Attachment 4

Minutes of April 2011 ECC Meeting

CALIFORNIA BOARD OF ACCOUNTANCY

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DEPARTMENT OF CONSUMER AFFAIRS (DCA)
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

CBA Agenda Item VII.G.
May 19-20, 2011

ECC Agenda Item I
May 18, 2011

MINUTES OF THE April 6, 2011 ETHICS CURRICULUM COMMITTEE (ECC) MEETING

California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 958151
Telephone: (916) 263-3680

Roll Call and Call to Order

Donald Driftmier, Chair, called the meeting of the ECC to order at 12:32 p.m. on Wednesday, April 6, 2011 at the California Board of Accountancy. Mr. Driftmier indicated that to ensure compliance with the Bagley-Keene Open Meeting Act, Section 11122.5(c)(6), if a majority of members of the full CBA are present at a committee meeting, members who are not members of that committee may attend the meeting only as observers. CBA members who are not committee members may not sit at the table with the committee, and they may not participate in the meeting by making statements or by asking questions of any committee members.

ECC Members

Donald Driftmier, Chair	12:32 p.m. to 3:00 p.m.
Gary McBride	12:32 p.m. to 3:00 p.m.
Jon Mikkelsen	12:32 p.m. to 3:00 p.m.
Steven M. Mintz	12:32 p.m. to 3:00 p.m.
Gary Pieroni	12:32 p.m. to 3:00 p.m.
Robert Yetman	12:32 p.m. to 3:00 p.m.
Michael Ueltzen	12:32 p.m. to 3:00 p.m.
Michael Shames	12:32 p.m. to 3:00 p.m.
Dave Cornejo	Not Present
Gonzalo Freixes	Not Present

Staff and Legal Counsel
Patti Bowers, Executive Officer
Deanne Pearce, Chief, Licensing Division
Dominic Franzella, Manager, Licensing Division
Cindi Fuller, Licensing Coordinator
Kari O'Connor, Licensing Analyst
Rich Andres, Information Technology Staff

Other Participants
Jeannie Tindel, California Society of Certified Public Accountants (CalCPA)
Jason Fox, CalCPA
Pilar Onate-Quintana, KP Public Affairs
Chrislynn Freed, California Society of CPAs, Accounting Education Committee
Ramona Farrell, Ueltzen & Company, LLP
Suzanne M. Ogilby, California State University, Sacramento (CSUS)
Charles Davis, CSUS
Maria Nondorf, University of California, Berkeley

I. Approve Minutes of the January 26, 2011 ECC Meeting

It was moved by Mr. Mintz, seconded by Mr. Pieroni, and carried by those present to approve the minutes (Attachment #1). Mr. Shames abstained.

II. Update on Accounting Education Committee Activities

Ms. Pearce provided an oral report for this item. She reported the AEC is recommending a specified master's degree in taxation or accounting be accepted to meet the 20 units of accounting study. Further discussions will be held at the upcoming AEC meeting to determine if additional master degrees should also be accepted and whether a Master of Law (LL.M) degree should count towards meeting the 20 units of accounting study. For those individuals without a master's degree, the AEC is presently recommending that all units be completed at an upper division level, a minimum of six units be completed in accounting subjects, a maximum of 14 units be completed in business related subjects or other academic work relevant to accounting or business, and a maximum of four units be counted for internships for independent study. The committee is working on defining the definition of "other academic work relevant to accounting or business."

III. Letters Received from Stakeholders Regarding the Composition of the 10 Units of Ethics Study Required for CPA Licensure Beginning January 1, 2014 and the Results of External Ethics Study Survey

Mr. Driftmier presented the memorandum for this item (**Attachment #2**). He reported that numerous letters were received from stakeholders with the letters all being the same general tenor, concern regarding the 10 units of ethics.

IV. Report of the Subcommittee's February 22, 2011 Meeting and Proposal for the 10 Units of Ethics Study Required for CPA Licensure Beginning January 1, 2014

Mr. Yetman presented the memorandum for this item (**Attachment #3**). When considering this proposal, he stated the subcommittee took into account stakeholders, students, universities, the people of the State of California, the spirit of the law, and the practical application by the CBA. He provided an overview of the original idea of allowing embedded ethics and why the subcommittee selected

to abandon the idea specifically because of the CBA's reliance on certified course transcripts to confirm eligibility. The subcommittee considered how to document the option of an embedded ethics course in a way that would be consistent with institutions across the country. The subcommittee determined this was unfeasible, and therefore, to allow embedded ethics courses could not be an option.

Mr. McBride stated that the subcommittee believed its proposal met the spirit and intent of Senate Bill (SB) 819. The subcommittee proposed that three of the 10 units be in accounting ethics, accounting fraud, or accountants' professional responsibilities. He further stated that colleges would have until 2016 to develop a course(s) for this specific requirement.

Mr. Mintz stated he did not believe accounting fraud fell in the same category as accounting ethics. He stated that SB 819 called for the framework in ethical reasoning and that an accounting fraud course was generally more procedural in nature. He stated that an accounting fraud course would better be placed in the third category of the proposal. Mr. Ueltzen concurred.

Mr. McBride stated that the remaining seven units could be taken from one or both of the uncapped and capped categories. He reiterated that there could be no "double dipping" of courses. Courses taken in the capped category would be limited to three units in one discipline. Mr. Yetman stated the theory behind this limit was that students were more likely to take the introductory course for that discipline which would be more related to the foundations of ethical study. No limit was placed on the uncapped category as these courses were either related directly to ethics or established a business framework.

