

# THE BOTTOM LINE

The Independent Voice for Canada's Accounting and Financial Professionals

## Rival group worries bar set too low

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Ottawa

In the opening salvo of what could become a turf war for management accounting expertise, a U.S. accounting organization is questioning the ease with which a rival group's new designation allows its members to work as management accountants.

The American Institute of Certified Public Accountants (AICPA) and British-based Chartered Institute of Management Accountants (CIMA) have consummated a joint venture that will award members of both accounting giants with a newly minted Chartered Global Management Accounting (CGMA) designation.

But the Institute of Management Accountants (IMA) is not happy with the way certain AICPA members will get the new designation, citing a low threshold. It takes issue with the fact the CGMA can be awarded on the basis of only three years of experience in management accounting or financial management.

"If you have a CPA and you demonstrate three years of management accounting experience and pay a fee, you earn the CGMA. Our view is that, in addition to an educational and experience requirement, you need to study for and pass a rigorous exam," says Jeffrey Thomson, president and chief executive officer of the IMA, which is based in Montvale, N.J., and has about 63,000 members in



THOMSON

120 countries.

Certified Public Accountants who qualify are automatically registered as CGMAs for six months; this July, they will have to decide whether to maintain or opt out of the dual designation. The IMA believes this process should be the other way around: CPAs have to qualify and opt in — perhaps by writing a special exam.

"I don't agree with [the IMA's] premise," counters Arleen Thomas, the AICPA's senior vice-president of management accounting. She stresses that CPAs go through a rigorous examination as a foundation for their eligibility to become CGMAs.

The AICPA exam generally extends over two days, with those

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striving for a CPA designation needing to demonstrate a broad-based understanding of multiple topics, including financial reporting, ethics, business concepts, the structure of organizations, information technology, auditing and law. Everyone who qualifies for the CGMA starts by having passed that exam, plus five years of relevant education, Thomas explains.

"Add three years of working in the teams and functions within the organization that drive business, and drive solid decisions, and it is just a very high bar that we have set for our members to pass," she stresses.

This burgeoning turf war comes at time when companies are seeking management accounting expertise to help them navigate a sputtering economy, at home and abroad. Management accountancy is a valued speciality within the broader accounting profession for organizations seeking business acumen beyond the balance sheet.

Thomson at the IMA says management accounting is very different than financial accounting,

such as closing the books, producing financial statements, and regulatory reports. "Those types of accounting are very important, but the gap in the organization's ability to drive business performance and protect investors tends to be more in the managerial accounting area. So, if you start with the premise 'we need to do a better job at driving business performance in organizations; to do a better job of protecting investors and their hard-earned investments and ethics,' and then talk about this talent gap, this leads directly to our concern," he says.

The AICPA, which has about 397,000 members and students mostly in the United States, and the Chartered Institute of Management Accountants, with about 195,000 members and students in 176 countries, began working toward the joint venture for the CGMA designation in the spring of 2010.

Chartered Institute of Management Accountants members who wish to use their dual original designation plus CGMA are entitled to do so, and the IMA has no objections to that, Thomson

says. "At least those outside the U.S. who have been CIMA qualified, and get the CGMA, have passed the CIMA exam in management accounting, which is rigorous and robust — and I give CIMA credit for that."

But George Glass, CIMA's immediate past president, suggests that benefit eventually will flow to the AICPA members. "Going forward, I think we'll see the syllabuses become much more aligned, and people who have taken [either] the CPA or CIMA route — if they've done management accounting, [will] have actually done the same thing in terms of the study and process."

Thomas at the AICPA adds there is "a high level of synergy [in] sharing CIMA's thought leadership with our members. The world is becoming more complex and more global, and CIMA's global footprint will allow CPAs who are CGMAs in the United States to connect with this world-wide profession."

There are also strong advantages to the public in having newly minted CGMAs available to provide business acumen that will assist firms to make stronger decisions, which will lead to more sustainable organizations that form the basis for stronger economies, Thomas contends. "It really is an opportunity for us to almost reboot business through the use of the

See Merger

## Merger could come in time as well

Continued

CGMA."

From CIMA's standpoint, "we have a very limited presence in North America, and so we thought this was an excellent way of moving forward," Glass says.

"As the world recovers from the global financial crisis, we've got to somehow move away from short-termism and understand the use of long-termism, and that's a big part of what management accounting is about."

There is also a three year grandfathering period until Jan. 1, 2015 that the IMA objects to; up until that time, AICPA members who qualify and want to remain as CGMAs will maintain that status, so long as they continue to fulfill their annual professional requirements. Members who come into the AICPA program in 2015 or

later will need to complete an additional assessment in order to qualify for a dual designation. Firms hiring management accountants are disadvantaged by this grandfathering and lack of assessment for a three-year period, Thomson says.

As for the qualifications, Shane Dikolli, an associate professor of accounting at Duke University's Fuqua School of Business in Durham, N.C., acknowledges that AICPA members must submit to rigorous examination to join the profession in the U.S.

Nevertheless, he says, "management accounting is a very separate discipline. [AICPA members] haven't done the same types of exams as what a CIMA or IMA member, or CMA Canada member would do.

"It remains to be seen what the professional development program



THOMAS

and the new exams will look like for the CGMA, but for the existing members there is this provision where they can be grandfathered

in, and I see that as a potential weakness," he adds.

Dikolli says the additional competition created by having two professional accounting bodies offering management accounting designations in the U.S. might be a good thing for not only the public interest but also the membership in both bodies.

In Australia, for example, competition has strengthened the two professional bodies, CPA Australia and the Institute of Chartered Accountants, "because they've strived to preserve high standards and compete on the basis of quality," says Dikolli, who is a member of CPA Australia.

A joint venture of this magnitude between professional accounting bodies, while not common, "is not altogether surprising, given that the world's becoming more global, and there

are lots of opportunities for firms in the U.S. to expand their organizations across borders. They want the people they've hired and trained in the U.S. to be able to work and be recognized in countries outside the U.S.," Dikolli says.

"I wouldn't be surprised to see more things like this happen," he adds.

There is also potential for a full-scale AICPA and CIMA merger in future, although both parties insist that is not their short-term focus. "As we started down this path we looked at a joint venture as the best way to achieve our goals and to help businesses be stronger using the skill sets of the CGMAs as the best model," Thomas says.

"We've also been very public that we will agree to discuss a merger every two years, and so we'll see what happens," she adds.