

Today's CPA

Texas Society of
Certified Public Accountants

Building the CPA Pipeline



A Faculty Perspective

110 Years Strong: TXCPA Returns to
Its Roots at the Tremont House

Joint Ventures and Equity
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The Statement of GreenHouse
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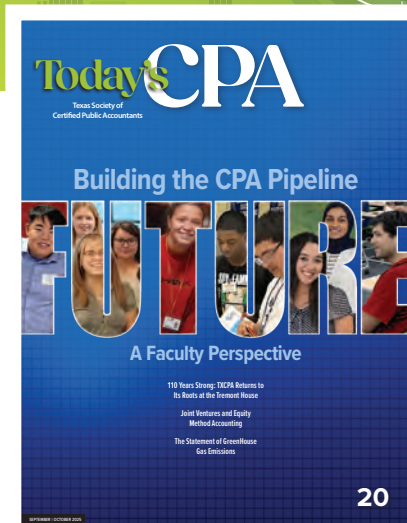
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“Your passion, your time and your voice are what drive TXCPA, and the profession, into the future.”

Stronger Together: Empowering the Next Generation

As we turn the page into fall, I'm excited to share the September/October issue with you. This edition is especially close to my heart because it focuses on something that's vital to the future of the profession and of TXCPA – building and supporting the CPA pipeline.

Our cover story, “Building the CPA Pipeline: A Faculty Perspective,” offers a thoughtful look at how educators are shaping tomorrow's professionals. You'll also find a visual roundup of TXCPA resources for students and candidates, a spotlight on Houston student member Mariella Bosquez, and

a special thank you to our student and faculty ambassadors who are helping us grow the profession from the ground up.

We've also included a recap of our TXCPA Annual Meeting, updates from TXCPA's chapters around the state and some powerful technical content – from the evolving landscape of greenhouse gas emissions reporting to practical strategies for attracting more CAS clients. And if you're looking to sharpen your skills, don't miss our CPE feature on inventory and financial control.

But here's what I want to be sure you know: none of this works without you.

Whether you choose to mentor a student, become a Pipeline Champion or share your story in our new “Meet the CPAs” feature, your involvement mat-

ters. It's how we build a stronger, more connected profession – together.

Thank you for being part of TXCPA. Your passion, your time and your voice are what drive TXCPA, and the profession, into the future.

TXCPA President and CEO
Jodi Ann Ray, CAE

How can TXCPA help you in 2025-2026?

Drop me a note at jray@tx.cpa.

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The Statement of GreenHouse Gas Emissions

The Rapidly Evolving Landscape of Sustainability and Climate Disclosure

In the [May/June 2023 issue](#) of *Today's CPA*, I questioned whether the GreenHouseGas Protocol's Scope 3 emissions reporting was a step too early or too far. As of now, I'm still not convinced that Scope 3 reporting will be universally adopted at all, at least not in the foreseeable future. However, standardization and regulation of sustainability and climate disclosure (of which greenhouse gas emissions would be a subset) are rapidly evolving¹.

Additionally, ongoing developments by standard-setters are keeping the landscape moving forward. In a global survey of more than 200 sustainability leaders, conducted in December 2024 and January 2025, nearly 70% of respondents said they developed an initial baseline for Scope 3 emissions and 54% have been collecting primary data to track progress².

Investors currently need to sort through a cornucopia of sustainability information in standalone reports, investor questionnaires, shareholder resolutions, and Securities and Exchange Commission (SEC) filings. Yet each of these reports has limitations³. As time goes by and methods evolve that more efficiently garner and capture GHG emissions data, there is every reason to speculate that Scope 3 reporting will happen and could be presented on a single financial statement.

The Greenhouse Gas Protocol, launched in 1998, provides the world's most widely used set of standards and guidance for measuring and report-

ing greenhouse gas emissions. It has developed guidance to identify, calculate and track emissions. In addition to developing standards, the GHG Protocol promotes its adoption to encourage a low emissions economy worldwide⁴. In addition to public and private resources, it remains the foundation for many climate action initiatives.

Measuring greenhouse gas emissions can be done by calculating activity data and emissions factors⁵. Scope 3 reporting would include the indirect emissions of a myriad of suppliers and customers (its value chain) or what is alternately termed upstream and downstream activities. Accordingly, a user-interactive financial statement would not only report on each activity but would likewise allow a user to drill down into the data and calculations from which emissions disclosures were derived. Creating a useful

statement would need to relay information that is consistent from company to company in a sector/industry.

In a company's value chain, a multitude of non-distinguishable suppliers and consumers contribute to an overwhelmingly complex set of activities. So not only does a sizeable challenge exist to precisely interpret and quantify material and energy transfers that occur at each activity throughout the company's value chain, attesting to the veracity of the information will certainly prove formidable. Emissions metrics (i.e. tCO₂e or tonnes of carbon dioxide or greenhouse gas equivalents) for each of the activities would be made available on a statement enabling stakeholders to search, extract and compare a company's quantitative emissions disclosures.

For example, the IFRS Foundation has developed taxonomies to accommodate digital financial reporting of such information⁶. And while this and other taxonomies might facilitate quantitative presentation and disclosures, reporting entities would be ultimately responsible for the quality of such information.

A useful Statement of GHG Emissions would need to present information that is consistent from sector to sector, and industries within each sector. The GHG Protocol Corporate Value Chain Accounting and Reporting Standard – which established the Scope 3 standard – has delineated 15 upstream and downstream categories. In addition, it elaborates on each category description and summariz-



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Figure 1

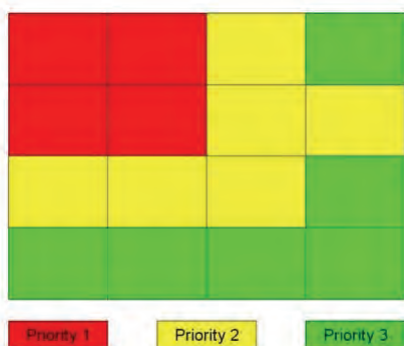
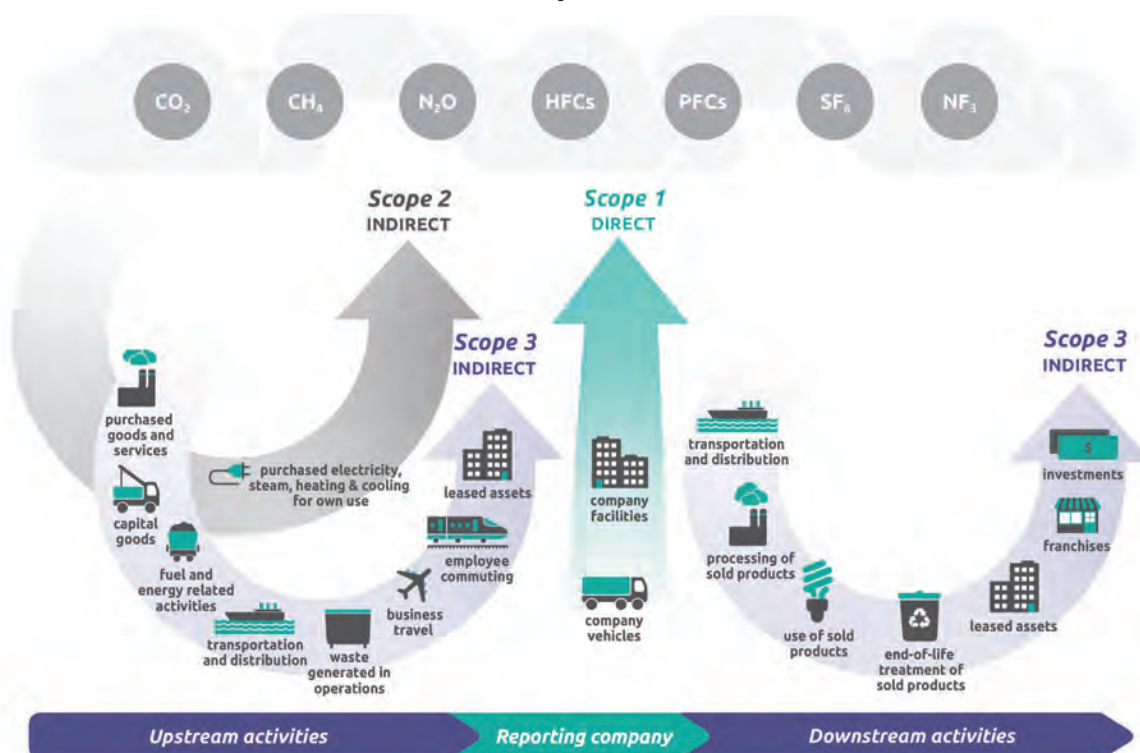


Figure 1A

TODAY'S CPA SEPTEMBER | OCTOBER 2025 5

Figure 2



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Figure 3

Sample Apparel Company, Inc.
Statement of GreenHouse Gas Emissions

For The Year Ending December 31, 2024

Scope 3 Upstream
Emissions produced by your supply chain

Scope 3 Downstream
Emissions produced by your customer activity



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From Pipeline to Mobility

TXCPA Champions Two Major Wins for the Accounting Profession

The 89th Texas Legislature brought major wins for TXCPA and the CPA profession. [Senate Bill 262](#) creates an additional CPA licensure path – bachelor’s degree with accounting concentration, two years’ experience and passing the CPA Exam – effective August 1, 2026.

