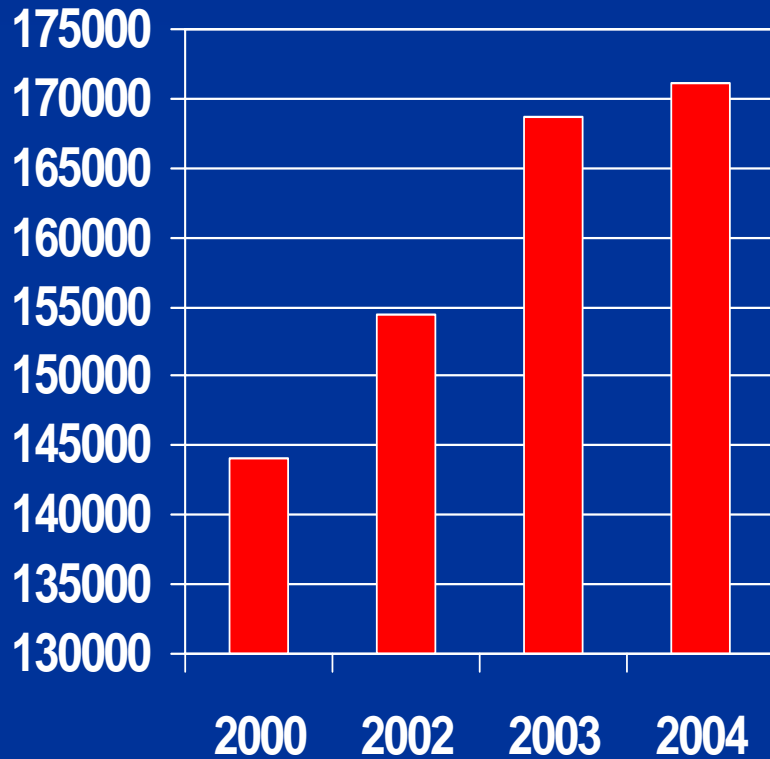
## EXECUTIVE SUMMARY

■ **THE AICPA's ANNUAL SURVEY** to learn how the supply of public accounting graduates is meeting firms' needs for recruits reveals that turnover rates for CPA firms have held steady in a range from 7% to 10% for local firms and 22% to 28% for national firms. Losing staff is always part of doing business, but turnover higher than 20% is

