

## Definitions of Qualifying Experience

A candidate's qualifying experience may be obtained through the practice of public accounting and/or paid or volunteer employment in industry, academia, or government. Experience must be obtained through the use of accounting, attest, management advisory, financial advisory, tax, tax advisory, or consulting skills. The Board provides the following definitions of these skill areas to assist you in classifying your experience.

These definitions are not intended to be all-inclusive. The Board acknowledges that there are other types of experience that have not been specifically identified in these definitions but could be considered a part of the definition. The Board also recognizes that experience may not be clearly identified with only one skill area or that experience may have elements of more than one skill area. For example, experience with a client's accounting system may have exposed the candidate to both accounting and tax skill areas or experience in consulting may have exposed the candidate to both management advisory and consulting skill areas. Nevertheless, it is the candidate's responsibility to match the experience with the required skill area(s) in order to determine if a particular type of experience fits within a specific skill area. The definitions that the Board has provided are intended to help you match and classify your experience with a skill area.

### Accounting

Accounting is the process of providing quantitative information about economic entities to aid users in making decisions concerning the allocation of economic resources. An economic entity means all types of business and includes churches, hospitals, charitable organizations, municipalities, governments and other organizations. Users of accounting information include individuals external and internal to the entity. External users are outside the business or other entities that need to decide whether to engage or continue to engage in some activity (for example, investing, granting credit, business partnerships, or procuring goods or services) with the entity. Internal users are inside the business or other entities that need to make decisions (planning, controlling, and problem solving) concerning the operations and activities of the entity. Providing information includes the series of activities leading up to and including communicating the information through a report or some other communication process. These activities include

- Bookkeeping activities including
  - Identifying the information that has an economic impact on the entity;
  - Measuring the information in quantitative terms, usually monetary;
  - Recording the information in the accounting system;
  - Retaining the information for future use, and
  - Communicating the information by means of an accounting system.
- Managing accounts payable or accounts receivable;
- Managing fixed asset accounts;
- Managing inventory accounts.

## Issuing Reports on Financial Statements

Issuing reports on financial statements includes the examination of financial statements that are intended to present financial position (balance sheet and statement of retained earnings), results of operations (income statement), and statement of cash flows in conformity with generally accepted accounting principles accompanied by the expression of a competent opinion concerning the fairness of the presentation of those financial statements in accordance with generally accepted auditing standards. Issuing reports on financial statements also covers participating in performing an examination, an audit, a review, a compilation or an agreed-upon procedures report on subject matter, or an assertion about the subject matter that is the responsibility of another party. Attestation engagements concern examining, auditing reviewing, compiling or performing agreed upon procedures on a subject matter or an assertion about a subject matter and reporting on the results. The subject matter may take many forms, including historical or prospective performance or condition, physical characteristics, historical events, analyses, systems and processes, or behavior. Engagements can cover a broad range of financial or non-financial objectives and can be part of a financial statement audit or other type of audit. A CPA candidate's experience in issuing reports on financial statements also includes participation in preparing and/or advising on:

- Specified elements, accounts, or items of a financial statement;
- Interim financial information or segments of financial statements;
- Letters for underwriters and certain other requesting parties;
- Year-end audit. This may include assisting the client in calculating the amount of the income taxes owed, valuing stock options and other stock compensation arrangements under FAS 123, and drafting and typing up the financial statements.
- Review of interim (monthly, quarterly) financial statements.
- Compilation of financial statements.
- Valuations of derivatives at fair market value for accounting purposes.
- Assistance in preparation of and review of filings with the SEC, including initial public offerings.
- Underwriter comfort letters for SEC and non-SEC filings.
- Audit of Management's Discussion and Analysis in SEC filings.
- Agreed upon procedures engagement (the client and auditor agree to procedures the auditor is to perform with respect to tasks such as testing a royalty arrangement or compliance with a loan agreement, and the auditor then issues a report on his or her findings).
- Audit or review of financial forecasts or projections. This includes such documents included in offering memoranda.
- Providing advice on how to interpret new accounting pronouncements, including providing sample journal entries.
- Audits of financial statements of pension plan financial statements.
- Director examinations of financial institutions.
- CPA WebTrust - an engagement to review the security of a company's website that is conducting electronic commerce over the internet.