TXCPA also successfully advocated for a new individualized mobility law. [Senate Bill 522](#) modernizes CPA practice mobility in Texas and ensures only well-qualified CPAs have practice privileges, setting a model for other states.

Both laws require new rules from the Texas State Board of Public Ac-

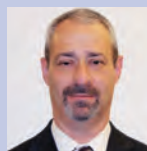
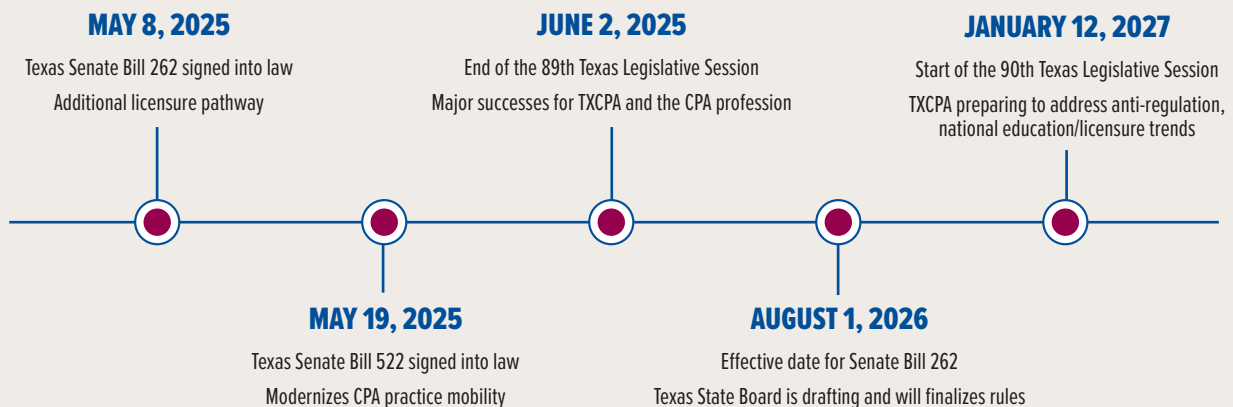


countancy. TXCPA is working with stakeholders – students, candidates, accounting educators, higher education institutions, CPAs, and the State Board – to create clear, practical guidelines that support the additional licensure path and mobility provisions while honoring the legislature’s intent.

Looking ahead, TXCPA is monitoring national anti-regulation trends and working with other state societies to protect strong licensure and education standards, state boards, CPE requirements, and more that safeguard the public.

Want to get involved? Contact [Kenneth Besserman](#) at TXCPA.

Key Events from the Legislative Session and Looking Ahead



BY KENNETH BESSERMAN,

Director of Government Affairs and Special Counsel.

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Finding Community and Purpose: **Mariella Bosquez's** Journey in Accounting and TXCPA Houston

For many, the path to a career in accounting is linear – declared as a major early, followed by internships and then a steady progression into the profession. For Mariella Bosquez, a student at the University of Houston and an active member of TXCPA Houston, the journey has been anything but traditional. Her story is one of reinvention, community engagement and a growing passion for the accounting profession. Through her involvement in the Houston chapter, Mariella has found not only professional direction but also a sense of belonging and purpose.

A NONTRADITIONAL START

Mariella's academic journey began far from the world of debits and credits. She initially graduated with a degree in psychology and Spanish, fields that shaped her worldview but were not directly related to business or accounting. It was only after taking an accounting assistant position at the Houston Museum of Natural Science that she discovered a new passion.

"My trajectory may not be as traditional as other students. But either way, we all kind of find our footing into the accounting industry."

This realization prompted her to return to school, this time to pursue accounting with the goal of sitting for the CPA Exam. Mariella's story is a testament to the value of exploring new opportunities, even if it means starting over.

DISCOVERING THE HOUSTON CHAPTER

Mariella's introduction to TXCPA Houston came through a casual mention by a professor, who noted that student membership was free. Intrigued, she reached out and was quickly welcomed by the chapter's leadership.

"I reached out to – I think it was Carol, actually. I didn't know who she was at that point in time, but she gladly put me in contact with some of the other chapter leaders and committee chairs."

Her first event was an open house, where she was able to meet committee members and learn about the various ways students could get involved. Mariella chose a couple of committees and began attending meetings, quickly realizing that the chapter was more than just a professional organization – it was a supportive community.

EMBRACING LEADERSHIP AND ENGAGEMENT

Despite being a student and relatively new to the field, Mariella did not hesitate to get involved. Her willingness to jump in, take on responsibilities and contribute ideas was quickly noticed by chapter leaders.

"I have a knack for it a little bit. I think I'm a little bit like others in that sense where you see a great group, a great community, and you want to help."

Mariella credits the approachable and encouraging nature of the chapter's leaders – people like Carol, Kristie, Nicole, and Mark – for making it easy to participate. She was often handed opportunities to lead or contribute, and she embraced them, seeing each as a chance to grow and make connections in the profession.

"If you want to be part of something, sometimes you do have to just jump right in and see what happens."

Her active participation has not only helped her develop leadership skills but has also given her a sense of belonging within the accounting community.

OVERCOMING CHALLENGES AS A NONTRADITIONAL STUDENT

Transitioning from psychology and Spanish to accounting came with its own set of challenges. Mariella found herself lacking the industry contacts and specialized knowledge that many of her peers had developed during their undergraduate years.

"The contacts and knowledge that I had acquired during my undergrad were specified for a different industry."

To bridge this gap, she leaned into her involvement with the Houston chapter. The organization provided a platform to meet professionals from all branches of accounting and related business fields, from HR to consulting.

“What I like about TXCPA Houston is that it brings together the entire accounting industry community. It’s not barring anyone from connecting and it even spreads out to people in the business industry who aren’t accountants.”

This inclusive environment helped Mariella overcome feelings of intimidation and isolation, making her transition into the business sector smoother and more enjoyable.

INSIGHTS ON THE ACCOUNTING PROFESSION AND THE PIPELINE

As someone who entered accounting from another field, Mariella offers a unique perspective on how the profession can attract and retain talent. She acknowledges the ongoing efforts by organizations like TXCPA to engage younger generations and promote the CPA track, but she also recognizes the challenges in reaching today’s students.

“It’s difficult to come up with strategies to reach younger generations, because they have different priorities and interests.”

Mariella points out that social media and digital platforms play a crucial role in engaging younger audiences. She cites the chapter’s use of Meetup and discussions about launching a TikTok channel as smart moves to meet students where they are.

“Integrating [apps and social media] was actually a very smart method to try and gain some of that traction we’re trying to go for.”

She also emphasizes the importance of exposing students to the variety of career paths within accounting beyond the

traditional audit and tax roles. By showcasing the breadth of the profession, organizations can help students see the many opportunities available.

THE VALUE OF COMMUNITY AND DIVERSE BACKGROUNDS

Mariella’s background in psychology and Spanish has not gone to waste. She finds that her skills in understanding people and communicating across cultures are directly applicable to her work in accounting and business. She currently works as an accountant at a private bookkeeping firm, Dette Bookkeeping & More LLC, which specializes in accounting services to small to medium business owners in the greater Houston area.

“It’s directly applicable to the business industry and people that I connect with every day.”

Her journey demonstrates the value of diverse experiences and the importance of welcoming non-traditional students into the profession. The Houston chapter’s inclusive and supportive culture has been instrumental in her success, providing both professional development and a sense of community.

FROM NEWCOMER TO LEADER

Mariella Bosquez’s journey from psychology to accounting, and from newcomer to active chapter member, highlights the power of community, mentorship and open-mindedness in shaping a fulfilling career. Her story is a reminder that the accounting profession thrives when it welcomes diverse backgrounds and adapts to the changing needs of new generations.

Through her involvement in the Houston chapter, Mariella has not only found her place in the profession but is helping to shape its future for others who may follow unconventional paths.

