

Virginia Board of Accountancy
2014 Virginia-specific Ethics Course
**Practical Illustrations - “Substantial Use of Accounting, Financial,
Tax or other skills that are relevant, as determined by the Board.”**

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A series of practical illustrations follows to show how to determine whether a licensee is required to obtain continuing professional education under the new requirements and how the new requirements are less restrictive than the superseded requirements.

Illustration 1. The managing partner of a CPA firm holds a Virginia license and leaves the firm to become the chief executive officer of an entity. She only provides services that would be expected of a chief executive officer. None of those services requires the use of skills that would be relevant to determining whether she should be required to obtain continuing professional education. She is therefore not required to obtain continuing professional education. (The answer would have been the same under the superseded requirements.)

Illustration 2. Change the facts in illustration 1 so that it later becomes apparent that the chief financial officer may leave and not prepare the annual financial statements. The licensee offers to prepare the annual financial statements if the chief financial officer leaves and a replacement cannot be found in time. Preparing financial statements *requires the use of skills that are relevant* to determining whether the licensee should be required to obtain continuing professional education. *However*, the licensee has only *offered* to provide the service. *Only services provided are considered under the new framework*. She is therefore not required to obtain continuing professional education. (The answer would have been different under the superseded requirements. Since they included *offering* to provide *any* services that require the use of *accounting skills*, she would have been required to obtain continuing professional education. Because the new requirements are less restrictive, the licensee is *no longer required* to obtain continuing professional education.)

Illustration 3. Change the facts in illustration 2 so that the chief financial officer leaves, a replacement cannot be found in time, and the licensee prepares the annual financial statements. Preparing financial statements *requires the use of skills that are relevant* to determining whether the licensee should be required to obtain continuing professional education. *However*, the licensee *does not use those skills to fulfill a substantial portion of her responsibilities to the employer*. She is therefore not required to obtain continuing professional education. (The answer would have been different under the superseded requirements. Since they included providing *any* services that require the use of *accounting skills*, she would have been required to obtain continuing professional education even though this was a special, one-time situation. Because the new requirements are less restrictive, the licensee is *no longer required* to obtain continuing professional education.)

Illustration 4. The general manager of a car dealership holds a Virginia license. Each year, he prepares the dealership’s federal and state income tax returns. Preparing income tax returns *requires the use of skills that are relevant* to determining whether the licensee should be required

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to obtain continuing professional education. *However*, the licensee *does not use those skills to fulfill a substantial portion of his responsibilities to the employer*. He is therefore not required to obtain continuing professional education. (The answer would have been different under the superseded requirements. Since they included *preparing tax returns for an employer*, he would have been required to obtain continuing professional education even though he did not use those skills to fulfill a substantial portion of his responsibilities to the employer. Because the new requirements are less restrictive, the licensee is *no longer required* to obtain continuing professional education.)

If in addition to preparing the dealership’s tax returns, the licensee *also prepares* income tax returns for a few relatives and friends *as a side venture*, he would be considered to be providing services *to the public* and is required to obtain continuing professional education. (The answer would have been the same under the superseded requirements.)

Illustration 5. A licensee is a project manager for an entity that develops real estate. His responsibilities include analyzing potential sites for their development potential and making recommendations to the owners of the entity, preparing budgets for projects adopted, and analyzing and reporting significant variances between budgeted and actual results. The development of prospective information and the financial analyses are services that *require the use of skills that are relevant* to determining whether the licensee should be required to obtain continuing professional education. *However*, the licensee *does not use those skills to fulfill a substantial portion of his responsibilities to the employer*. He is therefore not required to obtain continuing professional education. (The answer would have been different under the superseded requirements. They included providing *any* services that require the use of *accounting skills* and *reports on financial advisory services for an employer*. Because the new requirements are less restrictive, the licensee *is no longer required* to obtain continuing professional education.)

Illustration 6. A licensee is the development director of a not-for-profit organization. A significant part of his responsibilities is consulting with potential donors and their advisors about the income tax and estate tax planning considerations for making contributions to the organization and obtaining and allocating federal and state tax credits. Those services *require the use of skills that are relevant* to determining whether the licensee should be required to obtain continuing professional education. In addition, the licensee *uses those skills to fulfill a substantial portion of his responsibilities to the employer*. As a practical matter, the fact that he is licensed was likely an important consideration to the organization in hiring him. He is therefore required to obtain continuing professional education. (The answer would have been the same under the superseded requirements. They included *furnishing advice on tax matters for an employer*.)