- Assisting international companies in conforming their financial reporting to U.S. financial reporting practices (GAAP conversions).
- Technical opinions on accounting matters to clients of other accounting firms.

### **Tax Preparation and Tax Advisory Service**

Tax preparation includes federal, state, or local tax returns. Tax advisory service includes analyzing financial and tax problems, formulating solutions and making recommendations designed to provide advice on taxation for clients ranging from individuals to business. A tax advisor helps an entity translate personal and/or business goals into targeted action steps designed to maximize the entity's tax position. Tax planning helps clients understand the tax effects of each financial decision. Candidates' experience in tax preparation and tax advisory services may include participation in preparing and/or advising on:

- Federal and state individual income tax returns;
- Federal and state corporation tax returns;
- Tax consequences of acquiring existing businesses and business assets;
- Reorganization of corporations and partnerships;
- Estate tax planning;
- Individual and corporate tax planning (including federal, state, and local taxes);
- Tax ramifications of corporate and real estate transactions;
- Personal financial planning for individuals including client employees and executives;
- Income tax planning for executives including employee compensation and benefit plans;
- Investment planning;
- Tax efficiency of proposed gift and charitable contribution programs;
- Tax impact of income and deductions, contributions, major purchases and investments;
- Programs for planning for college;
- Retirement planning programs;
- Estate planning including preparation of wills, trusts, etc.;
- Representation of clients in tax negotiations and disputes with the IRS;
- Representation of clients in IRS, State, or local audit;
- Property tax assessments;
- Succession planning;
- Tax advice to executors and trustees;
- Tax credit reviews to determine maximum allowable credits (e.g., research and development credits);
- Trade and customs services - ensures compliance with trade laws and regulations while trying to avoid, reduce, or defer overall customs duties;
- Transfer pricing studies and evaluation, documentation, and modification of existing policies;
- Valuation services; and
- Value Added Tax (VAT) Services.

## Management Advisory

Management advisory includes the assessment of the performance and the management of a program against objective criteria. It also includes an assessment of best practices and other information that is intended to improve program operations. Management may seek help in selecting new computer hardware and software or suggestions on how clients can improve their operations. For example, improvements in the design and installation of an accounting system, the electronic processing of accounting data, inventory control, or budgeting. A CPA candidate's experience in management advisory services may include participation in preparing and/or advising on:

- Ethics and Responsible Business Practices - a service that helps clients address the sources of internal wrongdoing and eliminate barriers to responsible business practices;
- Evaluation, design and implementation of:
  - Internal accounting and financial reporting controls;
  - Financial reporting policies and procedures; and
  - Effectiveness of an entity's internal control over compliance with specified requirements;
- Evaluation, design and implementation of management and business controls over various business functions such as management reporting systems, research and development, etc.;
- Business Fraud and Investigation Services - helps companies identify, manage and minimize integrity risks, such as suspected management or alleged employee fraud;
- Benchmarking of best practices including business and financial reporting practices.
- Reengineering of business processes including:
  - Manufacturing processes;
  - Research and development processes;
  - Review of spending levels (e.g., for general and administrative expenses).
  - Plant layout design;
- Review of manual processes that feed into computerized information systems; and
- Staff reduction programs.

## Financial Advisory

Financial advising is concerned with the efficient use of assets including funds within the enterprise and raising of funds. This is a service which considers all the client's financial affairs and which develops a plan to achieve a client's financial objectives. It can include internal audit but also include investments such as life insurance, pensions, mutual funds/unit trusts. A CPA candidate's experience in financial advisory services may include participation in preparing and/or advising on:

- Internal audits including government internal auditors and internal audits in a company that is not related to financial statement preparation.
- An entity's compliance with requirements of specified laws, regulations, rules;
- Contracts, or grants; including final contract cost and reasonableness of proposed contract costs.
- Compliance with regulations relating to governmental financial assistance;
- Processing of transactions by service organizations;
- Prospective financial statements or pro forma financial information;
- Reliability of performance measures;
- Treasury management services including design, development and implementation of policies and procedures;
- Credit management services including design, development and implementation of credit policies and procedures;
- Design and structuring of financial instruments;
- Assisting investment banking firms with the design of financial instruments and financing transactions;
- Assistance with finding/identifying equity parties or financing parties;
- Identification and selection of banks;
- Assistance with or preparation of financing and loan applications;
- Loan review services;
- Financial markets and banking regulatory advisory service;
- Due diligence reviews;
- Lead advisor for private placements;
- Preparation of offering memorandums;
- Merger/acquisition candidate targeting;
- Merger transaction advice on:
  - Structuring of transactions;
  - Tax implementations;
  - Sourcing capital;
  - Preparation of pro forma financial statements and projections;
  - Reengineering acquired businesses;
  - Cost reduction and synergistic studies;
- Appraisal and valuation of targets assets, including receivables, inventories, property, plant and equipment, intangible assets and in-process research and development;
- In some foreign jurisdictions, the firms act as stock transfer agents; and
- "Turnaround" business advisors.

## Consulting Services

Consulting services includes professional or expert advice to clients covering major consulting practice areas including but not limited to:

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|-------------------|--------------------|
| Marketing & Sales | Engineering        |
| Human Resources   | Manufacturing      |
| Government        | Safety             |
| Finance           | Environment        |
| Health Care       | Energy             |
| Scientific        | Telecommunications |
| Legal             |                    |

A CPA candidate's experience in consulting services for these, and other practice areas, may include participation in preparing and/or advising on:

- Selection of new hardware and software systems. This may include activities such as performing a "needs analysis," preparation of a request for proposals, and overseeing, assistance with, or performance of demonstrations;
- Implementation of new hardware and software systems. This may include:
  - Full on-site team to perform all implementation services;
  - Project administration of another consulting team;
  - Development of necessary manual and computer control systems;
  - Providing necessary computer programmers;
  - Software design and programming;
  - Ongoing support functions;
- Development of IT management and/or strategic plans;
- Development of IT disaster recovery and security plan;
- System security audits;
- Application controls consulting;
- Business continuity planning and information security services;
- Electronic commerce services;
- Evaluation and selection of telephone systems;
- Consulting on information technology issues;
- Designing and developing employee compensation programs including:
  - Stock option programs;
  - Retirement plans;
  - Executive compensation arrangements;
  - Deferred compensation and bonus arrangement;
- Evaluation of marketing and distribution channels;
- Development of marketing and distribution channel plans and consulting on the implementation of such plans;
- Corporate and commercial legal services to national and international companies worldwide;
- Assistance to law departments and general counsel to enhance and measure performance;

- Litigation support which would include:
  - Case management;
  - Expert accounting and financial reporting witnesses;
  - Damages experts and witnesses;
  - Environmental litigation experts;
  - Securities litigation experts;
  - Antitrust services;
  - Construction disputes;
  - Service of detailed data to provide cost-effective, proactive strategies and solutions to complex business disputes;
- Outsourcing of such client functions as information systems. This may include outsourcing management or the entire data processing and information systems group:
  - Internal audit function;
  - Tax department;
  - Office of the Chief Financial Officer;
  - Accounting department;
  - Human resource department;
  - Risk management function;
- Government Contract Consulting - helps companies understand and address business risks associated with negotiating, contracting with, and performing under contracts for the sale of goods or services with U.S. federal, state, local and foreign governments;
- Advise government entities that are privatizing on commercialization, restructuring, competition, changing organization attitudes, customer satisfaction and policy adjustment; provides other grant-aided work in emerging markets;
- Real Estate - provides advice about increasing the profitability of real estate assets through the acquisition, development, management and disposition of single assets or portfolios of properties. Services also include strategic planning, consolidation studies, surplus property planning, valuations, and outsourcing consulting;
- Services for middle-sized companies - includes cash management, payroll needs, business relocation services, and shareholder meetings;
- Insolvency/executor services - acting as receivers, liquidators, bankruptcy trustees, or advisors to debtor or creditor groups; and
- Specific services for health insurers and other health care organizations.