2025-2026 Student Auxiliary Officers and Steering Committee

TXCPA Houston’s Student Auxiliary Officer and Steering Committee Planning Retreat on July 12 was filled with energy and ideas! Student leaders and committee professionals came together for a dynamic day of collaboration, setting clear goals and mapping out impactful initiatives. With plans taking shape, this powerhouse team is primed to make the 2025-2026 school year one to remember.



Officers and Steering Committee



In What's Happening Around Texas, we give you highlights of events and activities happening around the state in TXCPA and the TXCPA chapters.

TXCPA Brazos Valley's annual meeting and luncheon brought together professionals and students for a vibrant afternoon of networking, insight and opportunity. Local firms hosted recruiting booths and spoke with accounting students from across the region. Attendees heard an update from TXCPA Chair Mohan Kuruvilla, followed by a lively Q&A with a panel of experts from various areas of accounting. The discussion sparked great engagement from both students and professionals. It was a strong showing of community, connection and future-focused momentum.



TXCPA Brazos Valley

TXCPA Dallas had the exciting opportunity to go behind the scenes at Methodist Dallas Medical Center, thanks to a special collaboration with the Financial Planning Association. Members were given an exclusive look at the hospital's innovative vision for the future. The tour featured some of the hospital's most impressive areas, including the helipad, the cutting-edge Center for Simulation and Wellness, and the beautifully renovated Labor and Delivery floor. The eye-opening and informative event left a lasting impression on the members.



TXCPA Dallas

TXCPA East Texas members recently gathered at Rusty Axe Brewing Co. in Lufkin for an evening of camaraderie, craft beer and fun. The event offered attendees a chance to unwind, catch up with colleagues and enjoy one of East Texas's most unique local venues. Guests enjoyed a flavorful lineup of house-made brews and the laid-back, welcoming atmosphere. It was an evening filled with laughter, good food and even better company. A heartfelt thank you to everyone who attended and helped make the event such a success!



TXCPA East Texas

TXCPA El Paso kicked off the new fiscal year with energy, ideas and a clear vision for growth. Chapter Board members recently came together to brainstorm and strategize how to build on the chapter's strong foundation of professional development, student outreach and community engagement. With a commitment to serving CPAs across far West Texas, they're ready to create meaningful programs and opportunities tailored to the region's needs. This year's guiding theme, "Through change, we grow," reflects their focus on adaptability, innovation and continued excellence in everything they do.



TXCPA El Paso

Is Your Chapter Doing Something Awesome? Let Us Know!

Whether you're hosting a professional development event, organizing a community outreach project, have a leadership meeting, or celebrating a big chapter milestone, we want to hear about it! Share your chapter's activities with us. Send your photos and event details to Managing Editor DeLynn Deakins at ddeakins@tx.cpa and help us showcase the great work your chapter is doing!

Celebrating Excellence: TXCPA's 2024-2025 Outstanding Chapter Awards Recognize Leadership, Service and Impact

To inspire and celebrate excellence in member service, TXCPA presents the Outstanding Chapter Awards each year to recognize the remarkable efforts of our small and medium-sized chapters. Chosen by a panel of past chapter presidents – leaders who know firsthand the dedication it takes to mobilize volunteers – these awards shine a spotlight on chapters that went above and beyond in 2024-2025. Here's a look at the exceptional work that earned them this well-deserved recognition.

Small Chapter – San Angelo | Paige Smith, President



TXCPA San Angelo stood out this year with strong member engagement and impactful community outreach. The chapter hosted six high-quality, well-attended professional meetings on hot topics like AI and tax updates, keeping members connected and informed.

On the accounting profession pipeline front, they energized student outreach – from their annual Meet the Firms career fair to the revitalized 24 Challenge math competition that welcomed 77 elementary students. They even brought financial literacy to life at the Concho Valley SPARK Career Expo, guiding high schoolers through a mock tax return inspired by the game of LIFE. Congratulations, TXCPA San Angelo!

Medium Chapter – East Texas | AJ Evans, President

TXCPA East Texas had a banner year. From the CPA2B Bootcamp at SFASU to raising over \$39,000 in scholarships at the Tal Glenn Memorial Golf Tournament, the chapter invested in future CPAs and their communities. The chapter's Leadership Day helped cultivate rising professionals, while a Toys for Tots drive delivered financial literacy-themed toys to kids across East Texas.

Members stayed sharp with 100+ hours of CPE, while brewery tours built meaningful connections. With outreach to over 1,000 students, the Pipeline Committee helped spark the next generation of accounting professionals, one classroom at a time. Congratulations, TXCPA East Texas!



Most Improved Chapter – TXCPA Rio Grande Valley | Maria Cecilia Garcia, President



This year, TXCPA Rio Grande Valley received the Most Improved Chapter award, an honor given at the committee's discretion to a chapter that has made impressive strides in growth, membership engagement and pipeline development. TXCPA Rio Grande Valley board members, families and UTRGV student volunteers came together for service events like walking dogs at the Palm Valley Animal Shelter and sponsoring the Mujeres Unidas "Walk in Her Shoes" event.

The chapter also participated in career fairs, spoke to accounting clubs and awarded scholarships. On the professional development side, they delivered 40 hours of live CPE, providing members with valuable opportunities to learn and grow.

Congratulations, TXCPA Rio Grande Valley!



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November 5

November 19 (Replay from November 5)

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Texas Taxes: Quarterly Updates October 16



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110 YEARS STRONG: TXCPA Returns to Its Roots at the Tremont House

In 1911, a group of pioneering accountants gathered at the Tremont House in Galveston for the very first meeting of the Texas Society of Public Accountants. Just four years later, in October 1915, the organization officially became the Texas Society of Certified Public Accountants.

Now, 110 years later, members and leaders returned to that historic site for this year's Annual Meeting of Members and Leadership Council Meeting to celebrate a legacy of leadership, innovation and advocacy.

A YEAR OF TRANSFORMATION AND MOMENTUM

TXCPA leaders reflected on a year marked by resilience and re-invention. Chair Billy Kelley, CPA, Immediate Past Chair Mohan Kuruvilla, Ph.D., CPA, and President and CEO Jodi Ann Ray, CAE, shared key accomplishments and future goals. The following highlights represent some of our most important accomplishments and a look ahead.

Operational Excellence – We streamlined internal processes to boost efficiency and reduce overhead costs. In addition, we upgraded our technology infrastructure to better support modern operations.

Member Engagement – Personalized outreach efforts and enhanced digital tools led to improved member satisfaction and retention. TXCPA satisfaction scores increased from 8.25 to 8.45 overall, and chapter satisfaction increased from 8.26 to 8.36.

Strategic Growth – We maintained strong overall membership numbers and achieved significant growth in student members. To strengthen our pipeline of future leaders, we established the Emerging Professionals Advisory Board. The Leadership Council approved CPA dues associated with a three-tiered membership model, which will launch in 2026-2027. The new model is designed to enhance value and provide greater flexibility (see more details below).

Pipeline and Talent Development – We updated our [CPA Pipeline Strategy](#) and expanded events and partnerships to reach a broader audience. Our outreach efforts exceeded expectations, engaging 15,184 Texas students, beating our goal of reaching 14,000. Additionally, we launched a new [candidate community](#) on [TXCPA Exchange](#) to support aspiring CPAs on their professional journey.

Visibility and Outreach – A comprehensive marketing audit led to updates to the organization's web and social

Kenneth W. Hurst Fellows Awards

Billy Atkinson, CPA-Houston
Veronda Willis, Ph.D., CPA-East
Texas

Outstanding Chapter Awards

Please see the Chapters
Column in this issue of *Today's
CPA* to read about the 2024-
2025 Outstanding Chapter
Awards.

TXCPA's Strategic Plan 2024-2027

Go to the [TXCPA website](#).

2025-2026 TXCPA Leadership

Board of Directors and
Leadership Council
[Go to the TXCPA website](#).



2024-25 TXCPA PAC CHAPTER AWARDS

Large Chapter Award

Closest to 2024-25 Fundraising Goal

TXCPA Dallas

President: Israel Miller

PAC Chair: Terri Hornberger

Highest Percentage of CPA Members Contributing

TXCPA El Paso with 6.8%

President: Dahlia Garcia

PAC Chair: Rene Peña

Highest Percentage of Fundraising Goal

TXCPA Corpus Christi with 153%

President: Priyanka Desai

PAC Chair: Susie Sullivan

Special Recognition Award Chapter with the largest year over year percentage fundraising increase

TXCPA Wichita Falls

President: Mikayla Schreiber

media presence. We also rebranded the Accounting Education Foundation to become AcctoFi (see more details below), and realigned staff and outsourced marketing resources for greater impact.