Mr. Shames suggested that the regulatory language for capped disciplines be modified to specify these courses be introductory courses. If introductory courses could not be identified, he had concerns with including Sociology, Psychology, and Religion in the capped disciplines.

Mr. Mikkelsen suggested placing a limit on the total units allowed for only those disciplines listed under the capped category.

Mr. Yetman clarified there could be no double counting of courses but the subcommittee's proposal allows for one unit of an auditing course be applied to ethics to provide flexibility to those applicants earning education at a semester unit college/university.

Mr. McBride clarified the three units of accounting ethics must be an upper division or higher course, while the remaining seven units had no such requirement.

Mr. McBride suggested that the word "solely" be removed from the proposed regulatory language as it pertained to the required three units of accounting

ethics. He believed the word “solely” may be too restrictive. Mr. Mintz suggested using the language of the law that addresses ethical reasoning, professional values, and professional skepticism.

Discussions were held on whether regulatory language should state that the capped courses be taken at a lower division level. Mr. Franzella explained that most transcripts include a numeric numbering system which identifies upper and lower division courses on four-year institutions; however, this is not clearly identified on two-year institutions. Ms. Bowers clarified that presently the CBA does not identify courses by lower or upper division.

Mr. Ueltzen believed a business ethics course should be included in the accounting ethics requirement. He stated a business ethics course provides a general framework in how business is conducted in an ethical manner.
Mr. Yetman stated that the subcommittee took into account the legislative intent of the law when designing this requirement.

Mr. Mintz stated that while some ethical reasoning would be included in a business ethics course often times less a third of the course would be consistent with what the law wants.

Mr. Mintz suggested that the wording framework of ethical reason, professional skepticism, and other behavior not be included in the regulatory language for the uncapped discipline language. He suggested this language be used for the accounting ethics regulatory language.

Mr. Mikkelsen suggested the language should be amended to read: Courses in the following subjects that provide applicants with a fundamental basis and framework of ethical reasoning and other foundations that are in the best interest of the investing and consuming public, and the profession.

Mr. Driftmier requested the subcommittee meet with CBA staff before the next ECC meeting to finalize the proposal and address the concerns shared by members.

Mr. Pieroni suggested that, in order to be consistent, the last sentence of the draft language which states “may not be claimed in conjunction with the 20 semester units of accounting study” be added to the other sections. Members also agreed that “subject” be changed to “discipline.”

V. Future Agenda Items

Staff was requested to explore with stakeholders a hybrid accounting and business ethics course. Mr. Driftmier asked to have Matthew Stanley contact stakeholders to determine if they believe business ethics is within the intent of the legislation.

VI. Public Comments

Mr. Davis stated that in conjunction with Ms. Ogilby and Ms. Farrell they were involved in a research study pertaining to the ethics study requirement and their findings were in tandem with the subcommittee's proposal. Ms. Ogilby stated California State University, Sacramento has an ethics and society business course but does not have an accounting ethics course. She believed a business ethics course should be included for the three units of accounting ethics. She had concerns about barriers that could exist for many students in the CSU system due to a specific accounting course.

Ms. Nondorf stated there was a sense of urgency in informing students of the defined requirements which is also impacting students who are already in the process of obtaining their degrees.

Ms. Freed stated she believed an accounting fraud and a business ethics course should be included with the required three units of accounting ethics. She requested the committee reconsider some of the disciplines as she had concerns how some of the disciplines related to the spirit of the law.

ADJOURNMENT.

There being no further business to be conducted, the meeting was adjourned at 3:00 p.m. on Wednesday, April 6, 2011.

_____

Donald A. Driftmier, Chair

Prepared by Cindi Fuller, Licensing Coordinator

CALIFORNIA BOARD OF ACCOUNTANCY

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DEPARTMENT OF CONSUMER AFFAIRS (DCA)
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

ECC Agenda Item I
April 6, 2011

Draft

MINUTES OF THE
January 26, 2011
ETHICS CURRICULUM COMMITTEE (ECC) MEETING

Crowne Plaza Irvine
17941 Von Karman Avenue
Irvine, CA 92614
Telephone: (949) 863-1999

I. Roll Call and Call to Order

Donald Driftmier, Chair, called the meeting of the ECC to order at 1:01p.m. on Wednesday, January 26, 2011 at the Crown Plaza Irvine. Mr. Driftmier indicated that to ensure compliance with the Bagley-Keene Open Meeting Act, Section 11122.5(c)(6), if a majority of members of the full CBA are present at a committee meeting, members who are not members of that committee may attend the meeting only as observers. CBA members who are not committee members may not sit at the table with the committee, and they may not participate in the meeting by making statements or by asking questions of any committee members.