# But... Promising Signs

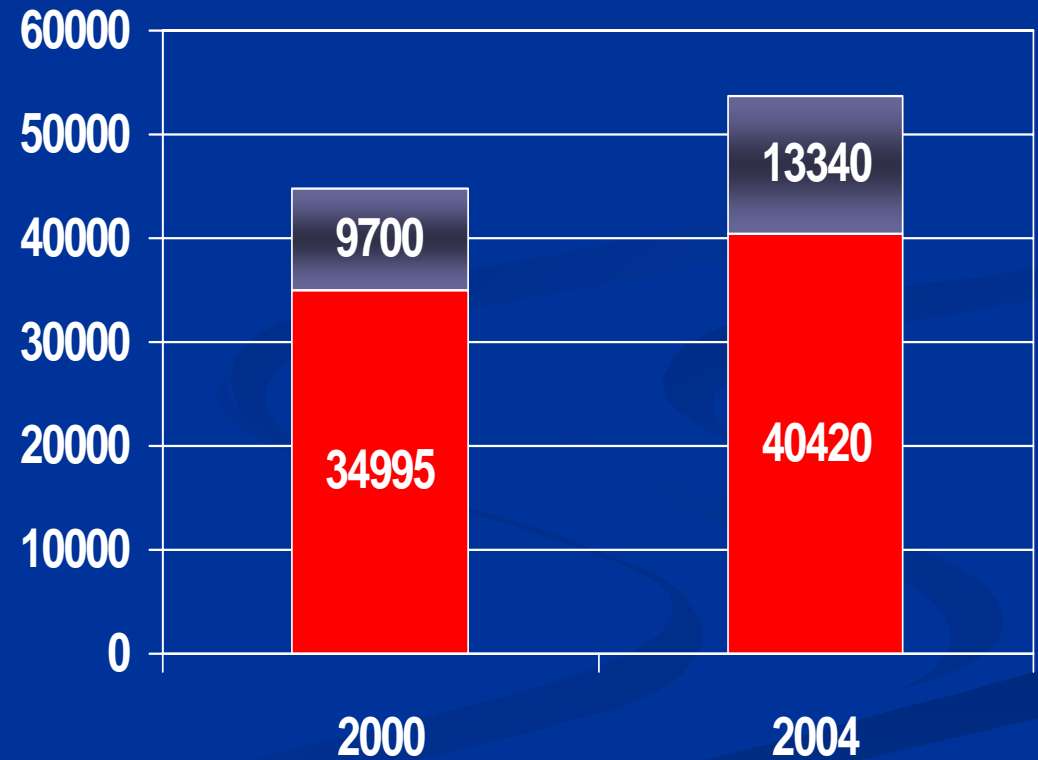
## Enrollment

■ Accounting Enrollment

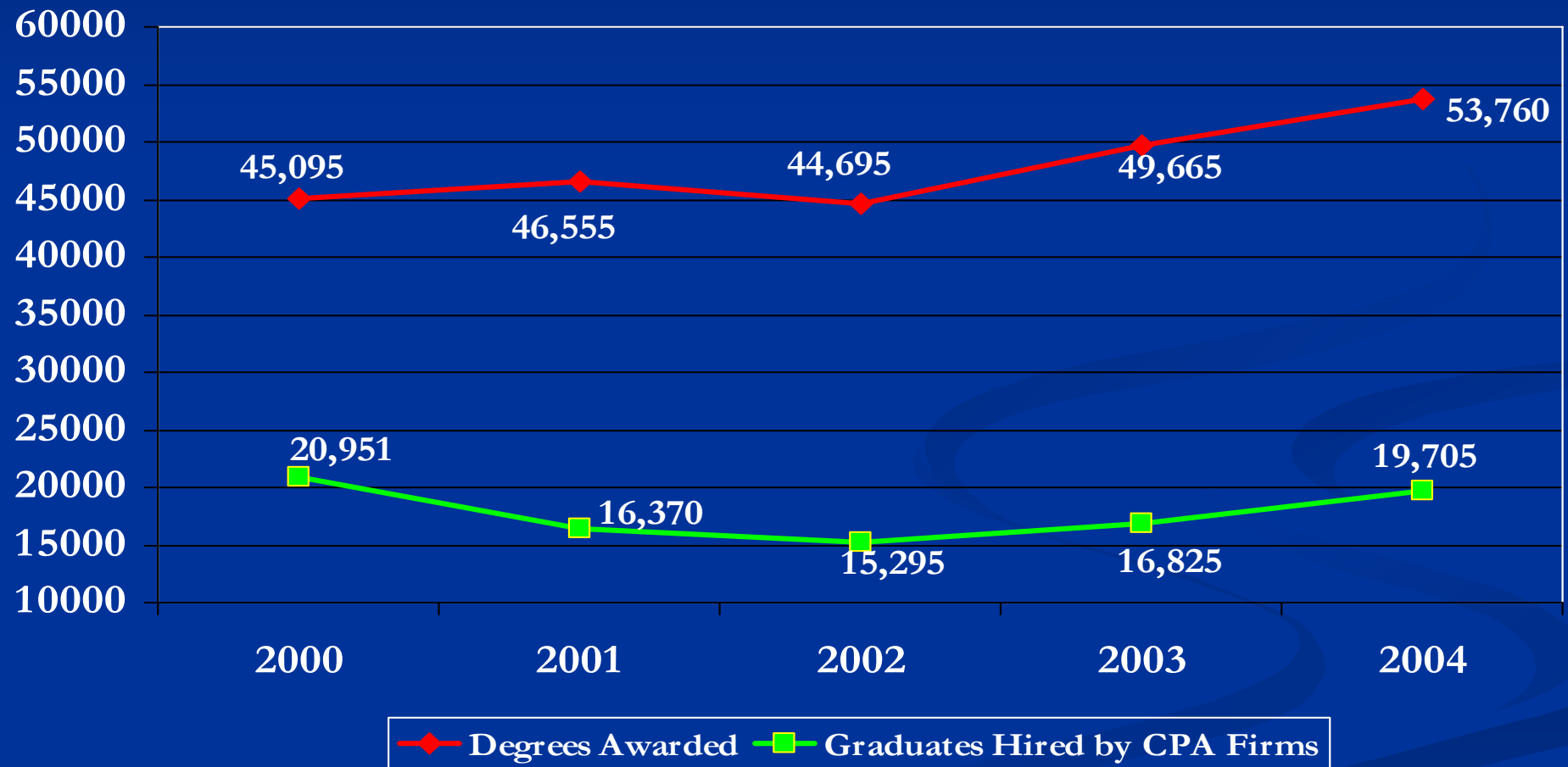


## Graduates

■ Bachelors ■ Masters

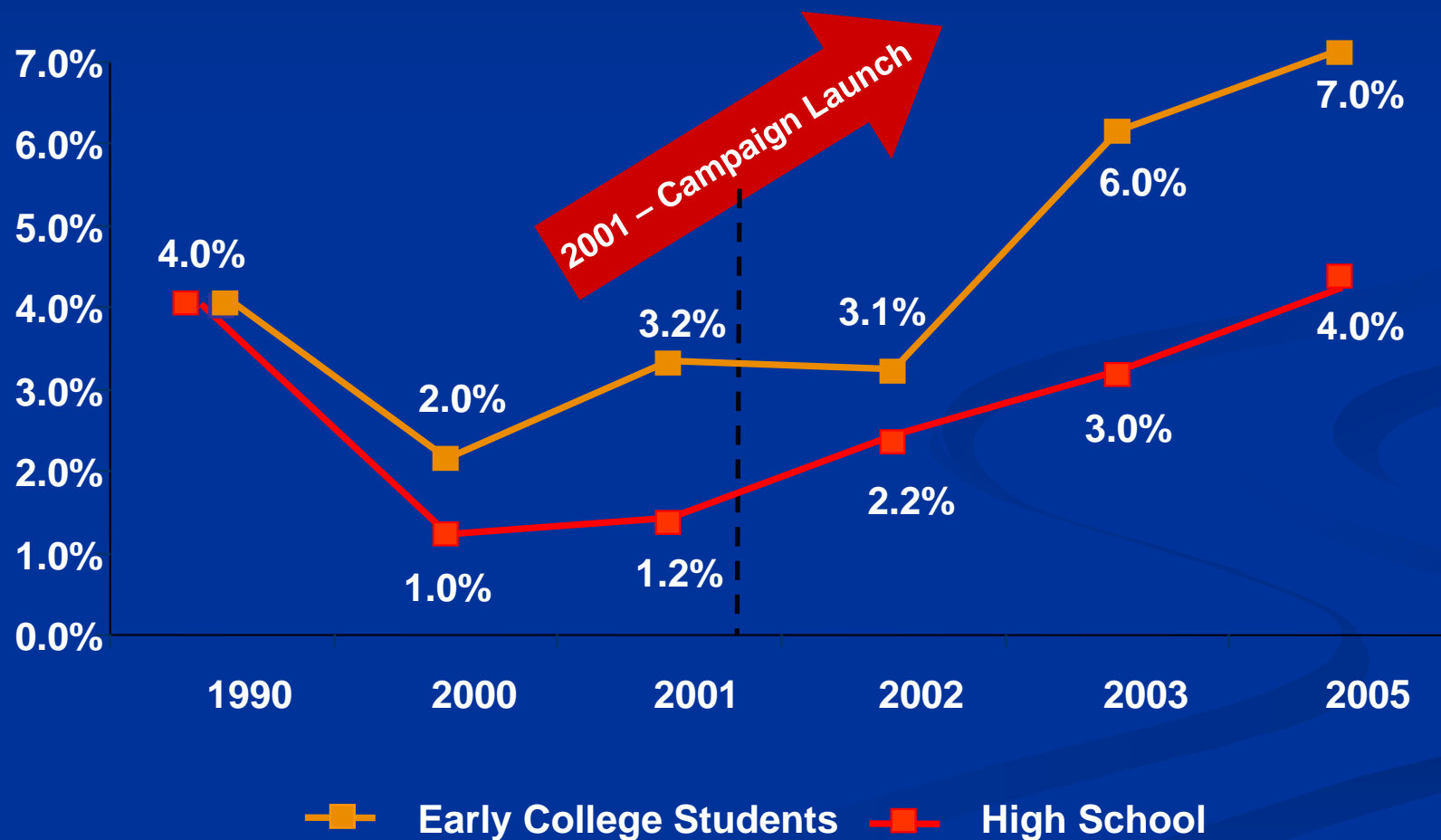


# Supply: Hiring By CPA Firms



# Numbers Moving Up

More students in early college are declaring accounting as their major; more high school students are planning to declare accounting as their major.