Organizational Structure – The Organizational Structure Task Force advanced its work to help strengthen our governance and operations. At the same time, internal systems were improved through key technology upgrades.

LOOKING AHEAD

Several important initiatives are already in motion.

Pipeline and Talent Development

– We are planning to launch the Mentor Match and Champions programs to strengthen student support and expand outreach in schools. Additional efforts include developing tools for aspiring CPAs, educators and accounting departments to help outline all licensing pathways and TXCPA's support available, new resources for employers and raising our student outreach goal to 16,000.

Strategic Growth – Plans are underway to increase focus on business and industry audiences, renew member recruitment efforts and reposition business development strategies to drive continued growth.

Member Engagement – To support engagement efforts, we are developing best practice resources for TXCPA and the chapters, as well as local chapter engagement toolkits.

Visibility and Outreach – We're finalizing work on our value proposition and audience personas to better align with stakeholder needs. Plans also include expanding our social media presence through new platforms and more personalized messaging.

Operational Excellence – A pilot program in collaboration with TXCPA Corpus Christi will help identify where we have opportunities to further streamline resources and opportunities across our chapter network.

EVOLVING ENGAGEMENT: A NEW MEMBERSHIP MODEL FOR A STRONGER COMMUNITY

Membership Task Force Chair Melanie Geist, CPA, presented details on a proposed tiered membership model. Aligned with the organization's strategic goal of ensuring long-term viability and growth, the model reflects the evolving needs of the profession and marketplace by prioritizing flexibility, inclusivity and personalized value.

The model introduces tiered options tailored to members' varying needs, encouraging meaningful engagement, volunteerism and leadership. By aligning pricing with usage and value, the model supports financial sustainability while maintaining accessibility.

Overall, it's a dynamic, member-centered strategy designed to strengthen the community and empower members to shape TXCPA's future.

ADVOCACY IN ACTION: LEGISLATIVE WINS FOR THE PROFESSION

TXCPA's advocacy team delivered major victories in the Texas Legislature, reinforcing the organization's role as a powerful voice for CPAs.

Senate Bill 262: An additional path to licensure:

- Offers an additional path to the 150-hour rule: bachelor's degree + two years of experience + CPA Exam.
- Makes Texas one of the first and the largest state to adopt this model.
- Effective August 1, 2026.

Senate Bill 522: Modernize CPA mobility:

- Allows qualified out-of-state CPAs to practice in Texas.
- Includes a safe harbor for current licensees.
- Effective September 1, 2025.

Please see the Government Affairs article in this *Today's CPA* issue for more details.



LEGISLATIVE THREATS TO PROFESSIONAL LICENSING

TXCPA also successfully advocated against legislation that could have weakened professional licensing standards.

Key Threats Averted:

- HB 11 – Would have forced reciprocity with other states, undermining CPA mobility; TXCPA worked to amend it to exclude CPAs, a major advocacy win.
- SB 716/HB 3677 – Proposed licensing professionals with just one year of experience, no education or exam required; thanks to strong relationships and quick action by members during TXCPA's Advocacy Day, this bill never received a hearing, another win for the profession.

ACCTOFI: A NEW ERA IN PROFESSIONAL LEARNING

AcctoFi Vice Chair Mark Lee, JD, CPA, shared an update on TXCPA's new professional education brand. AcctoFi is a nonprofit platform designed to deliver high-quality, real-world learning in accounting, finance and career development to help professionals maintain licensure, enhance their skills and prepare for future opportunities.

What AcctoFi Offers:

- High-quality, up-to-date learning experiences
- Career development tools
- Support for licensure and lifelong learning

Visit acctofi.com to explore programs and resources.

AcctoFi's 2024-2025 Scholarships

181 scholarship applications

51 scholarships awarded to four-year college students

5 scholarships awarded to community college students

TXCPA PAC KEY HIGHLIGHTS: STRONG GAINS AND A CALL TO ACTION

TXCPA PAC Committee Member and Legislative Advisory Committee Chair Josh LeBlanc, CPA, shared key updates on PAC participation and upcoming goals.

Participation:

- CPA Members: 3.0% (Goal: 5%)
- Leadership Council: 75% (Goal: 85%)

Fundraising and New Donors:

- \$103,310 raised so far (50% of the \$200,000 goal)
- 78 new contributors (Goal: 50 – surpassed!)

Spending:

- Over \$188,000 spent during the 2024 elections

Call to Action: Advocacy remains a critical part of protecting the CPA profession and your support matters. Members are [encouraged to contribute](#) and help TXCPA reach its goals ahead of the next election cycle.

INSIGHTS, IMPACT AND INVESTMENT IN THE PROFESSION

Additional key updates, reports and activities from the meeting include:

- A silent auction was held to support AcctoFi scholarships for Texas accounting students and help advance the future of the profession.
- TXCPA Investments Committee Chair Chris Lucas, CPA; AcctoFi Treasurer Luke LaChance, CPA; and Chief Financial Officer Jacob Briggs, CPA, presented the annual financial report.
- AICPA Immediate Past Chair Carla McCall, CPA, CGMA, shared insights on the future accounting landscape, emphasizing the importance of innovation, adaptability and ethical leadership.
- Jennifer Wilson of ConvergenceCoaching explored the profession's ongoing consolidation, discussing both opportunities and challenges in the current environment.

FINAL WORD

As TXCPA marked 110 years by returning to the historic Tremont House, it wasn't just about looking back – it was about leaning forward. The organization stands at a pivotal moment, honoring a legacy of advocacy, education and professional excellence while embracing the bold ideas, technologies and leadership needed for the road ahead.

The strength of the organization lies not only in its history, but in the collective vision and action of its members. As we continue to invest in talent, technology and community, one thing is clear: the next chapter of TXCPA's story is just beginning. Join us in College Station in January for the Midyear Leadership Council Meeting as we continue writing it – together.

TXCPA thanks our Annual Meeting title sponsor [Goodman Financial](#).

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Building the CPA Pipeline



A Faculty Perspective

BY JUDD LEACH, CHARLES R. THOMAS AND LAURA GORDEY

The effects of the COVID-19 pandemic were many and widespread, but perhaps one of the most notable effects was what has become known as “The Great Resignation.” In 2021, 47.7 million workers quit their jobs, followed by 50.6 million workers in 2022.¹ The accounting profession was not spared from this thinning of ranks; according to the *Wall Street Journal*, over 300,000 accountants quit the profession between 2019 and 2021.² To put that number in perspective, there are currently fewer than 700,000 actively licensed CPAs in the United States.³

This precipitous drop in active CPAs, coupled with slow post-COVID growth in CPA candidates, has led many in the industry to declare that the accounting profession is facing a pipeline problem. A quick online search shows the pipeline issue is clearly top of mind across the profession.

THE PIPELINE ISN'T DRY, BUT IT'S NOT WHAT IT ONCE WAS

In 2023, we were the fortunate recipients of a research grant from the National Association of State Boards of Accountancy (NASBA). NASBA's grant allowed us to take a deep dive into CPA Exam performance and participation trends in Texas over the last 20 years. We found that while the impact of COVID-19 on

CPA candidate counts is hard to ignore, the drop in Exam attempts did not begin with the pandemic. Figure 1 shows the decline from 2010 levels.

Exam attempts hit a low between 2011 and 2015, rebounded in 2016, then dropped sharply again in 2017. Numbers continued to decline through the COVID years (2020–2022), with a brief bump in 2021. In 2023, attempts returned to pre-COVID levels but remained well below the peaks of 2010 and 2016.

So, if COVID-19 alone does not explain the drop in CPAs, what does? The answer likely depends upon whom you ask, but chances are you will receive one or more of the following responses:

- The workforce is aging and retiring;
- Low pay;
- The 150-hour requirement is too high for students;
- Students have negative perceptions about the return on their investment; and
- Professional burn out.⁴

Addressing these concerns will require effort from every corner of the accounting profession. From our perspective as business professors, however, we would like to address some strategies that can be taken to improve student success on the CPA Exam. We believe these strategies have both short- and long-term benefits for the accounting profession, irrespective of the pipeline issue.

STUDENTS SHOULD ENROLL IN CPA REVIEW COURSES

The CPA path is a grueling one, ending with a notoriously tough exam. While coursework covers exam content, it's spread over years. Review courses help students synthesize material, tackle complex questions and gain new perspectives not always covered in class. Research generally supports the proposition that review courses correlate to greater success on the CPA Exam⁵ and by communicating this to students early in their accounting education, students can better prepare for the costs associated with those courses.

Encouraging students to take review courses is more important than ever due to two key factors set to shape the future CPA candidate pool. First, over half of all undergraduate students in the United States are first-generation college students, a number that continues to grow.⁶ These students have as much potential as their peers but often lack the support and guidance to navigate college and licensure.