ECC Members

Donald Driftmier, Chair	1:01 p.m. to 4:26 p.m.
Dave Cornejo	1:01 p.m. to 4:26 p.m.
Gonzalo Freixes	1:01 p.m. to 4:26 p.m.
Gary McBride	1:01 p.m. to 4:26 p.m.
Jon Mikkelsen	1:01 p.m. to 4:26 p.m.
Steven M. Mintz	1:01 p.m. to 4:26 p.m.
Gary Pieroni	1:01 p.m. to 4:26 p.m.
Robert Yetman	1:01 p.m. to 4:26 p.m.
Michael Ueltzen	Not Present
Michael Shames	Not Present

CBA Members
Sally Anderson, President

Staff and Legal Counsel
Patti Bowers, Executive Officer
Deanne Pearce, Chief, Licensing Division
Dominic Franzella, Manager, Licensing Division
Cindi Fuller, Licensing Coordinator

Rich Andres, Information Technology Staff
Matthew Stanley, Legislation/Regulation Analyst

Other Participants
Hal Schultz, California Society of Certified Public Accountants (CalCPA)
Jeannie Tindel, CalCPA
Pilar Onate-Quintana, KP Public Affairs
Joe Petito, The Accountants Coalition, PWC
Ellen Glazerman, Ernst & Young
Chrislynn Freed, California Society of CPAs, Accounting Education Committee
Randolph P. Beatty, Dean, Leventhal School of Accounting, University of Southern California
Christopher G. Jones, California State University, Northridge
Sharon Lightner, San Diego State University
Bill Holder, Ernst & Young, Professor at USC
Susan Parker, Leavey School of Business, Santa Clara University

II. Approve Minutes of the September 21, 2010 ECC Meeting

It was moved by Mr. Pieroni, seconded by Mr. Gonzalo, and unanimously carried by those present to approve the minutes (**Attachment #1**).

III. Applicants for California CPA Licensure with Education Completed Out of State

Mr. Franzella presented the memorandum (**Attachment #2**) for this item.

Mr. Franzella reported on the six-week study used to evaluate applicants for CPA licensure that completed education outside California. He also reported that the Accounting Education Committee (AEC) had expressed interest in this area and that the study validated the need to disseminate the recommendations of both the committees nationally. Staff suggested the CBA could circulate the recommendations through the interested parties list, which includes California colleges and universities, as well as sending a mailing to various colleges and universities throughout the United States in addition to using the National Association of State Boards of Accountancy (NASBA), the American Institute of Certified Public Accountants (AICPA) and other resources that may be available.

IV. Ethics Requirements for CPA Licensure of Other State Board of Accountancy

Ms. Fuller presented the memorandum (**Attachment #3**) for this item.

Ms. Fuller reported on the information provided by the Texas State Board of Public Accountancy regarding the development and implementation of their ethics requirement, as well as, additional information on the educational requirements of other state boards of accountancy.

V. Research Materials Provided by ECC Members and Information on Ethics Study

Ms. Fuller presented the memorandum (**Attachment #4**) for this item.

Ms. Fuller reported that at the last meeting, to assist members in establishing the framework on ethics study, the Chair had requested members research their college/university to see where ethics was embedded in courses. Members presented their findings to the committee and provided clarification to questions posed regarding their research. Mr. Driftmier presented the research information submitted by Mr. Ueltzen and Mr. Shames.

Discussions focused on the availability of stand-alone and embedded ethics courses offered by the accounting and business departments, as well as, in other departments. Members also discussed the availability of courses to accounting majors in other departments, and requiring an accounting ethics course as part of the 10 units.

Mr. Driftmier informed the committee that within the past few days he had received several letters regarding the composition of the 10 units of ethics study. The Chair requested the minutes reflect the letters received from University of Southern California, California State University, Northridge, University of California, Riverside, University of California, Santa Barbara, Azusa Pacific University, California State University, Fresno, University of San Diego, San Jose State University, Undergraduate Programs at Anderson (University of California, Los Angeles), California State University, Monterey Bay, and CalCPA Accounting Education Committee. He requested these letters be added to the next agenda to further address and review their concerns and suggestions.

Mr. Jones stated CSU, Northridge had a Master's of Taxation program. These graduates receive ethics instruction in professional responsibility in tax which is embedded in the graduate course work. He further stated that most ethics courses are in the Philosophy and Religious Study departments which may not be available to accounting students.

VI. Ethics Study Required by Business and Professions Code Section 5093

Mr. Franzella presented the memorandum (**Attachment #5**) for this item.

Mr. Franzella provided an overview of additional background information submitted by CalCPA and CPIL on Senate Bill 819, the impact of recommending less than 10 units of ethics study, and the next steps in recommending ethics guidelines to the CBA.

Members discussed the flexibility in allowing courses outside the accounting department but still requiring a dedicated course in accounting ethics.

Mr. Stanley clarified the timeframe and process for legislation. He stated legislation would not be needed unless the committee recommended less than 10

units. He informed the committee that double dipping (counting a course towards two requirements) was not in the law but was heavily implied. Mr. Driftmier requested Mr. Stanley provide at the next meeting a timeline should any legislative language be required.

Mr. Yetman suggested the committee first attempt to find 10 units of ethics study before considering reducing the total amount of units. He suggested the 10 units be comprised of three units of a stand-alone accounting ethics course and the remaining seven units could be comprised of business law, corporate law, and corporate governance courses and credit for ethics could be given for each accounting course. He suggested that ethics courses such as a solid philosophy course in ethics should be considered. These 10 units could be identified by the course title without relying on the course description.

Mr. Beatty supported the notion of three units of a stand-alone course. He stated undergraduate general education courses included ethics; therefore, students receiving a degree from an accredited institution should automatically be credited or “spotted” units towards the ethics study requirement. He had concerns regarding the implementation timing of this requirement and how it would impact current freshman and graduate students. He also echoed concerns regarding budget constraints imposed on institutions.

