

PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**COMMENTS/RESPONSE ON THE CIRCULARIZATION AND IMPLEMENTATION OF BOA RESOLUTION
NO.3**

**REQUIRING THE SUBMISSION OF CERTIFICATE BY THE RESPONSIBLE CERTIFIED PUBLIC ACCOUNTANTS
ON THE COMPILATION SERVICES FOR THE PREPARATION OF FINANCIAL STATEMENTS AND NOTES
THERETO**

By now, many CPA colleagues in the profession particularly from the commerce and industry and public practice must have read the circularization through the BOA Facebook of the above-cited Resolution instructing the immediate implementation of its provisions effectively for financial statements prepared for the year 2015.

Expectedly, this circularization has caused confusion and consternation among our CPA colleagues prompting them to ask questions about the intent and clarity of the resolution and its implementing guidelines and timelines, and unfortunately, causing some to accuse PICPA as not doing anything in safeguarding the profession's interest when the Institute is as well a victim like them of the confusion regarding deadlines.

To set the record straight, we received a copy of the Resolution through email from PRC-BOA on January 20th advising us to disseminate the resolution already approved and signed by the PRC commissioners and BOA members on January 19th. We were caught off-guard by the advice because prior to this, BOA has extended the submission of comments on the said resolution until January 31st and we were then in the process of preparing and submitting a written comment on it. We gather that ACPACI and ACPAPP have submitted their comments to the BOA and whether their comments and suggestions were considered in the final Resolution, we are not privy.

Be that as it may, PICPA is issuing this communication to all concerned to shed light on the contentious matters required of CPAs in that Resolution.

The following are our comments on BOA Resolution No. 3:

1. The Resolution is predicated and founded upon the provisions of the Accountancy Act of 2004, the provisions of the Code of Ethics, and Auditing Practice and Standards which are expressly and sufficiently detailed in the "Whereas" clauses. Thus, we believe that the PRC-BOA is indubitably well within the law to prescribe rules and regulations governing the practice of the profession in the various sectors of industry, public practice, education, and government.
2. We find the intent of the Resolution as not contrary to but actually in advance of the interest of the Accountancy profession as a whole. By requiring CPAs in commerce and industry to sign a certificate of compilation of financial statements and their corresponding notes, and their consequent accreditation as such, a number of benefits would be achieved, as follows:

- a. Financial statements prepared and used by the public practitioners for their attest function are assured to be quality reports prepared in accordance with current accounting standards.
- b. The accreditation will enable the accounting and registration of CPAs from the commerce and industry sector much like the accounting and registration of CPAs from the public practice and education sectors who are currently the sectors being accredited.
- c. The CPAs will have a stronger bargaining power among companies employing them because these companies will, ipso facto, be persuaded to employ CPAs instead of non-CPAs in the light of the requirement for the submission of the Certificate of Compilation. Conversely, the professionalization of the practice in commerce and industry will be raised a notch higher by such a requirement.
- d. Companies will not have to incur the added cost of contracting a CPA for the certification work if they choose to employ a non-CPA for their accounting and finance functions.
- e. Small and big practitioners will have an opportunity to offer a new service of compilation to clients that they do not render attest or audit services, thus enlarging their products to offer to varied client base.

Some of the pertinent questions and issues raised by our colleagues that they perceive to be of negative consequences in their practice are:

1. It is another burden in time and money especially when they have to secure another accreditation for compilation services.

Our response is that only the CPAs in commerce and industry will be required to get accreditation for this service. Since they are employed, the cost of accreditation may be passed on to their employers for after all, such a certificate is in pursuit of their work in the company.

CPAs in public practice have the option to obtain or not such a certification depending on their interests and practice goals. There is no compulsion for them to obtain one if they do not want it. If they want it in pursuit of practice development, then they are mandated by the Resolution to obtain both, one for attest and one for compilation for their non-attest clients. This strategy is actually a boon in the practice sector because thousands of companies in the 10-million revenue threshold employ non-CPAs because of their affordability.

2. Some are raising the legal presumption that once a CPA accorded the rights and privileges by the state, they can practice whatever, whichever they want as Accountants.

This presumption may be untenable in the light of the provisions of the Accountancy Act that delineates practice areas among the four sectors and the regulatory powers accorded to the Board of Accountancy under the same Act.

The practice of Accountancy and services that a CPA renders has evolved from the purely attest function to other more dynamic and strategic areas of management like consulting, analytics, forensic accounting, IT-driven auditing, management and operations auditing, inquiries and investigations. Thus, accreditation is not only given by regulatory agencies, they are also given

by specific entities like the Certified Financial Analyst (CFA), Certified Management Accountant (CMA), and the like.

3. Finally, the timeline and schedules given for the implementation of the Resolution are unreasonable and unrealistic.

We are absolutely in agreement with this concern of effectivity of implementation. For one, the Resolution requires that it be implemented for financial statements prepared in 2015. This is too early and too drastic and abrupt a schedule. Second, CPAs need to apply for accreditation not later than February 29 and comply with CPD requirements not later than June 30, 2016 after signing an affidavit of undertaking. Third, for those who are already accredited as public practitioners and desire to obtain accreditation for compilation services, they have to go through another round when at the same time they are already busy preparing for the tax audit season. And finally, we doubt the capacity and capability of PRC-BOA to handle the deluge and surge of applicants for accreditation in one fell swoop.

We believe that a more reasonable schedule and timeline should be fixed in consultation with the various stakeholders of the profession.

In the interest of clarity, we will raise this matter to the BOA through Chairman Joel Tan Torres to consider strongly the extension of the schedule to a more reasonable and realistic time frame, which we suggest is 2016 financial statements. **Or we suggest a variation like make it voluntary compliance for June 30, 2016 financial statements and absolute compliance with December 30, 2016.** We believe that this period is enough for the concerned CPA colleagues to formulate their own responses and decisions. It is also viewed as much more compassionate that will enable more traction and attract more adherents from our colleagues. We will also request them to review their processes so that a one-stop shop accreditation will be possible.

January 25, 2016