Second, Governor Greg Abbott recently signed Texas Senate Bill 262 into law. The new law, which takes effect on August 1, 2026, creates an additional pathway to the traditional 150-hour CPA licensure track that requires only a bachelor's degree with an accounting concentration and two years of work experience.⁷ Review courses will help students who elect this new pathway

compensate for the lack of upper-division coursework required under the traditional track.

STUDENTS SHOULD CONSIDER THE TIMING OF EXAM SECTION ATTEMPTS

It should come as no surprise that some schools' graduates perform better on the CPA Exam than other schools. In Texas, the highest-performing schools tend to be the large public universities and larger private universities. The lowest-performing schools tend to be smaller, regional universities, both public and private.

The data we analyzed through our NASBA-funded research showed that high-performing schools tended to remain high performing over the approximately 20-year period we studied, while lower-performing schools tended to remain low performing. In our research, we discovered some Exam timing trends that appear to separate high-performing schools from lower-performing schools.

As depicted in Table 1, Texas CPA candidates from the largest accounting programs tend to make most section attempts on the CPA Exam during the second and third quarters of the year. Candidates from smaller accounting programs, in comparison, tend to make most section attempts during the third and fourth quarters of the year.⁸

COURSE MAPPING

Students must satisfy the coursework requirements established by the Texas State Board of Public Accountancy to sit for the CPA Exam.⁹ Accounting programs in Texas design their curricula to satisfy these requirements, of course, but more can be done to help students understand how their courses relate to the topics that are tested.

AICPA publishes Uniform CPA Examination Blueprints that describe the content, skills and tasks CPA candidates will face on each section of the CPA Exam.¹⁰ The Blueprints are valuable to students by themselves, but they can be made even more useful if accounting programs map their accounting curriculum to the Blueprints.

Course maps show how each class connects to CPA Exam content, helping students and instructors plan effectively. Since exam sections can now be taken before finishing all coursework, maps also guide students on which classes to take first.

Finally, course maps identify topics not covered in the curriculum, so students know what they'll need to study on their

TXCPA offers outstanding benefits to students and candidates. Go to [Become a CPA](#) on our website to learn more.

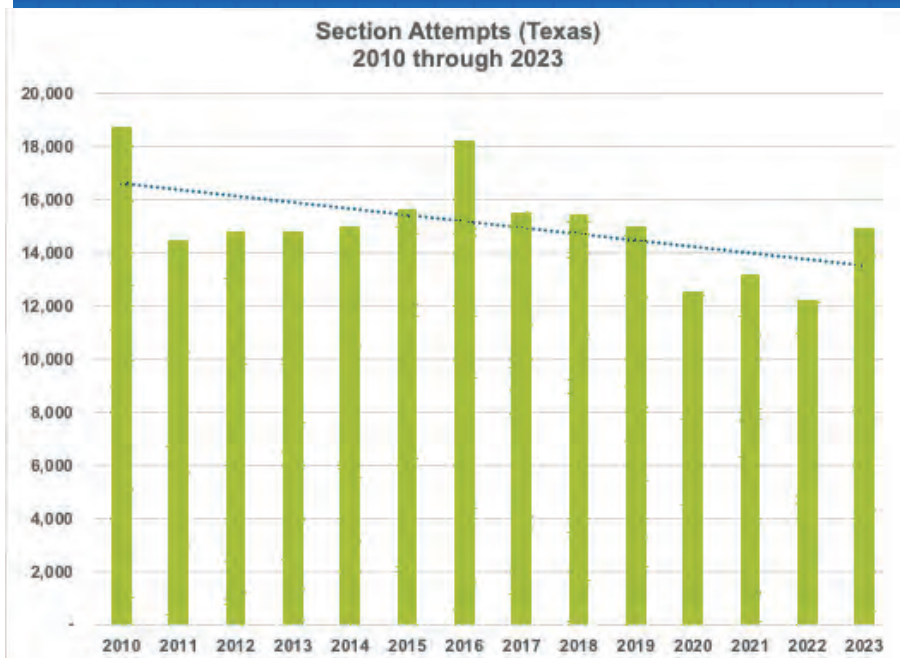


Figure 1: Annual Exam Attempts, 2010 through 2023

Boosting CPA Exam Success: **KEY STRATEGIES**

ENCOURAGE REVIEW COURSES

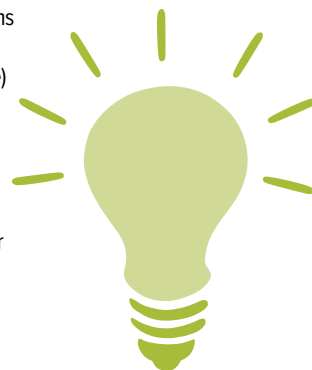
- Reinforces academic content and improves readiness
- Helps first-gen students lacking support systems
- Prepares those on the new Texas licensure path (bachelor's + 2 years experience)

PROMOTE SMART EXAM TIMING

- Encourages testing in Q2/Q3 near graduation
- Notes lower-performing schools often test later
- Suggests timing can impact performance

USE COURSE MAPPING

- Aligns courses with CPA Exam content
- Shows what's covered vs. needs self-study
- Helps plan when to take each Exam section



Tarleton Course(s)	Content group/topic	Skill				Representative Task
		Remembering & Understanding	Application	Analysis	Evaluation	
A. General Purpose Financial Reporting: For-Profit Business Entities						
ACCT 3303	1. Balance sheet/Statement of financial position		✓			Prepare a classified balance sheet from a trial balance and supporting documentation.
ACCT 3303			✓			Adjust the balance sheet to correct identified errors.
ACCT 3303					✓	Detect, investigate and correct discrepancies while agreeing the balance sheet amounts to supporting documentation, including the source data.
ACCT 3303	2. Income statement/Statement of profit or loss		✓			Prepare a single-step or multi-step income statement (e.g., operating, nonoperating, discontinued operations) from a trial balance and supporting documentation.
ACCT 3303			✓			Adjust the income statement to correct identified errors.
not covered in a course			✓			Calculate transaction gains or losses recognized from monetary transactions denominated in a foreign currency.
ACCT 3303					✓	Detect, investigate and correct discrepancies while agreeing the income statement amounts to supporting documentation, including the source data.
ACCT 3303	3. Statement of comprehensive income	✓				Recall the purpose, objectives and structure of the statement of comprehensive income.
ACCT 3304			✓			Identify items classified as other comprehensive income.
ACCT 3303						
ACCT 3304	4. Statement of changes in equity		✓			Prepare a statement of changes in equity from a trial balance and supporting documentation.
ACCT 3304			✓			Adjust the statement of changes in equity to correct identified errors.
ACCT 3304					✓	Detect, investigate and correct discrepancies while agreeing the statement of changes in equity amounts to supporting documentation, including the source data.

Partial Map of AICPA Blueprint for the FAR Section of the Exam to Accounting Courses

Table 1. Exam Section Attempt Proportions by Calendar Quarter, Texas Candidates from Texas Schools⁸

	Calendar Quarter				
	Q1	Q2	Q3	Q4	
From Largest Programs (top quintile)	22%	28%	27%	23%	100%
From All Other Programs	21%	22%	29%	28%	100%
Difference, largest vs. others	+1%	+6%	-2%	-5%	

³<https://nasba.org/licensure/howmanycpas/>

⁴<https://www.kiplinger.com/taxes/the-cpa-shortage-problem>

⁵Shin, H., Lacina, M., Lee, B. B., & Pan, S. (2020). Schools' CPA review course affiliations and success on the uniform CPA examination. *Journal of Accounting Education*, 50, 100642

⁶<https://www.forbes.com/advisor/education/online-colleges/first-generation-college-students-by-state/>

⁷<https://capitol.texas.gov/tlodocs/89R/billtext/html/SB002621.htm>

⁸Second quarter 2004 through first quarter 2003, exclusive of quarters adjacent to 2010-11 and 2017 Exam updates.

⁹The Texas State Board of Public Accountancy (TSBPA) website. <https://www.tsbpa.texas.gov/>

own. See Table 2 above for a partial map of the AICPA Blueprint for the FAR Section of the Exam to accounting courses.

COLLABORATIVE SOLUTIONS FOR A STRONGER CPA PIPELINE

There is no single, easy solution to the challenges currently facing the accounting profession. Ultimately, overcoming current challenges – and the challenges that will invariably arise in the future – will require the concerted efforts of both educators and practitioners.

The proposals described here are just a few of many steps that we as educators can implement to improve the likelihood that accounting students will succeed on the CPA Exam. We hope to continue to analyze the data we obtained through our NASBA-funded research to find other ways to help prepare the next generation of CPAs.