Ms. Lightner was in favor of the concept of “spotting” credit for general education courses. She encouraged members to consider budget issues faced by institutions. She informed members that students are asked to leave after completing 120 units and this could impose an added burden to students.

Ms. Parker relayed the urgency for the committee to craft the requirements as these 10 units would most likely affect juniors now. She stated a broad description of ethics would allow more courses.

Ms. Freed expressed her thanks for the committee’s work and urged the committee to consider the economically challenged student.

Ms. Anderson, CBA President, thanked the committee for all their work. Ms. Anderson asked those members associated with colleges and universities how difficult it would be for their institutions to identify ethics on a course-by-course basis as it pertained to transcripts.

Mr. Jones wanted to clarify that when speaking of embedded courses there are typically 15 contact hours for each unit.

After further discussion, a subcommittee, consisting of Mr. McBride and Mr. Yetman, was established to draft framework for the ethics study guidelines. The subcommittee was to meet with staff and present their proposal at the next meeting.

VII. Future Meeting Dates

It was moved by Mr. Cornejo, seconded by Mr. Pieroni, and unanimously carried by those present to approve the meeting dates set forth in the presented memorandum. (**Attachment #6**)

ADJOURNMENT.

There being no further business to be conducted, the meeting was adjourned at 4:26 p.m. on Wednesday, January 26, 2011.

_____

Donald A. Driftmier, Chair

Prepared by Cindi Fuller, Licensing Coordinator

State of California
Department of Consumer Affairs

Attachment 2

California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

M e m o r a n d u m

ECC Agenda Item III.
April 6, 2011

To : ECC Members

Date : March 28, 2011

Telephone : (916) 561-4310
Facsimile : (916) 263-3676
E-mail : dfranzella@cba.ca.gov

From : Dominic Franzella, Manager
License Division

Subject : Letters Received from Stakeholders Regarding the Composition of the 10 Units of Ethics Study Required for CPA Licensure Beginning January 1, 2014 and Results for the External Ethics Study Survey

At the January 2011 meeting, the Ethics Curriculum Committee (ECC) received several letters and e-mails from various stakeholders focused on the potential impact the new ethics study requirement may have on both students and colleges and universities.

The genesis of these letters and e-mails, which are mostly from institutions of higher learning, stem from a letter sent by the California Society of Certified Public Accountants' (CalCPA) Accounting Education Committee (AEC) on January 21, 2011 to the deans and chairs of the institutions' accounting programs (**Attachment #1**). The letter requested that colleges and universities "voice their concerns and ideas about implementing the 150-Hour Rule before it becomes effective on January 1, 2014." CalCPA's AEC directed colleges and universities to submit their letters to the ECC Chair, Donald Driftmier, CPA.

ECC Chair Driftmier informed members that since the letters received were not part of the ECC's publicly noticed January 23, 2011 agenda, the ECC could not discuss the letters in any real detail. He informed member that the letters would be placed on the next ECC agenda for discussion.

Shortly after the meeting, staff began receiving additional communications directed to the California Board of Accountancy President Sally Anderson, CPA. The majority of these communications came from students who were also opining on the new 10 units of ethics study.

Provided as **Attachment #2** are copies of the letters and e-mails received both prior to and after the January 2011 meeting. Should the CBA receive additional letters or e-mails before the April 2011 meeting, staff will hand carry for distribution.

Additionally, as members will recall, at the January 2011 meeting, staff informed members that it became aware of a survey being conducted on the 10 units of ethics study. At the meeting, staff informed members that it had reached out to the organizers of the survey seeking further information regarding the survey, while also providing the survey questions (**Attachment #3**). Staff have recently received the results of the survey from the organizers and have supplied them to the ECC in **Attachment #4**.

Attachments

Attachment #1

January 21, 2011

Dear Educator,

On behalf of the California Society of CPAs' Accounting Education Committee (AEC), we are urging your input and feedback on the requirements of the "150-Hour Rule" legislated into law during 2009, specifically the requirement of 10 semester hours (units) of course work in "ethics." The law established a committee, overseen by the California Board of Accountancy (CBA), tasked with the responsibility for finalizing content and implementation of this part of the law. Since the 150-Hour Rule does not become effective until January 1, 2014, we expect "clean up" legislation of the law in an attempt to finalize a realistic approach to ethics education. Schools and faculty need to voice their concerns and ideas about implementing the 150-Hour Rule before it becomes effective on January 1, 2014.

The composition of the AEC includes 17 faculty members, of which 6 are either department chairs or heads of programs (i.e. masters). At our last meeting in October 2010, AEC members expressed the following concerns about adding 10 additional semester units of ethics to their curriculum:

- Budgetary constraints associated with adding new classes despite tuition increases
- Allocation or addition of qualified faculty, including PhD shortages
- Time frame for completing curriculum reviews for new classes (2+ years)
- Of the 50 states that have adopted their own 150-Hour programs, only West Virginia, Texas and Maryland, require additional ethics coursework – all three states require 3 units
- Ethics is already embedded in course curriculum and being taught within existing accounting coursework, including the use of case studies
- Most accounting textbooks have ethics cases included in them
- Many public accounting firms are providing courses on ethics as part of their training programs

While not fully inclusive, this gives you a sample of the concerns, and potential barriers, to implementing the ethics education requirement of this law. While the AEC will be writing a letter to the CBA Ethics Curriculum Committee, it is imperative that they hear concerns directly from those responsible for implementation of the provisions of the 150-Hour Rule. *This is your chance to voice your concerns and offer valuable insights that will help shape the implementation of this new law*. It is critical that the CBA's Ethics Curriculum Committee hears directly from faculty and schools regarding the feasibility of implementing the provisions of California's 150-Hour Rule as it relates to the 10-unit ethics education requirement. This feedback is needed by them when they prepare their recommendations regarding the ethics education requirement.

