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American Institute of Certified Public Accountants. Continuing Professional Education Division. CPE Standards Subcommittee

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EXPOSURE DRAFT

PROPOSED STATEMENT ON STANDARDS FOR FORMAL CONTINUING PROFESSIONAL EDUCATION (CPE) PROGRAMS

JUNE 1, 1990

**Proposed by the Continuing Professional
Education Standards Subcommittee,
American Institute of Certified Public Accountants**

**Comments should be received by August 31, 1990, and addressed to
Stacy Kosmides, Administrative Manager, Continuing Professional Education Division
AICPA, 1211 Avenue of the Americas, New York, N.Y. 10036-8775**

SUMMARY

This proposed statement on standards for formal Continuing Professional Education (CPE) programs was developed by the AICPA's CPE Standards Subcommittee. It was approved for issuance by the AICPA Board of Directors and CPE Executive Committee. The standards incorporate parts of and supersede the AICPA's 1971 Resolution of Council regarding CPE and the 1976 *Statement on Standards for Formal Group and Formal Self-Study Programs*.

The standards were widely exposed and the feedback carefully considered in order to promote uniformity and gain the widest possible acceptance from individual state boards of accountancy, the National Association of State Boards of Accountancy (NASBA), state societies of CPAs, other professional associations, appropriate government agencies, and other interested parties.

The AICPA urges all groups who set CPE standards for accounting professionals to adopt these standards. The AICPA plans to interpret and revise these standards as necessary.

This exposure draft has been sent to—

- *State Boards of Accountancy.*
 - *National Association of State Boards of Accountancy (NASBA).*
 - *State society executives and CPE directors.*
 - *AICPA Council.*
 - *AICPA committee members.*
 - *Other professional associations.*
 - *Appropriate government agencies.*
 - *Sponsors of CPE programs.*
 - *Persons who have requested copies.*
-

June 1, 1990

Accompanying this letter is an exposure draft of the *Statement on Standards for Formal Continuing Professional Education (CPE) Programs*. It has been prepared by the CPE Standards Subcommittee. A summary of the proposed Statement also accompanies this letter.

The current CPE standards were issued in 1976. While a major overhaul is not needed, some standards need revision, interpretation, or clarification. Further, an important goal is uniformity. The CPE Executive Committee established a CPE Standards Subcommittee in late 1988 to examine the need to revise and/or interpret the CPE Standards issued in 1976. They also asked the Subcommittee to move toward *one* set of CPE Standards for the entire accounting profession. With conformity as an overriding goal, the Subcommittee was formed with representatives from: SECPS and PCPS Peer Review Committees; Quality Review Executive Committee; state society executive and CPE directors; National Association of State Boards of Accountancy (NASBA) and boards of accountancy; industry; federal and local government; education; and the EDMAX Subcommittee.

The purpose of this exposure draft is to solicit comments from individual state boards of accountancy, NASBA, state societies of CPAs, other professional associations, appropriate government agencies, and other interested parties. This proposed Statement has been developed to incorporate parts of and supersede the AICPA's 1971 Resolution of Council regarding CPE and the 1976 *Statement on Standards for Formal Group and Formal Self-Study Programs*.

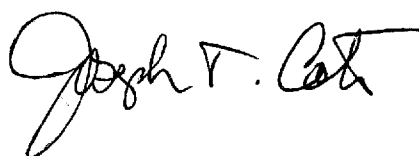
Comments or suggestions on any aspect of this exposure draft will be appreciated. It will be helpful if the responses refer to the specific paragraph and include supporting reasons for any suggestions or comments.

Comments on this exposure draft should be sent to Stacy Kosmides, Administrative Manager, Continuing Professional Education Division, American Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, New York 10036-8775, in time to be received by August 31, 1990.

Yours truly,



Stanley Person
Chairman
CPE Standards Subcommittee



Joseph T. Cote
Vice President
Continuing Professional Education

Continuing Professional Education Standards Subcommittee (1988-90)

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PROPOSED STATEMENT ON STANDARDS FOR FORMAL CONTINUING PROFESSIONAL EDUCATION (CPE) PROGRAMS

PREAMBLE

The right to use the title "Certified Public Accountant" is granted and regulated in the public interest. The title imposes a duty to maintain public confidence and implies a responsibility to be current in knowledge, skills, and abilities in relevant areas so that quality, competent service is assured. This duty and responsibility extends to all accounting professionals.

