

Memorandum

AEC Agenda Item VIII.
June 23, 2010

To : AEC Members

Date : May 28, 2010

Telephone : (916) 561-4339

Facsimile : (916) 263-3672

E-mail : jsheldon@cba.ca.gov

From : Jenny Sheldon, Coordinator
Renewal/Continuing Competency Unit

Subject : Public Comments

As members may be aware, all meetings of the Accounting Education Committee (AEC) are webcast via a link on the California Board of Accountancy (CBA) Web site. Although webcast meetings increase the transparency of AEC activities, it does not allow for individuals viewing the webcast to provide comments during the meeting.

The CBA received one written public comment regarding the April 8, 2010 AEC meeting, which was viewed via webcast by approximately 39 individuals. The comment (**Attachment #1**) is dated April 24, 2010 and was submitted by Robert J. Yetman, Associate Professor of Accounting in the Graduate School of Management at the University of California, Davis.

There is a possibility that the AEC may receive future public comments via correspondence. Staff will continue to include a copy of all public comments received at the CBA office in the meeting materials for future meetings.



ROBERT J. YETMAN
ASSOCIATE PROFESSOR OF ACCOUNTING
GRADUATE SCHOOL OF MANAGEMENT
DAVIS, CALIFORNIA 95616-8609

PHONE: (530) 752-3571
FAX: (530) 752-2924
EMAIL: RJETMAN@UCDAVIS.EDU

April 24, 2010

Mr. Ruben Davila, AEC Chair
c/o California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815

Dear Mr. Davila,

I would like to provide my thoughts on the matters before the AEC, in particular how the additional 20 units of Accounting Study are to be assigned. I sincerely thank you and the committee for your kind consideration.

Let me start with a bit of information on myself, which can help frame my thoughts on the task before the AEC. I am currently a tenured professor in Accounting at the Graduate School of Management at UC Davis. I have taught Tax Accounting, Corporate Governance, Financial Accounting, Not-for-Profit Accounting, and Microeconomics. I am a CPA, and received my Masters in Accountancy at San Diego State University, my Ph.D. in Accounting at the University of North Carolina, and started my career as an accountant with Price Waterhouse in San Diego some 19 years ago. In addition to my duties at UC Davis I also serve as the primary Auditing and Accounting Consultant to the CalSTRS Board of Directors. As you may know, CalSTRS is the second largest pension system in the U.S. with roughly \$140 billion of assets under management.

My undergraduate degree is in Engineering, and I became an accountant as I found it more interesting and suitable to my disposition. Because I did not have an undergraduate degree in Accounting, I needed to find a Masters program that could give me all the accounting classes I needed in about one year (I could not afford a complete second undergraduate degree given my student loan debt), and San Diego State delivered.

I listened with great interest in the webcast of your first committee meeting, and I must complement you and your committee on the professionalism and pragmatism you bring to the task, the People of the Great State of California should be proud. However, in my opinion there are three primary issues that you and your committee should keep dearly in mind. The first is costs, and the second is accessibility, and the third is accounting myopia. I will start with costs.

Costs:

You and your committee have been given the ability to impose significant costs on educational institutions in this Great State, yet you have no ability to provide us with even a single dollar with which

to pay for those costs. I am sure you and your committee are well aware of the significant reductions in state funding for all state universities, a situation that is likely to be rather permanent. We can no longer look to the State for additional funding, and our students are at their financial breaking point as tuition and fees have risen rather sharply over the past few years. It is one thing to mandate additional courses and requirements, but it is quite another for the universities to figure out a way to staff these courses, pay for their content, and find a place to teach them. Keep in mind that some committee members represent schools which currently offer more than the 24 necessary accounting units, making it all too easy for them to suggest upping the accounting units as it would impose no cost on them. However, this is not the case with all institutions in California, and increasing the accounting units, even by one course, would impose significant costs on those schools, particularly on one year masters programs.

Teaching loads are fixed, and schools cannot simply offer additional accounting courses just because your committee mandates them. You might think we could simply staff those additional courses with lecturers or such, but this is not the case. Accreditation requirements under AACSB severely limit the amount of teaching that can be done by part time or even full time lecturers and you can be sure that due to budget issues most California universities are already at those limits. Thus any new accounting classes you mandate would need to be taught largely by new tenure track line faculty, and my question is: From whence will they come and by whom will they be paid? State funded California Universities are *shrinking*, not *growing*, there are no new faculty lines to be had. Thus it is imperative that you give us, the Universities in this Great State the maximum amount of flexibility to fulfill the requirements of SB 819 in plausible and pragmatic ways that meets both the spirit and law of SB 819. Currently California universities offer a host of non-accounting courses that would increase the quality of the practice of accounting, and I encourage you to permit those classes to be included as the 20 units of Accounting Study.