The CBA Ethics Curriculum Committee is meeting Wednesday, January 26 and receipt of a letter expressing your concerns will have a substantive impact on recommendations they will be making.

Please email your letters to:

Don Driftmier, Chair, California Board of Accountancy
Email: ddriftmier@nhepictures.com

Please include email copies to:

Patti Bowers, Executive Officer, California Board of Accountancy
Email: pbowers@cba.ca.gov

Please blind copy and email to:

Jeannie Tindel – jeannie.tindel@calcpa.org
Chrislynn Freed – cfreed@marshall.usc.edu
Charlie Osaki – cosaki@rbz.com

We appreciate any feedback you may have about this matter. Your valuable input will be used to shape the eventual implementation of the 150-Hour Rule.

Sincerely,

Chrislynn Freed
Co-chair AEC committee

Charles Osaki
Co-chair AEC Committee

/ps

CALIFORNIA BOARD OF ACCOUNTANCY

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Attachment #2

Letters Received From Various Stakeholders Regarding the Composition of the 10 Units of Ethics Study Required for CPA Licensure Beginning January 1, 2014

CalCPA

330 North Brand Boulevard
Suite 710
Glendale CA 91203-2308
(800) 922-5272
www.calcpa.org

January 21, 2011

Don Driftmier, Chair
CBA Ethics Curriculum Committee
California Board of Accountancy
2000Evergreen Street, Suite 250
Sacramento, CA 95815-3832

Dear Mr Driftmier and Ethics Curriculum Committee members·

The Accounting Education Committee of the California Society of CPA's (AEC's) would like to provide our input and recommendations regarding the ethics study guidelines being developed by the Ethics Curriculum Committee. The mission of our committee is "to improve accounting education in California through the collaboration of educators and practitioners." The committee is currently comprised of approximately 33 members, of which 17 are accounting educators and 16 are CPA practitioners The accounting educators on the committee represent seven California State Universities, three University of California campuses, six private universities and one two-year community college. Six of the educators are either department chairs or heads of programs. The practitioners represent three Big Four firms, one national, two large multi-office firms, five large local, three small firms, one sole practitioner and one from industry

The AEC meets twice a year in different locations around the state. In conjunction with each meeting we hold a three-hour roundtable discussion where we invite educators and practitioners from that local geographic area. The roundtable discussions are an ongoing discussion that began at AEC's November 2008 Educator Practitioner Forum on the challenges facing the public accounting profession over the next decade. We continue to examine what accounting students should know, what educators should teach, and whether accounting graduates are adequately prepared for the business world. The information we have gathered from our Forum, meetings and roundtable discussions will be the basis for our comments and recommendations. A forthcoming paper in the *Journal of Accounting Education* entitled "A Professorial and CPA Alliance to Improve Undergraduate Accounting Education" details the survey results obtained from seasoned CPA practitioners on which undergraduate academic areas merit the most attention when preparing students to succeed in public accounting.

While faculty members will directly voice their opinions, ideas and concerns to you, we wanted to share the following observations expressed at our last meeting about adding 10 additional semester units (15 quarter units) of course work in ethics to their curriculum.

Ethics as defined in SB 819 as

> . . . a program of learning that provides students with a framework of ethical reasoning, professional values, and attitudes for exercising professional skepticism and other behavior that is in the best interest of the investing and consuming public and the profession. At minimum, it includes academic work or independent study and shall include a foundation for ethical reasoning and the core values of integrity, objectivity, and independence consistent with the International

Education Standards-4 of the International Accountants Education Standards Board, the International Federation of Accountants Code of Ethics, and the American Institute of Certified Public Accountants Code of Professional Conduct."

- Using that definition, most educators will agree that ethics is already embedded throughout accounting course curriculums including basic, intermediate, and advanced accounting courses, and other courses like tax, audit and managerial accounting. The content of most accounting text books has ethics as part of the content of each chapter with corresponding questions and case studies.

- Rather than force schools to develop several separate courses in ethics, that will duplicate the ethics study that is already embedded we believe that a safe assumption can be made that a significant number of units of the existing curriculum are already devoted to ethics and professional conduct.

The Accounting Education Committee would support a requirement for a separate three unit course in ethics, but we believe that ethics as defined in SB 819 is a central component of virtually every accounting class that is taken at the college level.

At our last meeting the following implementation resource issues were also raised.

- There exist severe budgetary constraints, especially within the California State University and University of California systems, to adding new courses despite increases in tuition. In fact, course offerings have been reduced, retiring full-time faculty have not consistently been replaced due to hiring freezes, and other resource reductions are anticipated.