The environment within which the accounting professional functions is more dynamic and demanding today than ever before. The profession is characterized by an explosion of relevant knowledge, a changing and expanding nature, and increasing complexity as a result of advancing technology, globalization of commerce, increasing specialization, proliferating regulations, and the complex nature of business transactions. These conditions require a renewed emphasis on the continuing development of competence among accounting professionals.

Individuals, firms, and regulatory bodies have recognized that the continuing development of competence involves a program of lifelong educational activities. While both formal and informal learning activities are included in this program and both are necessary in order to achieve the goal of attaining and maintaining professional competence, the development of standards for *formal* Continuing Professional Education (CPE) activities has been recognized as important and necessary to satisfying the objective of achieving quality in such programs.

The following standards have been broadly stated in recognition of the diversity of practice and experience among accounting professionals. They establish a framework for the development, presentation, measurement, and reporting of formal programs of CPE and thereby help to ensure that accounting professionals receive the quality continuing professional education necessary to satisfy their obligations to serve the public interest.

The uniform adoption of these standards by all professional regulatory bodies will assist in assuring consistent quality in an environment of high mobility of participants and great variability in program sponsors.

GENERAL STANDARDS

Standard No. 1. Accounting professionals should participate in formal programs of learning that maintain or increase their professional competence or do both.

Commentary. The fundamental purpose of CPE is to maintain or increase professional competence or do both. An accounting professional's field of employment does not limit the need for continuing professional education.

A person performing services of a professional nature needs to have a broad range of knowledge, skills, and abilities. Thus, the concept of professional competence should be interpreted broadly. Accordingly, programs contributing to the development and maintenance of nontechnical professional skills should also be recognized as acceptable continuing education.

Acceptable subjects include the fields of study set forth in the AICPA National CPE Curriculum: accounting and auditing, advisory services, specialized knowledge and applications, management, personal development, and taxation. Other subjects may also be acceptable if they maintain and/or increase the accounting professional's competence.

While accounting professionals participate in a wide variety of learning activities, CPE credit is allowed only for formal programs of learning. Even though no CPE credit is allowed for informal learning activities (such as on-the-job training; reading professional publications; conducting peer reviews; serving

on committees; participating in informal roundtables; writing books, articles, or courses; and so on), these learning activities are very important in attaining and maintaining professional competence, and they are a regular part of an accounting professional's continuing development.

Standard No. 2. It is the responsibility of each accounting professional to comply with all applicable continuing professional education requirements.

Commentary. An accounting professional may have to meet CPE requirements of a state licensing body, a membership association, or a firm. The professional must meet the highest applicable requirements. Exceptions to such requirements may be granted by the appropriate body for reasons of health, military service, foreign residency, retirement, or other good reason if such reason prohibits compliance with these requirements.

Standard No. 3. CPE program sponsors have a responsibility to comply with all applicable standards.

Commentary. Sound administration, adequate resources, competent supervision, and an effective and supportive organizational structure are necessary elements in the design, development, implementation, and monitoring of CPE programs. For each program sponsor, there should be an identifiable administrator charged with demonstrating compliance with these standards.

When a sponsor works with others to develop, distribute, and/or present CPE programs, the responsibility for ensuring that all standards are met rests with the sponsor. The functions of each party should be identified and documented.

STANDARDS FOR FORMAL CPE PROGRAM DEVELOPMENT

Standard No. 1. Program developers should state learning objectives and specify the level of knowledge participants should have attained upon completion of the program.

Commentary. Learning objectives should specify what participants will be able to perform upon completing a program. A program may have more than one objective, but each objective should be written to be consistent with the program's specified level of knowledge. Levels of knowledge should be described as basic, intermediate, advanced, or update.

Standard No. 2. Program developers should state the prerequisites for education or experience or both for all programs.

Commentary. All programs should clearly identify prerequisites, if any. Prerequisites should be written in precise language so that potential participants can readily ascertain whether they qualify for the program or whether the program is above or below their level of knowledge.

Standard No. 3. Program developers should be qualified in the subject matter and in instructional design.

Commentary. Both competencies are necessary to develop a program; accordingly, more than one individual may be necessary to meet this standard. Adequacy of technical knowledge or skill in instructional design may be obtained through appropriate practical experience or education or both. The level of technical competence and instructional design skills that the developer(s) should possess will vary depending on certain characteristics of the program, such as the number of times it will be presented, the length of the program, the complexity of the subject matter, and the number of participants.