## The Uniform CPA Examination

One of the world's leading licensing examinations, the CPA Examination serves to protect the public interest by helping to ensure that only qualified individuals become licensed as Certified Public Accountants (CPAs).

[Contact Us](#)[Volunteer Opportunities](#)

### Latest News

[Note the Date Change in the January/February 2006 Testing Window >>](#)

[Notice to Candidates Affected by Hurricane Katrina >>](#)

[Information for International Applicants >>](#)

[Try out the CPA Exam sample tests and tutorial now >>](#)

### Breaking News



## READY FOR THE NEXT EXAM?

# Estimates of Shortage of Supply of New Accounting PhDs to the Demand, 2005-08

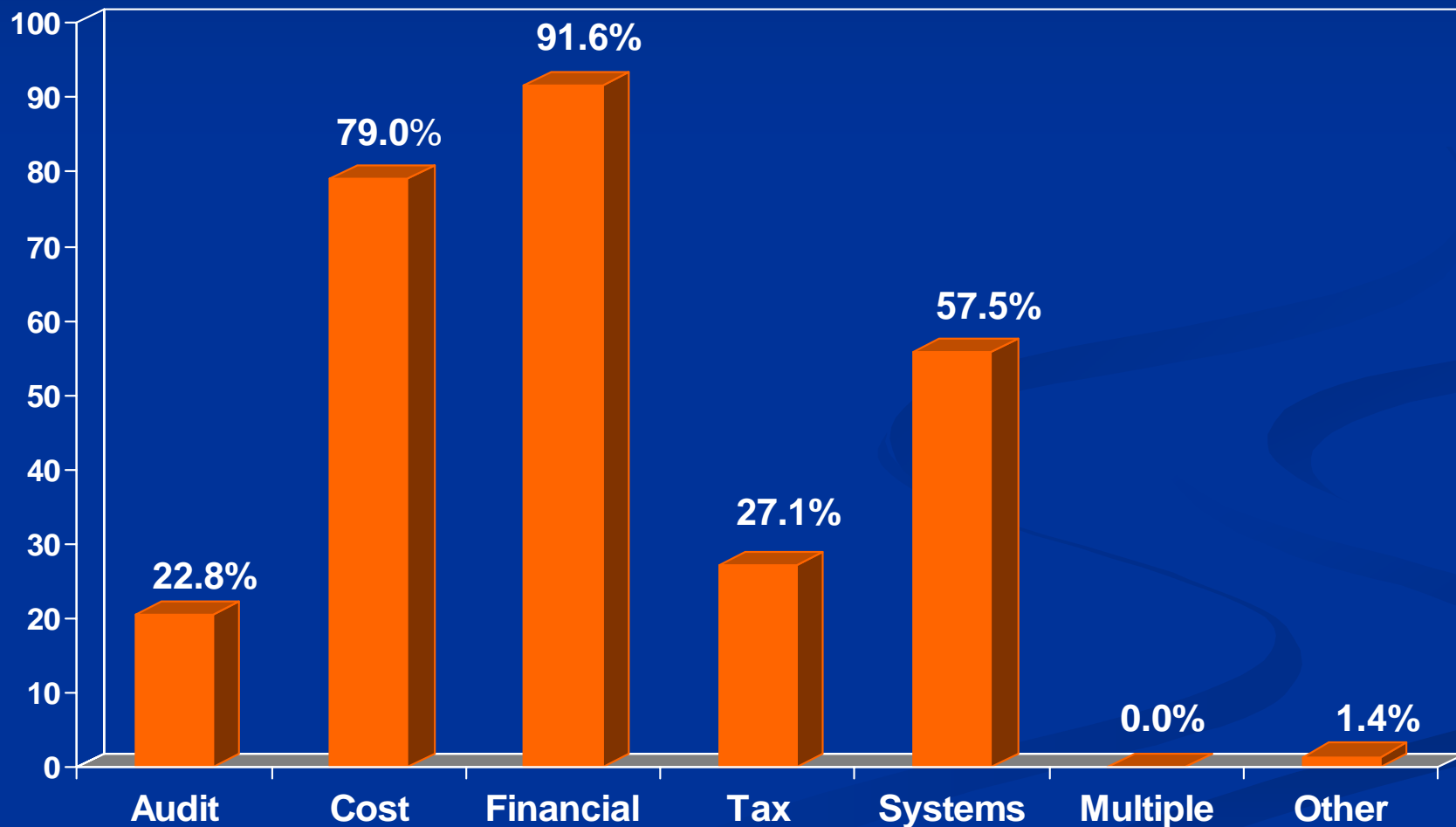
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	<u>Demand</u>	<u>Supply</u>	<u>% Met</u>
For 2005-06	352	141	40.0
For 2006-08	590	330	55.9
Percent of Demand Met for 2005-08:			49.9