- Having accounting students enroll in ethics courses outside of accounting and business will most likely not be feasible for other departments (i.e. humanities) that have a primary responsibility to first serve the educational needs of students in that department's major and are already "impacted" due to budgetary constraints.

- Of the 50 states that have adopted the 150-hour educational requirement for becoming a CPA, only three states, West Virginia, Texas, and Maryland require additional course work in ethics. All three states require 3 [semester] units. New York requires ethics be part of the overall curriculum, but does not require a minimum number of units nor specifies the exact nature and type of course to be taken, and the ethical topics may be imbedded in accounting courses.

- The timeframe for developing course content and completing curriculum review and approval for new classes is often in excess of two years and longer. This is particularly true for California public universities. Students currently in college most likely will not be able to obtain the required semester units in ethics prior to graduating and most likely will need to take additional classes in order to become licensed under the new law effective January 1, 2014.

- Many accounting firms offer ethics as part of the mandatory requirements for licensing, which includes, a two-hour California Board of Accountancy-approved regulatory review course (every six years) and four hours of ethics education during every two-year licensing period. In addition, a

renewing CPA who is subject to the Accounting and Auditing or Governmental Auditing CE requirement must take eight hours of fraud education every two-years In addition, large and small firms offer training courses in leadership, independence and other professional responsibilities, client relationships, employment law, employee relations and other ethics related topics.

- Studies recently prepared on Financial Reporting Fraud by The Center for Audit Quality and the Committee on Sponsoring Organizations did not infer that CPAs and their ethical stature were the reasons for the frauds.

- Additional ethics education could create a barrier to entry into the profession for potential California CPAs and CPAs from other states wanting to move to California

While the above list is not all inclusive, this provides you with a sample of the concerns and potential barriers that AEC Committee members have expressed. The professors on this committee believe that ethics is already an essential part of the accounting and business curriculum provided by colleges in California and to require additional coursework in this area beyond a standalone 3 unit course, would be redundant. We would like to assist your Committee in this process and look forward to working with you on an approach that will benefit California.

We want to thank you and your committee in considering our recommendations when formulating your final recommendations to the California Board of Accountancy

Sincerely,

Chrislynn Freed
Co-chair AEC committee

Charles Osaki
Co-chair AEC Committee

cc. Patti Bowers, Executive Officer, California Board of Accountancy

UNIVERSITY OF CALIFORNIA, SANTA BARBARA

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DEPARTMENT OF ECONOMICS
SANTA BARBARA, CALIFORNIA 93106-9210

PHONE: (805) 893-3670
FAX: (805) 893-8830

January 24, 2011

Dear CBA Ethics Curriculum Committee Members,

We are writing to express our concerns over the requirement of adding 10 semester units in ethics coursework under the 150-Hour Rule. Under the quarter system this would require us to add 15 units, or more than 3 new courses, specifically in ethics.

Based on the focus on ethics in our current course offerings, we believe that adding 15 quarter units in ethics would be excessive. Our current curriculum includes courses that have substantial portions devoted specifically to ethics, such as our Auditing and Law & Ethics courses. Ethics is also an integral part of virtually all of the other courses that comprise our Accounting Program at UCSB. Furthermore, candidates must complete a course in ethics before licensure as a CPA. Once licensed, a CPA must complete additional ethics coursework for renewal.

In addition to being excessive, it is simply not feasible for us to add the proposed number of ethics courses to our curriculum. With the current state budget crisis, we are already faced with the possibility of cutting critical existing course offerings. We do not have the financial resources to develop a significant number of new courses, let alone to hire new faculty members to teach them.

We believe that if additional ethics coursework is to be required, one course dedicated to ethics would be sufficient. Only 3 states currently require additional ethics coursework, and each of these requires only 3 semester units. Therefore adding one course would not only be consistent with the approach taken by 3 other states, but would exceed the requirement of 46 other states and put California in the forefront. Within the extra 30-hour requirement an additional 3 units in ethics would be sufficient, and the other 27 units would be better allocated to additional accounting and related courses.

Sincerely,

Charles Kolstad
Chair, UCSB Department of Economics

University of San Diego
SCHOOL OF BUSINESS ADMINISTRATION

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January 25, 2011

CBA Ethics Curriculum Committee
c/o Don Driftmier, Chair,
California Board of Accountancy

Dear Sirs,

On behalf of our Accountancy Faculty here at the University of San Diego I wanted to provide input concerning the 10 additional semester units of ethics that were prescribed as part of the recent change to the California CPA laws.

Our faculty currently incorporated ethics discussion and cases in all our upper-division accounting courses. We strongly believe that incorporating ethics discussion throughout our accounting program curriculum is the most effective way of teaching our students the importance of being ethical in a continuous manner. We are not in favor of requiring that specific ethics courses be required that would force us to move much of our ethics into stand alone courses. Not only would this be less effective, but we simply do not have the faculty available to staff 10 semester hours of pure ethics related courses.

Our faculty would ask the ethics committee to consider whether we really need to have such a specific 10 hour ethics requirement. Our recommendation would be that this specific numerical semester hour requirements be reduced or eliminated and that the committee focus on what types of ethics education are needed somewhere in the accountancy curriculum. Focusing on the type of education that is needed by new CPAs will be far more effective and efficient than having a specific number of semester hours being required.