Standard No. 4. Program materials should be reviewed by a qualified person(s) other than the person(s) who developed them before the materials are used.

Commentary. In order to meet this standard, the program materials must be prepared in advance of presentation. The level of technical competence and instructional design skills of the reviewer should be at least equal to those of the developer of the program. The nature and extent of review will vary depending on characteristics of programs.

Standard No. 5. Program materials should be technically accurate, current, and sufficient to meet the program's learning objectives.

Commentary. Program materials should be reviewed periodically to ensure compliance with this standard.

STANDARDS FOR FORMAL CPE PROGRAM PRESENTATION

Standard No. 1. Program sponsors should inform participants in advance of objectives, prerequisites, experience level, program content, nature and extent of advance preparation, teaching method(s) to be used, recommended CPE credit, and relevant administrative policies.

Commentary. In order for potential participants to effectively plan their CPE, the significant features of the program should be disclosed in advance in brochures or other announcements. When CPE programs are offered in conjunction with non-educational activities, or when several CPE programs are offered concurrently, an appropriate schedule of events should be made available to participants. The sponsor's registration policies and procedures should be formalized, published, and made available to participants.

Standard No. 2. Program sponsors should encourage participation only by individuals with appropriate education or experience or both.

Commentary. Sponsors should comply with the spirit of this standard by encouraging (1) enrollment only by eligible participants, (2) timely distribution of materials, and (3) completion of any advance preparation by participants.

Standard No. 3. Program sponsors should select instructors qualified with respect to both program content and teaching methods used.

Commentary. The instructor is a key ingredient in the learning process in any group program. Therefore, it is imperative that sponsors exercise great care in selecting qualified instructors for all group programs. Qualified instructors are those who are capable, through background, training, education, and/or experience, of providing an environment conducive to learning. They should be competent in the subject matter, skilled in the use of the appropriate teaching method(s), and prepared in advance. Instructors are responsible for informing participants of any changes necessary to make the program current.

Sponsors should evaluate instructors' performance at the conclusion of each program to determine their suitability to continue to serve as instructors.

Standard No. 4. Program sponsors should ensure that the number of participants and physical facilities are consistent with the teaching method(s) specified by the developer.

Commentary. The number of participants, quality of facilities, and seating arrangements are integral and important aspects of the educational environment and should be carefully controlled.

Standard No. 5. Program sponsors should provide an effective means for evaluating the quality of the program.

Commentary. The objective of evaluations is to increase program effectiveness. Evaluations should be solicited from both participants and instructors. At a minimum, programs should be evaluated to determine whether —

- Learning objectives have been met.
- Prerequisites were necessary or desirable.
- Program materials were satisfactory.
- The program content was timely and effective.
- The instructor's knowledge and presentation skills were effective.
- Facilities were satisfactory.

For example, evaluations might include questionnaires completed at the end of the program, oral feedback from participants, and tests for the effectiveness of the program.

Sponsors should periodically review the evaluation process to ensure its effectiveness.

STANDARDS FOR FORMAL CPE PROGRAM MEASUREMENT

Standard No. 1. Continuing professional education credit should be recommended only for formal programs of learning that maintain or increase the professional competence of the individual or do both.

Commentary. While informal learning is essential to overall professional development, continuing professional education credit is granted only for formal programs. A formal program of learning is a process that is designed and intended primarily as an educational activity and that complies with the *AICPA Statement on Standards for Formal Continuing Professional Education (CPE) Programs*. All other competence-building and learning activities are considered to be informal.

Standard No. 2. All programs should be measured in terms of fifty-minute contact hours. The shortest program for CPE credit purposes should consist of one contact hour.

Commentary. The purpose of this standard is to develop uniformity in the measurement of formal CPE programs. A contact hour is fifty minutes of participation in a group program. Under this standard, credit is granted only for full contact hours. For example, a group program lasting one hundred minutes would count for two contact hours; however, one lasting between fifty and one hundred minutes would count for one contact hour. For conferences in which individual segments are less than fifty minutes, the sum of the segments should be considered one total program. For example, five thirty-minute presentations would equal one hundred fifty minutes and should be counted as three contact hours.

Sponsors are encouraged to monitor group programs in order to accurately record the appropriate number of contact hours for participants who arrive late or leave before a program is completed.

Self-study programs should be pretested to determine average completion time. One-half of the average completion time is the recommended credit to be allowed. For example, a self-study program that takes an average of eight hundred minutes to complete is equivalent to eight contact hours of credit.

