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LETTER FROM THE CHAIR:

All practitioners take justifiable pride in their status as CPAs. However, although the number of students graduating with bachelor's degrees in accounting has been on the rise, the number of people taking the CPA Exam has been declining steadily for the past 15 years, with a noticeable drop in the recent past. This is a concern for all of us, because a decrease in the number of CPAs can make it difficult for us to grow our practices and could ultimately diminish the profession.

When students are asked, the top reason they give for postponing or not taking the exam is that they are too busy or don't have enough time to prepare. With the end of tax season not too far off, this is a good time to talk to the prospective CPAs in your firm about the value of our credential and begin to make concrete plans about the best time for them to take the exam. If your staff members don't know how the registration process works, you can remind them that the computer-based CPA Exam is now offered in two out of every three months each quarter. (For more information, go to www.cpa-exam.org.) Through the end of the year, candidates can take the exam in any of these remaining testing windows: April-May, July-August and October-November.

To help CPAs raise awareness of the exam within their firms, PCPS has created resources at the online Firm Practice Center that cover everything you need. The options include sample firm exam policies and the template for a tracking system to monitor staff progress toward passing. A flier on the "Top 10 Reasons to Take the CPA Exam as Soon as Possible!" can be posted in the office kitchen or lounge or circulated to staff to remind them of the benefits to becoming a CPA. You can find these resources and other information [here](#).

All the best,
Rich J. Caturano, CPA
Chair, PCPS Executive Committee

LETTER FROM THE VP:

At PCPS we are always trying to anticipate our members' needs so that we can develop programs and services to address them. As CPAs know, the IRS, starting this filing season, has made it possible for taxpayers to request an automatic tax-filing extension for most individual and business returns. Given this change, PCPS has updated a valuable resource so that it will remain useful to our members.

By filing Form 4868, *Application for Automatic Extension of Time to File a U.S. Individual Income Tax Return*, taxpayers can now receive a six-month extension without a signature or explanation. In the past, taxpayers had to ask first for a four-month extension, then had to file an additional request for two more months. For business filers, a retitled Form 7004, *Application for Automatic 6-Month Extension of Time to File Certain Business Income Tax, Information, and Other Returns*, can now be used not only by corporations but also by partnerships, real estate mortgage investment conduits and some trusts. (Of course, taxpayers must still pay their taxes by their due date.)

Clients who have never taken an extension before may have many questions about the process, so PCPS has stepped in to help practitioners provide answers. The PCPS brochure *My CPA Says "Extend": What Does That Mean to Me?* offers practitioners a convenient opportunity to help their clients understand the extension process. This popular resource has now been updated to include the latest information about the new automatic extension. The brochure's Q&A format makes it easy to read and understand. It's also a great marketing tool because practitioners can print their firm name and contact information on the brochure and use it as a leave-behind promotional piece. To view this **free** brochure, visit the [PCPS Firm Practice Center](#). And to learn more about the automatic extension, [check out this article](#).

Best regards,
Jim Metzler, CPA
AICPA Vice President, Small Firm Interests

A Taste of the Real World in New AICPA Game for Students

How do CPAs help companies in trouble? The Turnaround Game, a new online business simulation activity from the AICPA created for high school and college students interested in accounting, introduces players to the people and problems at an ailing record label and demonstrates CPAs' role in helping companies. It's the latest addition to the award-winning StartHereGoPlaces.com recruitment campaign, designed to interest high school and college students in the profession. Other games on the site include Catch Me If You Can II, in which students can investigate a murder and solve a fraud case. The site also features profiles of the CPA who is CFO of rapper Sean Combs' business empire and of a practitioner who specializes in the music industry. Visit the site to learn more about the profession's recruitment efforts or refer to it in your firm's own hiring efforts.

Seeking Peer Review Stories from Public Practice and Industry CPAs

What is the real impact of peer review? The AICPA is asking CPAs—in public practice or in business and industry—to share their stories about how peer review has helped their firms or companies. For example, the Institute would like to know about problems practices have corrected based on their peer review experiences or if CPAs in industry have used peer review results as a factor in selecting a firm for an assignment. Those willing to share their experiences should email previewstories@aicpa.org.

AICPA Comments on Proposal Regarding 199 Domestic Production Deduction

In commenting on proposed IRS regulations that provide guidance on Section 199, which was enacted as part of the American Jobs Creation Act of 2004, the AICPA commended the IRS for issuing the proposal. The Institute also provided recommendations to assist "in developing clear and administrable rules that incorporate safe harbors, simplifying assumptions, and *de minimis* rules, as appropriate, to reduce controversies and the attendant compliance and administrative costs." The AICPA also noted areas in which additional guidance was needed. The new 199 tax break for domestic producers is expected to have an impact on many kinds of businesses, including manufacturing; construction; software development; and energy. It is estimated to be worth \$76 billion over the next 10 years. Read the [comment letter here](#).

Simpler Tax-Filing Rules for Small Employers

Practitioners working with small business owners who often owe little or no employment taxes on their quarterly returns should be aware of temporary and proposed new IRS rules that minimize their tax-filing burden. As of January 1, employers with an estimated annual employment tax liability of \$1,000 or less were able to file a new Form 944, *Employer's Annual Federal Tax Return*—on January 31 after the end of the tax year—instead of filing Form 941, *Employer's Quarterly Federal Tax Return*. According to the IRS, the change will help almost 950,000 eligible small business owners. The IRS mailed notification letters to small employers eligible for calendar year 2006 between February 1 and 15. Eligible clients who did not receive a letter can call the IRS at 1-800-829-0115. For more information, [click here](#) or [here](#).

PCAOB Details Compliance Problems—and Suggested Solutions

Many small companies that have attempted to comply with SOX requirements have faced tremendous difficulties. Apparently, they are not alone. In a recent report, the Public Company Accounting Oversight Board acknowledges that "both firms and issuers faced enormous challenges in the first year of implementation." The PCAOB, in its report on implementation concerns associated with its Auditing Standard No. 2, attributes the problem to the short time frame in which issuers and auditors had to implement Section 404 of SOX, a shortage of staff familiar with the required controls, and related resource issues. The report also makes observations on how audits can be more effective and efficient. For a full copy of the report, visit the [PCAOB site](#).

Eight Risk Assessment Statements

The Auditing Standards Board has issued eight statements on auditing standards this month that relate to the auditor's risk assessment process. Taken together, they establish standards and provide guidance on an auditor's assessment of the risks of material misstatement in a financial statement audit, and the design and performance of related audit procedures. The ASB has said that it believes the SASs will substantially change audit practice and result in more effective audits. The SASs are as follows:

- SAS No. 104, *Amendment to "Due Professional Care in the Performance of Work" of Statement on Auditing Standards No. 1, Codification of Auditing Standards and Procedures*
- SAS No. 105, *Amendment to Statement on Auditing Standards No. 95, Generally Accepted Auditing Standards*
- SAS No. 106, *Audit Evidence*
- SAS No. 107, *Audit Risk and Materiality in Conducting an Audit*
- SAS No. 108, *Planning and Supervision*
- SAS No. 109, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*
- SAS No. 110, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*
- SAS No. 111, *Amendment to Statement on Auditing Standards No. 39, Audit Sampling*

The standards are effective for audits of financial statements for periods beginning on or after December 15, 2006. Early adoption is permitted. These standards are available at www.cpa2biz.com/risk. A new Audit Risk Alert will be released at that same Web address shortly thereafter. An audit guide containing implementation guidance, as well as several new CPE programs, is expected later this year to help auditors with the standards.

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