

**Economic Impact Statement**

LSA Document #09-151

**IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses****Estimated Number of Small Businesses Subject to this Rule:**

U.S. Census Bureau North American Standard Classification System 541211 Offices of Certified Public Accountants

U.S. Census Bureau North American Standard Classification System 541219 Other Accounting Services

The Indiana Board of Accountancy (Board) has the authority to promulgate rules governing the administration and enforcement of [IC 25-2.1](#) and the conduct of licensees, including rules of professional conduct directed to controlling the quality and probity of the practice of accountancy by licensees, including independence, integrity, and objectivity, competence and technical standards, and responsibilities to the public and clients. There are 9,457 certified public accountants (CPA), 89 public accountants (PA), 13 accounting practitioners (AP), and 1,190 accounting firms in the state of Indiana. Although the proposed rule affects the practices of CPAs, PAs, and APs specifically, small businesses for which these licensees are employed will also be affected because of the licensees' compliance. The proposed rule will also affect the practice of the approximately 1,190 accounting firms with permits to practice accountancy issued by the Board. Some businesses that do not have a CPA, PA, or AP employed would not be affected by this rule. Some businesses that employ CPAs, PAs, or APs and are affected by this rule are not small businesses so those businesses would not be included in this estimate. Therefore, the exact number of small businesses affected by this rule is less than 1,190. The costs imposed on these small businesses are because the licensed CPAs and firms that are directly affected by this rule will have to comply with the most recent American Institute of Certified Public Accountants (AICPA) Professional Standards requirements and the licensed PAs and APs and firms affected by this rule will have to comply with the most recent Rules of Professional Conduct of the National Society of Accountants (NSA) as opposed to the version of the standards currently in effect.

**Estimated Average Annual Administrative Costs That Small Businesses Will Incur:**

The Board estimates that there will be no annual reporting, administrative costs, or record keeping requirements incurred by small businesses to comply with this rule because the 2008 AICPA Professional Standards and the 2003 NSA Rules of Professional Conduct that are being incorporated in the Board's proposed rule because the small businesses are already complying the previous standards and simply complying with the most recent version. The small businesses are already complying with these professional standards as opposed to the version of the standards currently in effect.

**Estimated Total Annual Economic Impact on Small Businesses:**

The Board estimates that there will be an impact on small businesses as a result of compliance with this rule. In order to comply with this proposed rule, a CPA may have to replace 2005 AICPA edition with the 2008 AICPA edition. In addition, in order for PAs and APs to comply with this proposed rule, they may have to replace the May 2003 NSA standards with the June 2003 standards. Compliance with the new 2008 edition of the AICPA Professional Standards and the 2003 NSA Rules of Professional Conduct are not intended to have or will have minimal compliance costs because certified public accountants (AICPA) and public accountants and accounting practitioners (NSA) are already complying these professional standards as opposed to the version of the standards currently in effect. Therefore, there are no viable alternative into carrying out the purpose of this proposed rule.

- **Justification of Requirements or Costs on Small Businesses Where Rule Is Not Expressly Required by Law:** The proposed rule was permitted by [IC 25-2.1-2-15](#) for the Board to enforce and administer its article, including adopting rules of professional conduct directed to controlling the quality and probity of the practice of accountancy by licensees, including independence, integrity, and objectivity, competence and technical standards, and responsibilities to the public and clients. In addition, the AICPA Professional Standards and the Rules of Professional Conduct of the NSA are the national standard for professional accountancy practice that certified public accountants and firms (AICPA) and public accountants and accounting practitioners and firms (NSA) are expected to follow. The Board is incorporating these standards in their rules to keep current with the national standards.
- **Supporting Data, Studies, or Analyses:** The Board did not rely on any data, studies, or analyses in determining the imposition of the AICPA Professional Standards is necessary.

**Regulatory Flexibility Analysis of Alternative Methods:**

The proposed rule was permitted by [IC 25-2.1-2-15](#) for the Board to enforce and administer its article, including adopting rules of professional conduct directed to controlling the quality and probity of the practice of

accountancy by licensees, including independence, integrity, and objectivity, competence and technical standards, and responsibilities to the public and clients. The purpose of this proposed rule is to have the national standards in effect in Indiana and applying to all CPAs, PAs, APs, and firms so there are no less intrusive and cost effective methods for regulating the practice of accountancy.

**A. Establishment of less stringent compliance or reporting requirements for small businesses.**

The Board is incorporating these standards in their rules to keep current with the national standards. The standards established by AICPA are for all CPAs and firms no matter the size of the business. The standards established by NSA are for all PAs, APs, and firms no matter the size of the business.

**B. Establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses.**

Because there are no reporting requirements, there was no need to establish less stringent schedules or deadlines for small business compliance.

**C. Consolidation or simplification of compliance or reporting requirements for small businesses.**

There are no other reporting requirements imposed by the proposed rule. The standards established by AICPA are for all CPAs and firms in Indiana no matter the size of the business. The standards established by NSA are for all PAs and APs and firms in Indiana no matter the size of the business.

**D. Establishment of performance standards for small businesses instead of design or operational standards imposed on other regulated entities by the rule.**

The standards imposed by this rule were developed by the AICPA and the NSA. The standards established by AICPA are for all CPAs and CPA firms no matter the size of the business. The standards established by NSA are for all PAs, APs, and PA and AP firms no matter the size of the business.

**E. Exemption of small businesses from part or all of the requirements or costs imposed by the rule.**

This proposed rule does not impose additional reporting requirements or costs. The standards established by AICPA are for all CPAs and CPA firms no matter the size of the business. The standards established by NSA are for all PAs, APs, and PA and AP firms no matter the size of the business.

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