*Source: AAA Report on Supply & Demand for Accounting PhDs*

# Supply of New Ph.D.s Across Specialties

Percentage of Expected Demand Over Three Academic Years, 2005-08

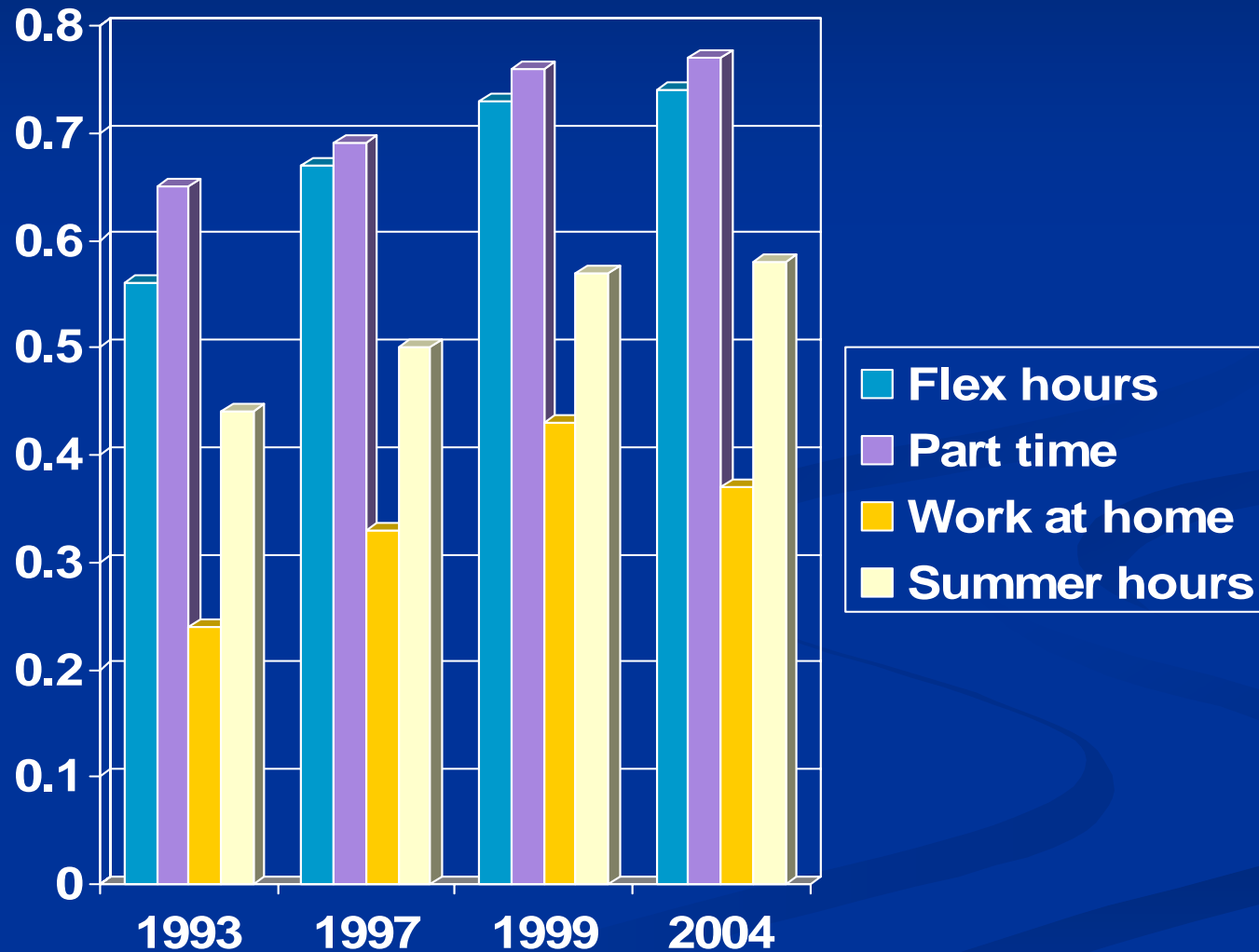


# AICPA Research – Work-Life Balance

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- Both men and women express high degree of concern for work-life effectiveness (between 72% and 92%)
- For the first time ever, work-life considerations rank equal to interest in career progression
- Four generations of workers are active in the workplace, creating the need for change
- Baby boomers are beginning to retire, creating even more pressure on resources

# AICPA Research – Alternative Work Arrangements



# Resources— [www.aicpa.org/worklife](http://www.aicpa.org/worklife)

- **Striking a Balance DVD**
- **The Facts on Workplace Flexibility**
- **Promoting Your Talent, Book**
- **Summit 2003, Career and Life in the Balance, Conference Materials**
- **Mentoring Program Guidelines**

The screenshot shows the AICPA website interface. At the top left is the AICPA logo. Below it is a navigation menu with links such as 'About the AICPA', 'Accounting Education Center', 'Accounting Standards', 'Accounting & Auditing Technical Hotline', 'Accreditations', 'Affiliated Sites', 'AICPA Conferences', 'AICPA Library at Ole Miss', 'AICPA Publications', 'Antifraud Resource Center', 'Audit & Attest Standards', 'Audit Committee Effectiveness Center', 'Authoritative AICPA Audit and Attest Standards', 'Business Valuation and Forensic & Litigation Services Center', 'Career Resources', 'Center for Public Company Audit Firms', and 'Classified Advertising'. The date 'January 24, 2006' is displayed. The main content area features a green header for 'AICPA Career Opportunities' with a search bar and navigation links like 'Login', 'Update Profile', 'Join', 'Pay Dues', 'Member Benefit Programs', and 'The AICPA Store'. Below this is a banner image of a person reading a newspaper. The