Footnotes

¹<https://www.bls.gov/opub/mlr/2023/article/job-openings-reach-record-highs-in-2022-as-the-labor-market-recovery-continues.htm>

²<https://www.wsj.com/articles/why-so-many-accountants-are-quitting-11672236016>



JUDD LEACH is an Associate Professor of Business Law at

Tarleton State University who combines legal expertise with a passion for making complex concepts accessible to business students. His focus is on business law and contract principles, aiming to prepare students to apply legal knowledge confidently in their careers.



DR. CHARLES R. THOMAS, Professor of Accounting at Tarleton State University,

is a highly experienced scholar-practitioner blending academic rigor with industry expertise. His work spans accounting systems, managerial costing, risk analytics, and complexity science, and he brings this wealth of knowledge to both classroom instruction and executive development programs.



LAURA GORDEY is an Associate Professor of Business Law

at Tarleton State University, committed to helping business students understand the real world impact of the legal system. Her research interests include white collar crime and workplace legal issues, with a strong focus on supporting business students, particularly those aspiring to become future attorneys and CPAs, in achieving their professional goals.



TXCPA Pipeline Resources At a Glance

STUDENTS

- **Free Student Membership:** Open to undergrad and grad business students; includes local chapter membership
- **Scholarships:** AcctoFi scholarships + chapter awards
- **Licensing Help:** Direct connections to TSBPA for the licensing rules and requirements, and the Application of Intent (AOI) to sit for the CPA Exam
- **Podcast – Destination CPA:** Exam tips, mentorship stories, and updates from TXCPA leaders and CPAs
- **Student Ambassador Program:** Recognition, résumé boost, monthly staff updates, chapter/faculty connections, speakers, and event reimbursements
- **Meet the CPAs:** Read about a diverse group of CPAs, with highlights of their career paths, personal stories and professional insights
- **Peer and Career Support:** TXCPA Exchange, Career Center job listings and résumé posting, and the Guide for Future CPAs with licensing and career insights
- **Legislative Updates:** Licensing pathways, 150-hour rule, experience and ethics exam rules, and evolving legislation

CANDIDATES

- **Exam Preparation:** Virtual mock CPA Exams and CPA review course discounts (Becker, Gleim, Roger, UWorld)
- **Meet the CPAs:** Read about a diverse group of CPAs, with highlights of their career paths, personal stories and professional insights
- **Peer Support:** Private Candidate Community on TXCPA Exchange

EDUCATORS

- **Faculty Ambassador Program:** Free TXCPA membership, discounts to the Accounting Education Conference, campus funds, guest speakers, and recruitment resources
- **Classroom Support:** Slides, handouts and in-person/virtual CPA visits year-round
- **Career Materials:** Licensing steps, education guides, career outlooks, employer directory
- **Statewide Strategy:** Unified messaging to boost accounting engagement, especially for Gen Z

EMPLOYERS

Career Center

Job posting, résumé search and application management

Knowledge Hub

Webinars, guides and resources on tech, wellness, analytics, CPA support, and more

Recruitment Visibility

Guide for Future CPAs features employer highlights, benefits, mentorship, and hiring practices

Employer Engagement in Pipeline Strategies

Employer input in outreach, internships, DE&I, policy, and awareness strategies

Celebrating Our 2025-2026 TXCPA Faculty and Student Ambassadors!

TXCPA thanks our outstanding faculty and student ambassadors for your commitment and enthusiasm!
Want to get involved? Go to the [Become a CPA](#) section of our website.
Many thanks to these ambassadors for their support and engagement in 2025-2026!

FACULTY AMBASSADORS

Anthony Abbott, Tarrant County College – Southeast

Linda Acevedo, CPA, The University of Texas Rio Grande Valley

Dr. Susan Anders, CPA, CGMA, Midwestern State University

Pamela Ansboury, CPA, M.Ed., San Antonio College

Dr. Enoch Asare, CPA, University of Dallas

Michelle Avila, CPA, Our Lady of the Lake University

Madhuri Bandla, CPA, CFE, University of North Texas

Helen Bassett, Lone Star College – University Park

Okeria Bishop, CPA, Austin Community College – Highland

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Kelli Blount, CPA, Austin Community College – Northridge

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Julie Duncan, CPA, Lone Star College – The Woodlands

Dennis Elam, CPA, Texas A&M University – San Antonio

Dr. Ozer Erdem, University of St. Thomas

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Narita Holmes, CPA, University of Texas at Permian Basin

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Stacie Smith, Kilgore College

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Dr. Ziyun (Calvin) Yang, University of Houston – Victoria

Limin "Priscilla" Zhu, DBA, CPA, University of Houston

STUDENT AMBASSADORS

Erica Acosta, Texas A&M University – San Antonio (Graduate)

Tatiana Alvarez, Angelo State University (Undergraduate)

Jacob Alverado, University of Texas at Arlington (Undergraduate)

Abdul Aweda, University of Texas at Austin (Graduate)

Marshall Barbosa, University of Texas at Rio Grande Valley (Undergraduate)

Gabriela Benavides, University of Texas at San Antonio (Graduate)

Kate (Wailyn) Bentley, Sam Houston State University (Undergraduate)

Ashley Bynum, Texas Wesleyan University (Undergraduate)

Julian Byrd, University of Houston – Downtown (Undergraduate)

Caden Clark, University of Texas at Tyler (Undergraduate)

Muhammad Durvesh, Texas Southern University (Graduate)

Azucena Garrett Mendoza, Dallas College

Unnati Goel, University of Texas at Tyler (Graduate)

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Rachel Hung, Austin Community College

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Etta Mansaray, University of St. Thomas (Undergraduate)

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Connie Morin, McLennan Community College

Yadira Nevarez, Texas A&M University – Texarkana (Graduate)

Gail O'Banner, University of North Texas at Dallas (Graduate)

Nakul Patel, University of Texas at Austin (Undergraduate)

Maria Perez, Huston-Tillotson University (Undergraduate)

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Natalie Pham, University of Houston – Main (Undergraduate)

Ayham Rached, University of Texas at Dallas (Graduate)

Iman Raji, Huston-Tillotson University (Undergraduate)

Juan Ramos, University of Houston – Clear Lake (Undergraduate)

Leah Richardson, Lubbock Christian University (Undergraduate)

Harper Scott, Texas A&M University (Undergraduate)

Sally Simmons, Lubbock Christian University (Undergraduate)

Javier Solis Jr., Dallas College

Rosa Son, Houston Christian University (Undergraduate)

Min Tan, Austin Community College

Jason Tristian, Lamar University (Undergraduate)

Amie Valdez, Del Mar College

John Varghese, Dallas College

Horace White, Houston Community College

Lenora Williams, Midwestern State University (Undergraduate)

CURRICULUM:

Accounting and Auditing; Management

LEVEL:

Basic

DESIGNED FOR:

CPAs in business and industry and public practice

OBJECTIVES:

To discuss the fundamentals of the equity method accounting for joint venture investments and highlight some of the issues related to this complex area of accounting

KEY TOPICS:

Equity method of accounting; objectives of ASU 2023-05; significant influence; joint control; intra-entity transactions; goodwill; joint venture exclusions

PREREQUISITES:

None

ADVANCED PREPARATION:

None

TAKE THE ONLINE CPE QUIZ



Today's CPA offers the self-study exam for readers to earn **one hour of continuing professional education credit**. The questions are based on technical information from the following article. If you score 70 or better, you will receive a certificate verifying you have earned one hour of CPE credit in accordance with the rules of the Texas State Board of Public Accountancy (TSBPA).

Take the CPE quiz online. Go to the News & Publications section of TXCPA's website and select [Today's CPA Magazine](#).

The State Board stipulates that the quiz is valid for one year from its publication in *Today's CPA*. Quizzes submitted after this one-year period will not be accepted.



Joint Ventures and Equity Method Accounting

BY JOSEF RASHTY



Joint ventures (JVs) involve two or more parties (venturers) who share control over a specific business undertaking by

contributing resources to achieve a mutual goal. The JV's life is limited to that of the venturers' undertaking, which may be of short or long-term duration, depending on the circumstances.

The distinctive feature of a JV is an agreement (usually in writing) establishing joint control governing the relationship between the venturers. Decisions in all areas essential to the accomplishment of the JV's goals require the consent of the venturers, as provided by the agreement; none of the individual venturers can unilaterally control the venture. This feature of joint control distinguishes investments in JVs from investments in other enterprises where control of decisions is related to the proportion of voting interest held.

