



### STATE BOARD UPDATE

By Rick Reisig, CPA, Chairman

As you know, the State of Montana's Board of Public Accountants role is to provide for the protection of the public as it utilizes the services of licensees. The issues all public accountancy state boards deal with revolve around the three "E's" – education, examination, and experience. Our scope is tremendously wide, in that we deal with issues of those individuals that are just entering the profession to issues of those already in the profession to even, believe it or not, issues of those trying to retire from the profession! In today's fast-paced and ever-changing environment, aspects of each of the three E's are undergoing rapid and dramatic changes that challenge our State Board to remain fully engaged in each area and aware of proposed changes across the country that could affect how our licensees provide service to the public we protect. We view our "public" very broadly to include the students studying to enter the profession, the practitioners who are providing services, and certainly the clients and employers of our licensees who are the recipients of their services, or other third parties who rely on the by-products of those services.

Issues of the profession being discussed nationally that are presently on our "plate" to monitor and participate in the discussion include the following:

- Debate over whether candidates for the Uniform CPA Examination should have **completed** 150 credit hours of education prior to their becoming eligible to sit for any section of the exam. Presently, Montana does not have this requirement.
- Ethics education in our colleges and universities. Should greater emphasis be placed on ethics education at our colleges and universities, and if so, how best to deliver that education?

- International Financial Reporting Standards (IFRS) education in our colleges and universities. If our colleges and universities have not already done so, when should they begin teaching international financial reporting standards to their accounting students?
- Proposed changes to the Uniform CPA Examination, such proposed changes including the types of simulations included in the various sections, the sections that will include essay questions and which will not, and the types of content and skills that should be tested as part of the exam. We are actively participating in the discussion of these changes.
- Continued monitoring for quality assessment purposes the examination experience of our Uniform CPA Examination candidates.
- Actively participate in the passage of "mobility" legislation in the state of Montana, thus allowing our Montana public quicker and more efficient access to the CPAs of their choice. This is part of a nation-wide initiative to adopt "mobility" legislation in all jurisdictions. The Advisory Committee on the Auditing Profession, appointed by the U.S. Treasury Secretary, recommends that if states have failed to adopt mobility legislation by December 31, 2010, Congress should pass a federal provision requiring such legislation.
- International Financial Reporting Standards (IFRS) as a requirement for public companies. Our focus thus far has been to monitor the progress of IFRS, and participate in the discussion of whether IFRS should eventually be required for Montana's non-public companies.
- Role of state regulators in a global standards setting environment. We are monitoring and

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participating in the discussion of how state regulators can protect their public as global business becomes more prevalent.

- Evaluation of professional competencies and skills of accountants from other countries. We are monitoring and participating in the discussion of how best to assess the qualifications and skills of accountants from other countries that are providing services to our public in the global business environment.

These are all major issues, to be sure, that certainly affect the future of the profession, and therefore, the public it serves. Rest assured, our State Board is up to the task of being active participants in the development and progress of each of these areas, with the sole purpose of protecting the Montana public in mind.

### **FIN 46R**

By: Hugh A. McWhorter, CPA  
Enforcement Coordinator

Company A owns 100% of the stock in Company B. Let's say A is a manufacturer and B owns a building leased to A. In all likelihood consolidated financial statements would be prepared.

Let's change one fact. Company B is an LLC owned by the shareholders of Company A. What accounting issue does one have to deal with other than related party disclosures? Until implementation of FIN 46R (a FASB interpretation of ARB 51) Company A would only have to disclose related party transactions. Now a new set of rules apply and A may have to consolidate B.

Yes, an LLC may have to be consolidated with a corporation.

All of the rules of consolidation would apply—e.g.—intercompany accounts and transactions would be eliminated. Additionally, there are some fair value considerations that are beyond the scope of this article.

FIN 46R mandates that our LLC be evaluated as to whether it is a Variable Interest

Entity (VIE). If it is a VIE it has to be consolidated with A. If it is not, a consolidation does not have to occur.

To determine if a VIE is present, there are a series of tests that would be applied to our LLC, Company B. One of the foremost is whether B is adequately capitalized. If B can't survive without its relationship with A then one is looking at a VIE. Additional tests of control of B are also applied to determine if B is a VIE.

It appears that in any given year B could slip into or out of VIE status. Personally I believe this could make comparative financial statements confusing at best.

This article more than scratches the surface of FIN 46R. Yet there are additional considerations. An excellent discussion of FIN 46R may be found at:

<http://www.journalofaccountancy.com/Issues/2005/Dec/ToConsolidateOrNot.htm>

Want to avoid having to wrestle with FIN 46R? Prepare financial statements on the income tax basis of accounting.

### **RECENTLY NOTICIED RULE AMENDMENTS**

The Board has adopted the amendments to its rules pursuant to MAR Notice No. 24-201-43 at its November 2008 meeting. The amendments will become effective January 16, 2009. To receive a copy, please contact the Board office.

### **Compliance with Continuing Education Requirements**

The Montana Board of Public Accountants has seen an increase in complaints against licensees for failure to comply with the continuing professional education (CPE) requirement. Pursuant to ARM 24.201.2106, licensees are required to complete 120 hours of acceptable continuing education. The Board considers failure to comply with the CPE

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requirement a serious matter. Licensees unable to meet the CPE requirement due to hardship exceptions or other extenuating circumstances should notify the Board office immediately and request an extension in order to comply with the requirement. A \$100.00 penalty fee is usually imposed by the Board. The decision on whether or not to grant an extension is at the discretion of the Board. Licensees who do not meet the CPE requirement will not be renewed by the Department until the requirement is satisfied and may still be subject to disciplinary action by the Board. When licensees maintain their professional competence, through continued education, the Board can better ensure protection of the public, which is their primary role as regulators.

#### **BOARD MEMBER APPOINTMENTS TO NASBA COMMITTEES**

We are proud to announce that Pamela Lynch, CPA has been appointed to the NASBA CPE and Ethics Committees, and Rick Reisig, CPA has been reappointed to the NASBA CPA Licensing Examinations Committee for another term.

#### **Board Disciplinary Actions**

(May 2, 1008 through December 31, 2008)

Leslie McIntosh CPA 3108-Violations: 37-1-316 (18), MCA and ARM 24.201.301. Final Order Signed 5/13/2008. Disposition: Revoked – Licensee cannot reapply until successfully completes term of federal probationary supervision.

Charles Lee CPA 1643- Violations: 37-1-316 (18), MCA and ARM 24.201.723. Default Order 5/13/2008. Disposition: Licensee barred from re-applying for licensure for five years.

Boyd Taylor, CPA, Accounting Office 75- Violations 37-1-316 (18), MCA and ARM 24.201.2410 (1) (d) (e). Final Order Signed 11/19/2008. Disposition: \$500 fine.

Copies of these documents are available upon request.

#### **2009 BOARD MEETING DATES**

January 12-13, 2009  
May 5-6, 2009  
August 25-26, 2009  
November 18-19, 2009

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### **The Honorable Brian Schweitzer Governor of Montana**

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