main heading is 'Work/Life and Women's Initiatives'. Underneath, there is a 'Table of Contents' with links to '2005 Women's Summit', 'Audit Effectiveness', 'Conference Schedule', 'Diversity Statement', 'Media Relations', 'Member Profiles', 'Mentoring Guidelines', 'Related Articles', 'Research', and 'Resources'. To the right, a 'Mission Statement' section states: 'To promote a culture within the accounting profession that is known for:' followed by a bulleted list: 'Work/Life effectiveness, and' and 'Retention and development of'. Below the mission statement is a 'SPECIAL FEATURES' section with a photograph of a smiling woman.

# Stop the Revolving Door – What Employers Need To Do

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- Need to understand generational differences and what staff want today
- Create a culture that appeals to young professionals
- Need more role models of successful leaders (men and women) who set an example
- Establish mentoring programs demonstrating that we care about your future
- Align rewards with what is important with retaining staff
- Build flexibility into everything

# Summary

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- Profession is more challenging and complex than ever before
- The rate of change is accelerating
- The profession is highly respected
- Demand for our services is at an all-time high
- Regulatory pressures continue to fuel increased demand – in public companies and organizations of all types

# Summary (Cont)

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- There is a shortage of resources in the profession that will continue for decades to come
- Workplaces are slowly adapting to “One Size Fits One”
- You need to figure out the right work environment for you
- **THERE’S NEVER BEEN A BETTER TIME TO JOIN THE PROFESSION!**

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# QUESTIONS?

Contact Leslie Murphy:

[leslie.murphy@plantemoran.com](mailto:leslie.murphy@plantemoran.com)

248 223 3227