For university or college courses, each unit of credit shall equal the following CPE contact hours:

Semester System	15 hours
Quarter System	10 hours

Technology-based, interactive CPE programs (those that simulate a classroom learning process) should receive CPE credit as group programs. Technology-based, noninteractive CPE programs should receive CPE credit as self-study programs.

Standard No. 3. Instructors or discussion leaders should be given CPE credit for their preparation and presentation time if the programs increase their professional competence and qualify for CPE credit for participants. Credit for instructors or discussion leaders should be measured in terms of contact hours.

Commentary. Instructors and discussion leaders should receive CPE credit for both preparation and presentation. The first time they present a program, they should receive credit for actual preparation hours up to two times the number of presentation hours. For example, if a program is presented for eight contact hours, the instructors could receive up to twenty-four contact hours of credit (sixteen contact hours for preparation and eight contact hours for presentation). For repeat presentations, instructors should receive no credit unless they can demonstrate that the program content involved was substantially changed and such change required significant additional study or research.

In addition, the maximum credit for preparation and presentation should not exceed fifty percent of the total CPE credit required in a reporting period. For example, if an instructor's requirement is one hundred twenty contact hours of CPE every three years, the maximum credit that could be claimed would be sixty contact hours even if twenty-four contact hours of presentation and up to forty-eight contact hours of preparation were earned during that period.

STANDARDS FOR FORMAL CPE PROGRAM REPORTING

Standard No. 1. Participants in formal programs of learning should document their participation including: (1) sponsor, (2) title and description of content, (3) date(s), (4) location, and (5) number of CPE contact hours. Appropriate evidence of completion should be retained.

Commentary. This standard is designed to require participants to document their claim of continuing professional education credit. Acceptable evidence of completion includes—

- For group programs, a certificate or other verification supplied by the sponsor.
- For self-study programs, a certificate supplied by the sponsor after satisfactory completion of a workbook or examination.
- For a university or college course that is successfully completed for credit, a record of the grade the person received.
- For instruction credit, evidence obtained from the sponsor of having been the instructor or discussion leader at a program.

In the absence of legal requirements, a reasonable policy would be to retain documentation for five years from the date the program is completed.

Standard No. 2. In order to support the reports that may be required of participants, the sponsors should retain the following for an appropriate period: (1) record of participation, (2) copy of the program materials, (3) date(s), (4) location, (5) instructor(s), (6) number of CPE contact hours, (7) summary of program evaluations, and (8) evidence of compliance with responsibilities set out under these standards.

Commentary. Because participants may come from any state or jurisdiction, the appropriate amount of time for retention of this information is not dependent solely on the location of the program or sponsor. Therefore, sponsors should retain this information for a period of five years from the date the program is completed.

Sponsors may wish to provide a certificate or other verification to participants; in any event, sponsors should be prepared to furnish, upon request, a record of participation to participants. The record should reflect the CPE credit hours earned by each participant, including those who arrive late or leave early.

GLOSSARY

Accounting Professional. One who provides accounting or consulting services under circumstances where there is an expectation of public confidence in such practice. Thus, those practicing accounting either in firms or as individual Certified Public Accountants, or those accountants employed in industry, government, and education, would generally be considered accounting professionals. With respect to firms of CPAs, the term *accounting professional* extends to all persons employed to provide client services, including but not limited to both certified and noncertified accountants, auditors, actuaries, engineers, and other management consultant professionals.

AICPA National CPE Curriculum. A curriculum developed by the AICPA that offers a framework of knowledge and skill areas to assist accounting professionals in planning their CPE. The *Curriculum* is subdivided into six subjects labeled fields of study. They are: Accounting and Auditing, Advisory Services, Management, Personal Development, Specialized Knowledge and Applications, and Taxation.

Contact Hour. Fifty minutes of participation in a group program.

Continuing Professional Education (CPE). An integral part of the lifelong learning required to provide competent service to the public, it is the formal set of activities that enables accounting professionals to maintain and increase their professional competence.

Fields of Study. The AICPA National CPE Curriculum is subdivided into six subject areas labeled fields of study. They are Accounting and Auditing, Advisory Services, Management, Personal Development, Specialized Knowledge and Applications, and Taxation. These fields represent the primary knowledge and skill areas needed by accounting professionals to perform professional services in all fields of employment.