Sincerely,

Loren Margheim

Loren Margheim Ph.D.
Accounting Area Chair and Professor
School of Business Administration
University of San Diego
San Diego, CA 92110

USC
MARSHALL
SCHOOL OF
BUSINESS

January 24, 2011

Patti Bowers, Executive Officer
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

**Leventhal
School of Accounting**

Randolph P. Beatty
Dean
Alan Casden Dean's
Chair of Accountancy

Dear Ms. Bowers:

The purpose of this letter is to provide input into the deliberations of the Ethics Curriculum Committee charged with implementing SB 819. As background, the Leventhal School of Accounting at the University of Southern California has an undergraduate and graduate program. Our undergraduate program has over 600 students enrolled. Our graduate program has 176 full-time graduate students including 110 MAcc (Master of Accounting) and 66 MBT (Master of Business Taxation). In addition, we offer an evening version of the MBT with 149 students. Our programs are accredited by the AACSB.

The USC Leventhal School of Accounting fully supports the adoption of the 150-hour educational requirement addressed by SB 819. In our discussions of the 10-unit ethics requirement in its current form, however, we have identified several concerns. This letter discusses these concerns and includes recommendations for implementation of the ethics education requirement that you may wish to consider while maintaining the 150-hour framework.

Broad Definition of Ethics Courses

It is recommended that the definition of ethics classes be sufficiently inclusive to allow students to meet a portion of the ethics education requirement with ethics classes offered throughout the university or college, e.g., allow up to 4 or 5 units of non-business ethics courses.

Our undergraduate and graduate curriculum committees have been considering the impact of SB 819 for the past year. We have studied the law, and we are concerned that requiring a unit count of catalogued business ethics classes will be problematic. Outstanding liberal arts courses that broaden students understanding of rights and obligations of professionals abound in the modern university. We have identified many existing classes throughout our university that provide in-depth coverage of ethics. From our Philosophy department to our "Center for the Study of Ethical Decision Making," students can access

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opportunities to demonstrate competence in ethics education. We hope that the EEC will provide an expansive interpretation of the courses that would fulfill SB 819's mandate and embrace courses that are designed to broaden understanding of society's concerns to be consistent with the goals of SB 819.

An Integrated Approach to Ethics Education

It is recommended that a portion of the ethics education requirement be met by ethics courses offered through an accredited accounting program, e.g., allow up to 3 or 4 units.
It is recommended that implementation allow a portion of the ethics requirement to be met by integrated ethics education through specific classroom activities within accounting coursework, e.g., allow up to 2 to 4 units.

In 2004, the Leventhal School Board of Advisors meeting included an extensive discussion of the need for and the structure of ethics education in accounting. These discussions resulted in establishment of integrated ethics program throughout the curriculum. We began with the equivalent of a required, one-unit course that covers ethical decision making frameworks. Former Dean and Deloitte Professor of Accounting Kenneth Merchant developed the course materials from his experience with ethics education at the Harvard Business School. The Marshall School then added additional coverage of ethics within a four-unit required advanced business writing course. In these courses, students are challenged to solve ethical dilemmas within well-established frameworks. Thereafter, each accounting class in the student's junior and senior year is charged with reinforcing their ethics training in the context of financial, managerial, tax, information systems, and auditing. A quick perusal of contemporary textbooks will reveal that ethical decision making problems abound in every area of accounting.

To me, an integrated approach appears to make the study of accounting and ethics synergistic in ways that are far more effective than exclusively teaching ethical decision making out of context. For example, I teach financial statement analysis and spend a great deal of time engaging students in discussions of the ethics of disclosure policies and decisions. Removal of this discussion and relegation of these materials to a series of standalone classes would surely diminish the impact of the juxtaposition of ethics and accounting content.

We hope your committee will consider accepting an integrated approach to meeting SB 819's laudable goal of providing in-depth ethical training throughout the educational development of accounting undergraduates and master's degree students. Of course, establishing or identifying a count of 10 units of ethics study embedded within accounting classes is an administrative challenge. With that in mind, the two recommendations above assume a mix of stand-alone courses and ethics-integrated courses as an acceptable, viable and feasible alternative.

In our judgment, students matriculating from an undergraduate program with liberal arts ethics-relevant requirements plus an accounting or business ethics course(s) plus a series of ethics-integrated accounting or other relevant coursework should be viewed as meeting both the spirit and letter of the 10-unit ethics education requirement. Alternatively, students matriculating from a five-year or graduate accounting program (MACC or MBT or MS) should also be expected to meet this requirement.

Timing of Implementation of SB 819

It is recommended that the 10-unit ethics requirement, however it may be interpreted and implemented, allow a transition for students beginning their accounting degree program after the ethics requirements have been finalized.

We are deeply concerned that the timing specified in SB 819 will lead to confusion and decreased interest in public accounting. Given the timing of SB 819's provisions, our entering freshmen—this year--must have taken classes that will meet the requirements of the law by their graduation in 2014. Our undergraduate curriculum committee has produced a tentative curriculum that we believe would meet the most conservative interpretation of SB 819. However, we cannot be certain that our advice will be sufficient for our freshmen to be qualified to be licensed in the State of California. We fear that our best students will either leave California to become certified or, more likely, elect not to enter the accounting profession. Since our best and brightest can easily dual major (assuring 150 hours of education), we believe that this uncertainty will decrease the number of outstanding people that the auditing profession needs to flourish.

