

Memorandum

AEC Agenda Item V.
April 15, 2011

To : AEC Members
Date : April 11, 2011
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From : Dominic Franzella, Manager
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Subject : Consideration of Draft Regulatory Language to Clarify the 20 Units of Accounting Study Required for CPA Licensure Beginning January 1, 2014

At the February 2011 Accounting Education Committee (AEC) meeting, members considered a recommendation for defining the 20 units of accounting study developed by the subcommittee of Professors Ruben Davila, AEC Chair, and Michael Moore, AEC member. The subcommittee proposed the following:

- Require that the 20 units of accounting study be completed at an upper division level or higher.
- Require a minimum of six semester units be completed in accounting subjects as defined by CBA Regulations Section 9.2(b).
- Allow for a maximum of 14 semester units to be completed in business-related subjects (as defined by CBA Regulations Section 9.2(c)) or other academic work relevant to accounting or business.
- Define the term “other academic work relevant to accounting or business” by establishing four broad educational areas as follows: Skills-based, Language, Industry-based, and Knowledge-based.
- Establish a maximum number of allowable semester units to be applied to Skills-based (six), Language (three), and Knowledge-based (six).
- Allow for a Master’s Degree in Accounting or Taxation to qualify as having met the 20 units of accounting study.

As a whole, the AEC agreed with the majority of the subcommittee’s proposal, with a minor expansion of the Language category in the maximum 14 units of “other academic coursework relevant to accounting and business.” The AEC suggested

Consideration of Draft Regulatory Language

Page 2 of 4

that this area also include those subjects that focus on cultural awareness and ethnic studies. (See **Agenda Item IV.**)

At the request of the subcommittee, staff prepared draft regulatory language for the proposal (**Attachment #1**). The area of the regulations that took the most effort to craft, and on which the AEC has focused the majority of its discussions, was defining the term “other academic coursework relevant to accounting and business.” (See **Attachment #1**, subsection (c)(3).) The language developed for the term “other academic coursework relevant to accounting and business” focused primarily on the topical matter applicants were exposed to when completing courses in the various broad educational areas (Skills-based, Language, Industry-based, and Knowledge-based).

Per the subcommittee’s direction, staff prepared the draft language based on the following:

Skills-Based

- Skills-based courses would be those courses that increase students’ oral/verbal, written, and presentations skills, as well as increase students’ ability to gather, critically analyze and assess, and reach conclusions. A maximum of six semester units to be applied toward the maximum of 14 semester units allowed under other academic coursework relevant to accounting and business.

Language

- Allow for applicants to receive units in foreign languages, including sign language, with a maximum of three semester units to be applied toward the maximum of 14 semester units allowed under other academic coursework relevant to accounting and business.

Industry-Based

- Industry-based courses would be courses that provide students with practical, real-world information on the business, economic, and financial market within which a particular industry operates. Given the close nexus that this educational area has with business applications, no unit limitation was placed on the maximum of 14 semester units allowed under other academic coursework relevant to accounting and business.

Knowledge-Based

- Staff did not develop a definition for this as part of the draft language provided at the February 2011 meeting. Members further discussed how best to define this educational area at the February meeting.

Consideration of Draft Regulatory Language

Page 3 of 4

Staff informed the members that for courses to qualify under these broad educational areas, the course title would need to include terms such as those provided for in the definition. For example, a Skill-based course would need to have terms such as oral/verbal, presentation, writing, gather, analyze and assess, and conclusion. Similarly, an Industry-based course would need to have the term “industry” in the title.

At the request of AEC Chair Professor Davila, staff pulled a sample of recently approved licensees to test the subcommittee’s proposal. Staff only pulled those files for licensees approved under Pathway 2 (baccalaureate degree or higher, with a minimum of 150-semester units).

Staff found many licensees approved under existing Pathway 2 requirements would not be approved under the proposal. The main deficiency stemmed from applicants having insufficient upper division accounting units – even those that graduated with a Bachelor’s Degree with an emphasis in accounting. Overall, staff believe this issue will be resolved over time as students and institutions become aware of this requirement and adjust their schedules/course offerings. Staff did note that many applicants had significant business-related courses that qualified under the maximum allowable 14 units in business-related or “other academic coursework relevant to accounting and business.”

As for applying the proposed definition of “other academic course work relevant to accounting and business,” (specifically, the skills-based, language, industry-based, and knowledge-based), staff had limited success in identifying many course titles that fit the proposed definitions. Staff identified some language/cultural courses and skills-based courses such as communications. No courses were identified under the present industry-based definition.

If the AEC still wishes to use these broad educational areas to further define the term “other academic coursework relevant to accounting and business,” the definitions for industry-based and knowledge-based will need further clarification. Specifically, the AEC will need to provide key words or terms that will have a high probability of being included in course titles that appear on transcripts. Without this increased clarification, it is unlikely that applicants will have a clear understanding regarding courses that qualify or that staff will be able to identify courses for these educational areas.

Although this was a limited sampling, staff is concerned that the present descriptions used to define the term “other academic coursework relevant to accounting and business” will not provide the needed flexibility the AEC hopes to achieve. As staff understand it, the AEC would like to create some broad areas to incorporate education earned outside the accounting and business field.

