

Memorandum

AEC Agenda Item IV.
September 3, 2010

To : AEC Members

Date : August 23, 2010

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Subject : Consideration of Draft Regulatory Language for the 20 Units of Accounting Study

At the June 23, 2010 Accounting Education Committee (AEC) meeting, members continued deliberations on establishing a framework for the additional 20 units of accounting study that will be required for certified public accountant licensure beginning January 1, 2014. At the meeting the AEC made the below recommendations.

- The 20 units of accounting study must be completed at an upper division level or higher.
- A minimum of six units must be completed in accounting subjects as defined by Section 9.2(b) of the California Board of Accountancy (CBA) Regulations.
- A maximum of 14 units can be completed in business-related subjects (as defined by Section 9.2(c) of the CBA Regulations) or other academic work relevant to accounting and business.
- No more than four units completed in internships or independent studies can be counted towards the 20 unit accounting study requirement.
- Applicants documenting completion of a master of accounting or taxation should be deemed to have met the 20 units of accounting study.

Related to the last recommendation, staff informed members at the June 23, 2010 meeting that CBA legal counsel needed to opine on whether the statute provided enough flexibility to allow for the completion of a specified master's degree to meet the 20 units of accounting study. Unfortunately, CBA legal counsel has informed staff that given the specificity of the statute to require applicants to complete the 20 units of accounting study, the aforementioned recommendation would go beyond the scope of the statute.

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That said, if the AEC still believes the recommendation should be considered by the CBA, it can make the recommendation in conjunction with any proposed regulatory language submitted to the CBA for review. If the CBA concurs with an AEC recommendation to allow for a specific master's degree to meet the 20 units of accounting study, it could consider seeking a legislative change in an upcoming session.

In the attached document, staff have provided draft regulatory language which would effectuate the AEC's recommendations for the 20 units of accounting study, minus the recommendation regarding the master's degree. One area that still needs careful consideration is defining the term "other academic work relevant to accounting and business."

For the last meeting, AEC Chair Ruben Davila, provided a document in which he outlined a proposed definition for the term "other academic work relevant to accounting and business." Staff have included the proposed definition, but have made some minor revisions to transition the language into a regulatory format.

One of the more significant revisions staff made was removing the terms, "SEC regulations," "bankruptcy," "estate planning," and "mergers and acquisitions," as it appears applicants could claim these courses under the accounting and business-related subject areas already included in the regulations, so including them would be duplicative and unnecessary. If the AEC feels that inclusion of these courses is necessary, the courses can be included in the final language reviewed by the members.

In reviewing the proposed definition for "other academic work relevant to accounting and business," members may wish to consider the two issues below. The purpose for identifying these issues is to ensure that the final language adopted reflects the AEC's intention, and is sufficiently clear so that both staff and, more importantly, applicants understand the requirements for licensure.

First, the language presently proposed in Section 9.3(b)(1) may allow any courses completed at an upper division level or higher in subjects such as English, Biology, and Communications to qualify for the 20 units of accounting study. This would include courses such as the Metaphysical Poet, Plant Taxonomy, and Staging and Lighting Digital Video.¹ It would, however, require the applicant to substantiate how a course relates to enhancing his/her skills to practice public accounting.

Second, college and universities build most of their course offerings around skills that emphasize writing, research, and critical thinking. Applicants could attempt to

¹ Courses pulled from California State University, Sacramento's present course catalog offerings.

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claim just about any course due to the writing, research, and critical thinking components.

As members give consideration to the above-mentioned issues, it is important to remember that when the Legislature previously considered requiring 150 units for licensure it was concerned about having a “hollow” 30 units, as well as how the additional units could create barriers to entry. Members, thus, must strike a balance between being overly broad and overly burdensome.

On a final note, until such time as the Ethics Curriculum Committee makes its final recommendations on the 10 units of ethics, staff cannot predict how any of the proposed ethics recommendations will affect the draft regulatory language being provided to the AEC.

Based on discussions at the upcoming September 3, 2010 meeting, staff will include any edits, feedback, and further recommendations AEC members believe necessary to the proposed regulations. Staff will bring a final draft of the proposed regulations to the following AEC meeting.

Attachment

9.3 Education Required Under Business and Professions Code Section 5093 to Apply for a Certified Public Accountant License

(a) An applicant applying for licensure after December 31, 2013, in addition to meeting the 24 semester units of accounting subjects described in Section 9.2(b) and the 24 semester units of business-related subjects outlined in Section 9.2(c), shall, to the satisfaction of the Board, provide documentation to the completion of an additional 20 semester units of accounting study as described below.

(1) All units must be completed at a college or university level of upper division or higher, with a maximum of four semester units completed in internships or independent study.

(2) A minimum of six semester units must be completed in accounting subjects as described in Section 9.2(b).

(3) A maximum of 14 semester units may be completed in business-related subjects as described in Section 9.2(c), or may be completed in other academic work relevant to accounting and business as described in subsection (b) below.

(b) Other academic course work relevant to accounting and business shall provide an applicant with skills and knowledge enhancing his/her ability to practice public accounting and include the following:

(1) Courses completed in the following subjects: Communications, Journalism, Psychology, English, Biology, Medicine, Chemistry, Engineering, Architecture, and Real Estate.

(2) Courses which emphasize writing, research, critical thinking, negotiations, and logic.

(c) Satisfactory evidence as to educational qualifications shall take the form of certified transcripts of the applicant's college record, mailed directly to the Board from the educational institution; however, in unusual circumstances the Board may accept such other evidence as it deems appropriate and reasonably conclusive. For foreign education, in addition to certified transcripts of the applicant's college record, satisfactory evidence usually takes the form of an evaluation of educational credentials by a credentials evaluation service approved by the Board pursuant to Section 9.1.

(d) For purposes of this section, one quarter unit is equivalent to two-thirds of one semester unit.