- *Accounting and Auditing*—Includes accounting and financial reporting subjects, the body of knowledge dealing with pronouncements of authoritative accounting principles issued by the standard-setting bodies, and any other related subject generally classified within the accounting discipline. It also includes auditing subjects related to the examination of financial statements, operations systems, and programs; the review of internal and management controls; and the reporting on the results of audit findings, compilation, and review.
- *Advisory Services*—Deals with all advisory services provided by accounting professionals, including Management Advisory Services and Financial Planning Services.
- *Management*—Considers the specific management needs (and not general management skills of the accounting profession) such as organizational structures, marketing services, human resource management, and administrative practices. For individuals in industry, there are subjects dealing with the financial management of the organization, including information systems, budgeting, and asset management, as well as items covering management planning, buying and selling businesses, contracting for goods and services, and managing foreign operations. For accounting professionals, this curriculum embraces budgeting, cost analysis, human-resource management, and financial management in state and local governmental entities.
- *Personal Development*—Covers such skills as communicating, managing the group process, and dealing effectively with others in interviewing, counseling and career planning, public relations, and professional ethics.
- *Specialized Knowledge and Applications*—Treats subjects related to specialized industries. An industry is defined as specialized if it has unusual forms of organization, economic structure, source(s) of financing, legislative or regulatory requirements, marketing or distribution, terminology, or technology and so employs unique accounting principles and practices, encounters unique tax problems, requires unique advisory services, or faces unique audit issues.
- *Taxation*—Includes subjects dealing with tax compliance and tax planning. Compliance covers tax return preparation, review, IRS examinations, ruling requests, and protests. Tax planning focuses on applying tax rules to prospective transactions, understanding the tax implications of unusual or complex transactions, and recognizing alternative tax treatments and tax saving opportunities.

Formal Program of Learning. A process that is designed and intended primarily as an educational activity and that complies with the AICPA *Statement on Standards for Formal Continuing Professional Education (CPE) Programs*. All other competence-building and learning activities are considered to be informal.

Group Program. An educational process designed to permit a participant to learn a given subject through interaction with an instructor and other participants.

Informal Learning. A process that is not designed and intended primarily as an educational activity and that does not comply with the AICPA *Statement on Standards for Formal Continuing Professional Education (CPE) Programs* is considered to be informal (such as on-the-job training; reading professional publications; conducting peer reviews; serving on committees; participating in informal roundtables; writing books, articles, or courses; and so on).

Knowledge, Skills, and Abilities (KSAs). The proficiency areas or human attributes, or both, required for maintaining or increasing professional competence. These proficiencies entail the understanding of technical accounting information, the ability to apply technical information to work situations, and an awareness of the limitations of technical information problem solving.

Learning Objectives. Specifications of what participants are expected to be able to perform as a result of completing a CPE program. They also help program developers decide on the appropriate instructional methods and determine how much time to devote to certain subjects in the program.

Level of Knowledge. Nature and depth of knowledge, skill, and ability in a particular subject.

- *Basic*—Covers fundamental principles and skills. This level is for individuals with *limited or no* exposure to the subject(s).
- *Intermediate*—Builds on the basic level or upon fundamental principles and skills and focuses on their application. This level is for individuals with *some* exposure to the subject(s).
- *Advanced*—Focuses on the development of in-depth knowledge, a variety of skills, and/or a broader range of applications. This level is for individuals with *significant* exposure to the subject(s).
- *Update*—Provides a general overview of new developments. It is for individuals with a background in the subject(s) who wish to be kept up-to-date.

Program Developer. The individual or organization responsible for setting learning objectives and creating program materials to achieve such objectives.

Program Sponsor. The organization responsible for presenting a program to the final user(s).

Self-Study Program. An educational process designed to permit a participant to learn a given subject without major interaction with an instructor.

Technology-Based, Interactive CPE Courses. Courses designed to use interactive learning methodologies that simulate a classroom learning process by employing software, other courseware, and administrative systems that provide significant ongoing, interactive feedback to the learner regarding his or her learning progress. Evidence of satisfactory completion of each course segment by the learner is built into such courses.

These courses clearly define lesson objectives and manage the student through the learning process by (1) requiring frequent student response to questions that test for understanding of the material presented, (2) providing evaluative feedback to incorrectly answered questions, and (3) providing reinforcement feedback to correctly answered questions. Therefore, capabilities are used that, based on student response, provide appropriate ongoing feedback to the student regarding his or her learning progress through the course.