



Economic Impact Analysis Virginia Department of Planning and Budget

18 VAC 5-21 – Board of Accountancy Regulations
Board of Accountancy
March 22, 2006

Summary of the Proposed Regulation

The Board of Accountancy (board) proposes to amend its regulations in light of the fact that the board, rather than a vendor, will be verifying candidate qualifications before they are allowed to take the computer-based CPA examination (CBT). The board proposes to decrease costs for candidates by charging a \$120 administrative fee when candidates first take a CBT. Candidates will pay no administrative fee when retaking a CBT.

Result of Analysis

The benefits likely exceed the costs for this proposed regulatory change.

Estimated Economic Impact

Current regulation requires candidates for a Certified Public Accountant (CPA) exam to pay an administrative fee to a company contracted by the board to check candidate credentials and ensure that only individuals who have completed all prerequisites are approved to take an exam. CPA Examination Services INC (CPAES) currently holds this contract. CPEAS charges candidates \$160 to check their credentials the first time they take an exam and between \$60 and \$105 for any exam retakes. Since less than 20% of candidates pass the CPA exam the first time they take it, more than 80% have had to pay the administrative costs associated with retaking exams. The board reports that, between April 2004 and April 2005, CPAES received \$256,770 from initial candidates for the CBT and \$334,440 from candidates seeking to retake the CBT.

The board proposes to change regulatory fees so that the board can take on the responsibility of checking candidate credentials. The board proposes to replace its initial examination application fee of \$25 with an examination administration fee of \$120 for first time

CBT candidates. First time candidates for examination will pay \$65 less once the proposed regulation is promulgated.

The board also proposes to completely eliminate the administrative fees for credential checking that CPAES currently charges candidates seeking to retake the CBT. These candidates have already been deemed qualified to take the CBT so rechecking their credentials is unnecessary and will be eliminated. Although they will still be subject to other testing costs, this regulatory change will save candidates between \$60 and \$105 each time they retake the CBT.

Assuming other factors hold constant, the proposed regulation will reduce examination costs for Virginia's CBT candidates by more than \$360,000 annually. CBT candidates will undoubtedly benefit from this regulatory change. To the extent that this change encourages candidates to persevere through the process of becoming CPAs, the general public may also benefit from having a larger pool of CPA services at their disposal.

Businesses and Entities Affected

The proposed regulation will affect all individuals seeking to take the CBT in the Commonwealth. The board reports that approximately 3000 candidates take this exam annually.

Localities Particularly Affected

The proposed regulation will affect all localities in the Commonwealth.

Projected Impact on Employment

The cost savings that will accrue for candidates because of the proposed regulation may encourage some candidates to take, or retake, the CBT where before they would have chosen not to. This may increase the total pool of CPAs doing business in the Commonwealth. This effect is likely to be small, however, given that the amount saved on administrative fees is small when compared to the total costs associated with becoming a CPA.

Effects on the Use and Value of Private Property

This regulation is unlikely to have any effect on the use or value of private property in the Commonwealth.

Small Businesses: Costs and Other Effects

The proposed regulation lowers costs for the regulated community.

Small Businesses: Alternative Method that Minimizes Adverse Impact

The proposed regulation lowers costs for the regulated community.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.