Accessibility:

It is well known that Accounting is a career of first generation college graduates. I myself am a first generation college graduate (my parents did not go to high school, much less college), and many Californians are similar. If you increase the necessary number of accounting units beyond 24 you will increase the burden of becoming a CPA in California, and would undoubtedly block out qualified candidates. This is especially true for one year Masters programs which are a very popular way for those in other fields, like myself, to join the accounting profession. These one year masters programs are a primary way for students from academically or economically challenged backgrounds to enter the profession because they are much less expensive than getting a second undergraduate degree in accounting. Again, it is imperative that you give us, the Universities in this Great State, the maximum amount of flexibility to fulfill the requirements of SB 819 so that we can minimize the impact on accessibility to the accounting profession, particularly access from those whose family backgrounds are economically or academically challenged.

Accounting Myopia:

According to Senate Bill 819 there is no requirement that the additional 20 units of Accounting Study include any additional accounting units. If the state legislature wanted additional accounting units, they would have asked for them ... but they did not. I believe the legislature knew exactly what they were

doing in this regard, and that they knew a myopic focus on additional accounting units was not in the best interest of the People of the Great State of California.

To the extent that the spirit of the law is to trade off the additional one year of experience for additional accounting expertise via education, I believe that this additional one year of education should in fact be in anything but additional accounting units. Auditing, attestation engagements, and tax engagements demand a more thorough and complete knowledge of the complex business environment that exists in today's economy, and this is especially true in California. One additional class in auditing or tax accounting will do little to enhance the abilities of an accountant, but additional courses in economics, business, management, and even other areas such as psychology, sciences, technology, or communications would be far more valuable.

Never once in my career have I been told "Gosh Bob, if only you had taken one more Cost Accounting class you would be a really good accountant". What I really could have used is more general business knowledge, more communication skills, and more understanding of the technology and sciences of my clients. Accounting firms are great at providing technical accounting education to their staff, and annual Continuing Education classes are good at enhancing technical accounting skills. But neither the accounting firms nor CE classes provide much in the way of general business understanding or a broader understanding of the technical aspects of our clients businesses. The reason is that they simply can't, they have neither the expertise or experience in the sciences, or communications, or technology, etc. However, we, your state Universities, can offer expertise in those areas.

In my opinion a myopic focus on additional accounting units will weaken, not strengthen, future accountants, and I believe the legislature knew this, and this is exactly why they did not mandate any additional accounting units. You and your committee have this wonderful one-time opportunity to truly have a lasting positive impact on the accounting profession in this important way. I encourage you to avoid the tendency to throw more accounting classes into the mix simply in a misguided attempt to appease the writers of SB 819. If they wanted more accounting units, they would have specifically asked for them. Leaving out more accounting does not mean you are "not doing anything". In fact, the opposite is quite true. Certainly the extra 10 units of Ethics is "doing something" that no other state does. Plus, simply requiring that the extra 20 units be in some pre-defined set of classes related to the practice of accounting is "doing something" very important. But those extra units need not be in accounting to be "doing something".

Summary and Recommendations:

Based on my professional experiences over some combined 19 years as a practicing CPA and accounting educator, I believe that the current requirement of 24 semester hours of Accounting is sufficient to produce high quality CPAs. More accounting is not what is missing. What is missing is a better understanding of the business world accountants are called upon to serve. Do not be tempted to simply throw in more accounting units as an attempt to appease any special interest group, particularly if that group does not consist of CPAs or accounting educators.

Additional accounting hours will only serve to raise the costs, perhaps prohibitively, of providing an accounting education, thus reducing the opportunities for Californians to become accountants. Additional accounting hours will only serve to block out people like myself, and others who come from

educationally and economically disadvantaged backgrounds. Additional accounting courses will only serve to increase the myopic concentration on accounting technical skills, at the expense of increasing the host of other skills today's accountants truly need.

I respectfully recommend that:

The 20 units of Accounting Study be in either accounting AND/OR business related topics as currently defined by the CBA (with reference to the current 24/24 requirements). Of these 20 units, a maximum of 12 units may be in other academic areas relevant to the practice of accounting. These 12 units must be in at least two areas such that no more than 6 units may be in a single area.

I think reasonable choices for those additional 12 units can be identified by your committee, but I suggest any hard science like medicine, biology, physics, engineering, etc. In addition, those areas dealing with human interaction, such as psychology and communication, both written and oral, would make good choices. Of course, identifying what courses meet these requirements will involve some work by both your committee and the CBA, but nothing really worth having ever comes easy. Do not buy into the argument that students might take these other 12 units in "basket weaving". I can assure you no course in "basket weaving" is offered at the University of California, and even if it was do you really think that any respectable accounting firm would hire someone who willingly took their elective classes in "basket weaving"? Accounting students are an honest, hardworking bunch of kids who do not shy from the tough task of rigorous coursework. You should have some faith in your California Universities and the talented students we teach.

The above suggestion would provide the necessary flexibility to deal with the cost and accessibility issues while ensuring the spirit of SB 819 is met, that California CPAs be the best prepared to tackle the tough job of providing accounting, attestation, tax, and other services to the complex business environment they face in the Great State of California.

It is with the greatest humility that I thank you and your committee for your kindest consideration and remain,

Yours Truly,

Robert J. Yetman, Ph.D., CPA