In August 2023, the Financial Accounting Standards Board (FASB) released ASU 2023-05, *Business Combinations – Joint*

Venture Formation: Recognition and Initial Measurement, codified under Subtopic 805-60. This ASU addresses the accounting by a JV for the initial contribution of nonmonetary and monetary assets to the venture. FASB requires that JVs formed **on or after January 1, 2025**, adopt this ASU, with early adoption permitted.

This article expounds on applying the equity method to the formation of JVs and accounting for subsequent years from the perspective of venturers.

DEFINITION

ASC 323, *Investments-Equity Method and Joint Ventures*, defines a corporate joint venture as a corporate-owned entity that a small group of joint venturers owns and operates for a specific business purpose and their mutual benefits. A corporate JV usually provides an arrangement under which each of the joint venturers may participate, directly or indirectly, in the overall management of the JV. Joint venturers thus have an interest or relationship other than as passive investors.

There are no legal or accounting restrictions on the size of JVs. The *Wall Street Journal* (Jan. 22, 2025) reported that Italy's Generali and the owner of France's Natixis will combine their asset management operations and create a European giant overseeing €1.9 trillion, or \$1.979 trillion, in assets. The venturers will own the JV 50-50 (B11).

OBJECTIVES OF ASU 2023-05

FASB issued this ASU because there was no guidance on recognizing and measuring the contribution of nonmonetary and monetary assets in a JV's stand-alone financial statements. While the ASU does not change the definition of a joint venture, it establishes a new basis of accounting upon the venture's formation.

This ASU has the following dual objectives:

- To standardize the accounting practices for how JVs recognize contributions from venturers at the time of formation.
- To reduce diversity in practice about how a JV or corporate JV accounts for the contributions it receives from its venturers upon formation.

The ASU requires JVs, upon formation, to (1) recognize and measure the initial contributions of monetary and non-monetary assets by the venturers at fair value and (2) measure its net assets (including goodwill) at fair value by using the fair value of the JV as a whole. Therefore, upon adoption of ASU 2023-05, a JV will measure its total net assets upon formation as the fair value of 100 percent of the JV's equity immediately after formation.

ACQUISITIONS

Many equity investments do not require the complete acquisition of investees and their consolidations. Depending on circumstances, companies may account for an equity investment through consolidation, equity or fair value. Generally, an investor accounts for an investment as a consolidated subsidiary when it can exer-

cise control over the subsidiary; however, if the acquirer maintains only significant influence over the investee, it uses the equity method of accounting.

If an investor exercises neither control nor significant influence over the acquiree, the proper method of accounting for the investor is the fair value method. Investors in partnerships, unincorporated JVs and limited liability companies (LLCs) generally account for their investments using the "equity method of accounting" if the investor can influence the investee significantly.

EQUITY METHOD OF ACCOUNTING

Venturers generally account for an investment in a JV under the equity method of accounting (ASC 323, *Investments – Equity Method and Joint Ventures*). Suppose a JV is considered significant to a venturer registrant. In that case, the venturer registrant may need to provide the JV's separate financial statements or summarized financial information in the financial

statement footnotes. The information a registrant must present depends on the significance level, which is determined based on the results of various tests outlined in SEC Regulation S-X.

Investors may account for an equity investment as consolidation, equity method or fair value method. Generally, an investor accounts for equity investments using consolidation when it has control, the equity method when it has significant influence and the fair value method when it has neither control nor significant influence.

When a JV's equity turns negative, the venturer's balance sheet reflects zero equity for that investment. However, depending on the JV's corporate structure, the venturers may still have a financial obligation for the JV's liabilities.

SIGNIFICANT INFLUENCE

An investor is considered to have significant influence – without control – if it owns 20 percent to 50 percent of an in-

JOINT VENTURES (JVs)

TWO OR MORE VENTURERS



Share control over a business undertaking by contributing resources to achieve a mutual goal.

JOINT CONTROL AGREEMENT



Establishes joint control over the JV. Decisions require consent of the venturers per the agreement.

ASU 2023-05



Issued by FASB: effective for JVs formed on or after January 1, 2025. Requires recognition of net assets at fair value at formation.

FASB GUIDANCE



U.S. GAAP previously lacked clear guidance on JVs. ASU 2023-05 has streamlined and simplified JV accounting.

vestee's voting stock and does not control the subsidiary. FASB bases this on ownership of voting securities and requires the equity method when significant influence exists. In some cases, influence may be present with as little as 3 percent ownership. Indicators of significant influence are outlined in ASC 323-10-15-6 to -11:

- Board of directors' representation and participation in policymaking processes;
- Material intra-entity transactions and technological dependency;
- Interchange of managerial personnel and extent of ownership.

JOINT CONTROL

The concept of joint control is the most distinctive characteristic of a JV. Accounting Standards Executive Committee (AcSEC), in its 1979 Issue Paper (not an authoritative guidance), defines a joint venture as arrangements whereby two or more parties (the venturers) jointly control a business undertaking [51(b)]. This definition implies that all venturers should consent to any business decisions. This feature of joint control distinguishes JVs from investments in other types of entities where control of decisions is related to the proportion of voting interest held by investors.

Even though the AcSEC 1979 Issue Paper is not an authoritative guidance, accounting practice has widely adopted and applied it.

OTHER ASSETS AND LIABILITIES

JVs capitalize as indefinite-lived intangible assets all in-process intangible research and development assets (IPR&D) that venturers have contributed to a JV at its formation, consistent with the accounting model for business combinations (ASC 805).

JVs may contribute one or more businesses to the JV that have employees with share-based payment awards. In these situations, the JV determines the portion of the compensation expense it should

attribute to the employees' pre-formation and post-formation services based on ASC 718 (*Compensation-Stock Compensation*) as equity or liability. JVs account for pre-formation vested awards as additional paid-in capital (APIC) or other similar equity account.

JVs account for contingent considerations as liabilities (or assets) at their formation.

INTRA-ENTITY TRANSACTIONS

ASC 323 requires investors to incorporate specific adjustments to the carrying amount of their investments to determine the net income associated with such investments. These adjustments include eliminating intra-entity profits and losses in some cases until realized by the investor or investee as if the investee were consolidated (ASC 323-10-35-7).

Investors may sell (downstream transactions) or purchase (upstream transactions) assets to or from investees. Such assets are not the output of an entity's ordinary activities. ASC 323 requires that investors and investees engage in these activities as arm's length transactions.

Transactions between an investor and an investee could be subject to ASC 606 – that is, if the item sold is an output of an entity's ordinary activities, the investor will eliminate its proportionate share of the profit from intra-entity transactions until that profit is realized in transactions with third parties (ASC 323-10-35-7).

BASIS DIFFERENCE

Under the equity method, investments are initially recorded at cost (ASC 323-10-30-2; ASC 805-50-30). Any "basis difference" between the investment cost and the investee's net assets is allocated to specific assets, goodwill or intangibles, as if the investee were a consolidated subsidiary (ASC 323-10-35-13). Despite this, the investment appears as a single-line item on the investor's balance sheet – dubbed a "one-line consolidation."

SUBSEQUENT MEASUREMENTS

After initial measurement, the carrying amount of an equity method investment adjusts for the investor's share of earnings or losses (ASC 323-10-35-4). These amounts are reported on a single line in the income statement and investment account. The equity method is discontinued if the investment balance falls to zero due to investee losses (ASC 323-10-35-20).

The equity method mandates companies to record their initial investments at cost, after which they adjust their investments for the actual performance of the JV. The following calculation illustrates how the equity method operates:

- + Initial investment recorded at cost
- +/- Investor's share of joint venture profit or loss
- Distributions received from the joint venture
- = Ending investment in joint venture

GOODWILL

ASC 350, *Intangibles–Goodwill and Other*, defines goodwill as "an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized." In other words, goodwill represents the premium an acquirer is willing to pay above the fair value of the acquired entity, reflecting the anticipated future economic benefits.

The following is an excerpt from Microsoft's Form 10-Q for the quarterly period ended March 31, 2023:

"Goodwill was assigned to our Intelligent Cloud segment and was primarily attributed to increased synergies that are expected to be achieved from the integration of Nuance. None of the Goodwill is expected to be deductible for income tax purposes."

This excerpt refers to "increased synergies." Microsoft claims that it plans to achieve this synergy through its business combination. If it fails to do so, the recorded goodwill may be subject to impairment.

JVs do not meet the definition of business combinations under ASC 805; however, they may recognize goodwill. JVs recognize goodwill upon formation as the excess of (a) over (b):

- a The formation-date fair value of the JV, as a whole, equals the fair value of 100 percent of the JV's equity (net assets) immediately following formation, including any non-controlling interest (NCI) in the net assets recognized by the JV.
- b The net amount of the formation-date identifiable assets and liabilities recognized by the JV (ASC 805-20). Assets and liabilities, not part of the formation, are excluded from the goodwill calculation.