To achieve the AEC’s aspirations, it may be prudent to explore another alternative to defining the term “other academic course work relevant to accounting and business.” Specifically, members may want to reconsider a portion of a prior

Consideration of Draft Regulatory Language

Page 4 of 4

definition discussed in September 2010 that relied more on the subject area and course title rather than on the knowledge, skills, and abilities students gain. This approach would incorporate use of subject areas such as English, Journalism, Communications, Engineering, etc., but with a cap on the amount of units that may be applied. This approach may incorporate most, if not all, of the courses that would make up the skills-based and industry-based categories presently being considered by the AEC.

In considering this shift, staff have provided two options for members' consideration. One option would allow for all 14 units to come from a combination of any of the subjects, but allow for no more than three units to come from one single subject. Another option would be to allow for only nine (or some other number) to come from a combination of any of the subjects, while still placing a three unit cap from one single subject.

This new alternative potentially addresses the various ideas and recommendations made by the members during the course of the meetings. Additionally, some added benefits of using one of the above options are that it will be easy for all stakeholders to clearly recognize units that count, and for staff to accurately identify particular courses.

Finally, by using one of the two above options, staff believe it still addresses a concern raised by Ed Howard, Senior Legal Counsel for the Center for Public Interest Law. Mr. Howard originally expressed that he believed too many of the units could come from the "other academic" area, which could lead to a number of courses without any real nexus to accounting or business. One of his suggestions was to place a cap on the number of units that could apply thus minimizing this issue. The above options meld the best of both the AEC's desire to insure that sufficient offerings are available, while meeting a concern raised by Mr. Howard that a potential for overuse and limited applicability exists with defining the term "other academic course work relevant to accounting and business" solely via subject areas.

In **Attachment #2**, staff have provided draft language incorporating the two options. As noted previously, the subjects presently provided for in the draft language are those that the AEC considered back in September 2010 – specifically, Communications, Journalism, English, Biology, Medicine, Chemistry, Engineering, Architecture, and Real Estate. If members believe this list of subjects needs to be expanded, staff will need the AEC to provide that guidance as part of this meeting. Potential expansion could include courses taken in subjects such as Foreign Language (including sign language) and Cultural or Ethnic Studies.



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Attachment #1

**DRAFT REGULATORY LANGUAGE
FOR THE 20 UNITS OF ACCOUNTING STUDY**

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

(a) An applicant applying for CPA licensure after December 31, 2013, in addition to meeting the 24 semester units of accounting described in Section 9.2(b) and the 24 semester units of business-related subjects described 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 in Section ___ and 10 semester units of ethics study as described in Section ___.

(b) 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.

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

Section ___ Accounting Study Required Under Business and Professions Code Section 5094.

(a) In order for an applicant to satisfy the accounting study requirement, he/she must meet the requirements described in either subsection (b) or (c).

(b) Documentation to the satisfaction of the Board conferral of a Master's Degree in Accounting or Master's Degree in Taxation.

(c) Completion of 20 semester units at a college or university level of upper division or higher as described below.

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

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

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

(A) A maximum of six semester units in courses that increase an applicant's oral/verbal, written, and presentations skills, as well as increase his/her ability to gather, critically analyze and assess, and reach conclusions.

(B) A maximum of three semester units in courses in foreign language, to include sign language.

(C) Courses that provide applicants with information on the business, economic, and/or financial market within which a particular industry operates.

(D) Knowledge based

(4) A maximum of four semester units may be applied in internships or independent study.

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**Attachment #2****DRAFT REGULATORY LANGUAGE
FOR THE 20 UNITS OF ACCOUNTING STUDY****Section __ Education Required Under Business and Professions Code Section 5093 to Apply for Certified Public Accountant License.**

(a) An applicant applying for CPA licensure after December 31, 2013, in addition to meeting the 24 semester units of accounting described in Section 9.2(b) and the 24 semester units of business-related subjects described 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 in Section __ and 10 semester units of ethics study as described in Section __.

(b) 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.

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

*Option #1***Section __ Accounting Study Required Under Business and Professions Code Section 5094.**

(a) In order for an applicant to satisfy the accounting study requirement, he/she must meet the requirements described in either subsection (b) or (c).

(b) Documentation to the satisfaction of the Board conferral of a Master's Degree in Accounting or Master's Degree in Taxation.

(c) Completion of 20 semester units at a college or university level of upper division or higher as described below.

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

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

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

(A) Courses completed in the following subjects: Communications, Journalism, English, Biology, Medicine, Chemistry, Engineering, Architecture, and Real Estate. No more than three semester units can be applied from one single subject area.

(4) A maximum of four semester units may be applied in internships or independent study.

Option #2

Section __ Accounting Study Required Under Business and Professions Code Section 5094.

(a) In order for an applicant to satisfy the accounting study requirement, he/she must meet the requirements described in either subsection (b) or (c).

(b) Documentation to the satisfaction of the Board conferral of a Master's Degree in Accounting or Master's Degree in Taxation.

(c) Completion of 20 semester units at a college or university level of upper division or higher as described below.

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

(2) A maximum of 14 semester units may be applied in business-related subjects as described in Section 9.2(c).

(3) A maximum of nine semester units may be applied from other academic work relevant to accounting and business that provide an applicant with skills and knowledge enhancing his/her ability to practice public accounting and may include the following:

(A) Courses completed in the following subjects: Communications, Journalism, English, Biology, Medicine, Chemistry, Engineering, Architecture, and Real Estate. No more than three semester units can be applied from one single subject area.

(4) A maximum of four semester units may be applied in internships or independent study.