The initial measurement of a JV is similar to push-down accounting, where asset and liability bases are adjusted to fair value. Unlike business combinations, JVs treat negative goodwill as an equity adjustment, not a bargain purchase gain. The JV adopts the acquirer's stepped-up basis in its financial statements.

Companies that do not meet the definition of public business entities (PBEs) can potentially amortize their goodwill on a straight-line basis over 10 years or less (ASU ((2013-12)), *Definition of a Public Business Entity*. This guidance eliminates goodwill's annual impairment test. It requires the test only when an event or circumstance indicates that the entity's fair value (or reporting unit) may be

Navigating the Essentials: Key Concepts and Insights

DEFINITION OF JOINT VENTURES (JVS)

- Two or more parties share joint control
- Unanimous consent required for essential decisions
- Distinct from other equity investments

NEW ACCOUNTING STANDARD: ASU 2023-05

- Applies to JVs formed on or after January 1, 2025
- Requires fair value recognition of initial contributions
- Mandates new basis of accounting upon formation

EQUITY METHOD FOR SIGNIFICANT INFLUENCE

- Required for investors with 20-50% ownership
- May apply with less than 20% ownership if other factors exist
- Outlined in ASC 323

ACCOUNTING FOR BASIS DIFFERENCES AND GOODWILL

- Allocates investment cost exceeding net assets to specific assets, goodwill or intangibles
- Recognizes goodwill when JV's fair value exceeds net identifiable assets

ELIMINATION OF INTRA-ENTITY TRANSACTIONS

- Requires elimination of profits from JV-venturer transactions
- Profits recognized only when realized through third-party transactions

JV EXCLUSIONS

- Excludes asset acquisitions and collaborative arrangements
- Covered separately within the scope of ASC 805 and ASC 808

less than the carrying value. JVs usually adopt venturers' policies for goodwill impairment testing and amortization. **Goodwill and Bargain Purchase Price.** The amount an investor pays to acquire an equity method investment differs from its proportionate share of the carrying value of the investee's underlying assets and liabilities (ASC 323-10-

35-34), which is the "basis difference." If the acquirer cannot attribute such a basis difference to specific assets and liabilities that it has acquired, it reflects it as "equity method goodwill." Under certain circumstances, the investor's share of an investee's net assets is higher than the consideration paid. If the investor cannot attribute the negative basis difference to specific assets or liabilities, it recognizes it as "bargain purchase price" or "negative goodwill."

ASC 323-10-35-13 implicitly requires that companies treat any negative goodwill in equity method investments consistent with the consolidation accounting model. Thus, companies recognize any excess fair value of the identifiable net assets over the cost of the equity method investment in earnings on the investment date, consistent with FASB's business combination guidance (ASC 805-30-25-2).

Amortization of goodwill may be deductible in some tax jurisdictions. Companies recognize tax benefits arising from excess tax-deductible goodwill, which results in the recognition of DTA similar to any other temporary differences (ASC 805-740-25-9).

However, the recognition of DTL for financial reporting goodwill over tax-deductible goodwill is prohibited (ASC 740-10-25-3(d)).

JV EXCLUSIONS

Asset Acquisitions. Joint venture investments differ from "asset acqui-

Table 1. Summary of Fair Value Accounting for Equity Investments

Description	Initial Measurement	Subsequent Measurement
Equity investment has a readily determinable fair value available	Transaction price or fair value	Adjusted for fair value with changes recorded in earnings
Equity investment does not have a readily determinable fair value available	Cost	Measurement alternative

sitions.” A business combination is a transaction or event by which an acquirer obtains control of a business.

Suppose acquiring an asset or asset group (including liabilities assumed) does not constitute a business. In that case, the transaction is no longer a business combination and the acquirer accounts for it as an “asset acquisition.” An asset acquisition transaction uses a cost accumulation model, whereas a business combination within the scope of ASC 805, *Business Combinations*, uses a fair value model.

Collaborations. JV investments are not collaborative arrangements. Collaborative arrangements aim to provide partners with a share of profits and losses in joint operating activities. In collaborative arrangements, partners usually share responsibilities, but one partner may be responsible for specific activities while others share the remaining responsibilities.

Counterparties in a collaborative arrangement often conduct their activities without creating a separate legal entity. As a result, collaborative arrangements usually provide a certain level of flexibility and less structure in their operations. Collaborative arrangements are typically within the scope of ASC 808, *Collaborative Arrangements*.

FAIR VALUE METHOD ACCOUNTING

Companies use the fair value method for their equity investments when ownership is less than 20 percent of the investee’s outstanding shares and they do not have control or significant influence. These companies can record changes in the value of their investments in earnings.

CLARIFYING JOINT VENTURE AND EQUITY METHOD ACCOUNTING

Previously, U.S. GAAP lacked clear guidance on how JVs should recognize and measure contributed assets and liabilities at formation, leading to inconsistent practices. To address this, FASB issued ASU 2023-05, requiring JVs to apply a new basis of accounting – similar to pushdown accounting – and recognize net assets at fair value as of the formation date. Guidance for JV venturers remains unchanged.

This ASU has effectively streamlined and simplified the JV accounting process, significantly improving U.S. GAAP.

This article discussed the fundamentals of the equity method accounting for JV investments. A comprehensive discussion of equity method accounting is beyond the scope of this article. The objective was to highlight at least

some rudimentary issues related to this complex area of accounting. The article wittingly avoided excessive details on some technical problems. Readers may want to refer to the FASB and other accounting literature for a more comprehensive discussion.

Please see the TXCPA website for example illustrations.



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NEW \$348,000 gross. West of Corpus Christi CPA practice. Turn-key opportunity, including knowledgeable staff in place available to transition. Service mix comprised of tax (70%) and accounting (30%). Good reputation in the area with excellent growth possibilities. TXS5636

NEW \$741,000 gross. Virtual/remotely operated CPA practice (based in Plano, Texas). Fully virtual, boutique CPA tax and financial advisory practice. Caters to HNW individuals and small businesses. Boasts an exceptionally strong fee structure with average fees per return above \$2,300 and strong cash flow to owner exceeding 50% of gross income. TXN5590

\$169,000 gross. Orange County tax and accounting practice. Service mix comprised of tax (64%) and accounting (36%). Knowledgeable staff in place and good reputation in the area with excellent growth possibilities. Turn-key practice ideal for an individual looking to step into a wonderful book of business. TXS5426

\$265,000 gross. Matagorda County tax and accounting practice. The service mix is a balance of both tax (72%) and bookkeeping (28%) that includes payroll. Great cash flow with an exceptional reputation in the developing community providing continued growth. Knowledgeable staff in place interested in working with the new owner. Buyer has flexibility to lease, purchase the building or move practice nearby if desirable. Available for transition after closing as agreed with buyer. TXS5425

\$477,000 gross. West Houston CPA practice. CPA owner looking to semi-retire and is available for transition as agreed with buyer. Primarily tax services with year-round revenues in a prime location with great cash flow. An office share arrangement is available for the buyer. High-income, long-term quality clients that provide continuous referrals. Perfect opportunity for an individual or firm looking to grow their practice. TXS5314

\$1,500,000 gross. East Texas CPA practice. Loyal client base of businesses and individuals, which should continue to generate referrals and opportunities for growth. Revenues are derived from a nice balance of accounting and tax services that provide steady, year-round income. There is a strong fee structure and a tenured staff in place. The seller is willing to stay on to assist after closing, prefers a 3-5 year transition and is open to different buyout structures. TXN1631

\$874,000 gross. Bryan-College Station CPA firm. Owner looking to sell to focus on consulting business. 2025 gross revenue estimated to be \$935K! The service mix includes tax (57%), accounting (38%) and other (5%). Solid reputation in the community with growth opportunities. Knowledgeable staff in place for smooth transition. Buyer can lease or buy building. TXS5067

\$410,000 gross. Brownwood, Texas CPA practice. High-quality client base made up of large businesses that provide opportunities for growth. Balanced revenues include tax work (66%), accounting (14%) and other services (14%). TXN1638

\$285,000 gross. Brazoria County CPA firm. Good reputation in the area with excellent growth possibilities. Service mix comprised of tax (94%) and accounting (6%). Knowledgeable staff in place and seller available for transitional assistance. Turn-key opportunity for an individual looking to start with a quality book of business. TXS1326

\$445,000 gross. Houston CPA firm. Service mix includes tax (63%), accounting (36%) and other (1%). Buyer can operate from anywhere in the Houston area. Year-round cash flow with experienced staff in place to continue with new owner. TXS1315

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