Overarching Concern

It is recommended that implementation of the ethics education requirement allow schools to accomplish the goal of without imposing an undue burden on educational institutions and the students that attend them.

While supportive of the 150-hour educational requirement addressed by SB 819, we recognize that in a period of budgetary stress our colleagues and students at publicly-supported institutions will be negatively affected by a strict interpretation of SB 819. We are confident that your committee will be sensitive to imposing additional costs on already stretched budgets. Governor Brown's proposed budget does not seem to offer much hope for our friends and colleagues at public schools.

Finally, we are committed to educating our students in ethical reasoning and decision making. However, the 10-unit requirement seems excessive when compared to all

other states in the nation. To our knowledge only a few states require specific units in ethics, and those states require only three units.

We hope that our suggestions will be of help in your deliberations. Please let us know if we can be of any help in addressing your very important task.

Sincerely,

Dean
USC Leventhal School of Accounting

SCHOOL OF BUSINESS

CALIFORNIA STATE UNIVERSITY, FRESNO

January 25, 2011

Don Driftmier, Chair
California Board of Accountancy

Dear Mr. Driftmier:

I write to express concerns over what I understand is an explicit ten semester unit requirement for ethics in the recent "150-Hour Rule." While I applaud the Board for its efforts toward more specificity regarding the requisite components in the 150 rule, there are several problematic areas with requiring ten explicit semester units for ethics, and I suspect few business schools would be able to effectively offer curricula to meet the rule. Further, according to information I've received from the CalCPA, there are currently only three other states with specific ethics requirements in their required curricula, and the requirement for all three is three units, not ten.

Prior to taking on an administrative role as Dean here three years ago, I had taught accounting for over twenty years. In all of the courses I've taught, including Intermediate Accounting, Accounting Information Systems, and graduate theory and research, ethics has been a significant component. Most courses and related textbooks have ethics as an integral part of the course curriculum. Further, ethics is a critical component of our school's (and most schools') business curriculum. It is part of our key learning outcomes for all business majors, including our accounting majors.

In short, ethical knowledge and behavior is critical for the accountancy profession, but it is my opinion, and that of many educators, that explicitly requiring ten semester units would be detrimental to effective accounting and business education. So, I urge your CBA Ethics Curriculum Committee to reconsider this portion of the rule.

Sincerely,

Robert M. Harper, Dean
(559) 278-2482
roberth@csufresno.edu

California State University
Northridge

Accounting and Information Systems
College of Business and Economics

January 26, 2011

Mr. Donald Driftmier
Chair, Ethics Curriculum Committee
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

Subject: Response to and Concerns Regarding Composition of the 10 Units of Ethics Study Required by Business and Professions Code Section 5093

Dear Chairman Driftmier:

In Section VII of the September 21, 2010 minutes of the Ethics Curriculum Committee (ECC) Meeting, Committee Chair Driftmier: "requested members research their colleges/universities to find where ethics was embedded in courses, the level the course was currently being taught, in what department and who taught the course." The Accounting faculty at California State University, Northridge have an intense interest in the ECC deliberations and have been monitoring the proceedings closely. Though not directly represented on the EEC, we would like to weigh in on Chairman's Driftmier's request for institution-specific information regarding ethics instruction. To that end, we provide the following details concerning our curricular initiatives to the meet ethics instruction requirements of SB819.

Institutional Affiliation:	California State University, Northridge Accounting and Information Systems Department
Accounting Offerings:	B.S. Accountancy (BSA) M.S. Taxation (MST) MS. Accountancy (MSA) (proposed for Fall 2011)

1. Ethics Instruction within the Accounting and Information Systems (AIS) Department

Currently, we do not offer a separate ethics course. Ethics is taught across the existing undergraduate and graduate curriculum. No assessment mechanism is in place to evaluate the level of embedded ethics instruction provided by the AIS department nor the number of hours of topic coverage. CSUN business programs are accredited by the Association to Advance Collegiate Schools of Business (AACSB). Since ethics is one the student learning objectives in the common business core, the depth and quality of the instruction is assessed at the College level (rather than department level) in accordance with AACSB guidelines.

For the proposed MS in Accountancy, we will be offering a new 3-unit graduate course on accounting ethics. The course was designed after offerings in states requiring ethics for licensure (e.g., Texas). ACCT 611 is scheduled to be taught the first time, Fall 2011.

> **ACCT 611** *Ethics and Communications for Accounting Professionals (3)*
> *Prerequisite:* ENGL 205 Business Communication or equivalent.

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Explores ethics in the accounting profession. Emphasizes theories of ethics and their applications; the California State Board of Accountancy's rules of ethics; the AICPA's Code of Professional Conduct; implications of the Sarbanes-Oxley Act; and ethical conditions required by the Securities Exchange Commission. Through a series of cases, students develop their oral and written communication skills. Focus is on developing a functional approach to professional communication. Presents strategies for researching, organizing, analyzing, and presenting information in an accounting context.

2. Ethics Instruction in the College of Business and Economics (COBAE)

Most ethics instruction on campus is fielded by the Philosophy Department or the Religious Studies Department. CSUN does offer a single applied ethics course (BLAW 495) in the College of Business and Economics:

BLAW 495 *Advanced Topics in Business Law (3)*
Prerequisites: BLAW 280; 308; BUS 302, 302L for Business majors; passing score on the Upper Division Writing Proficiency Exam (UDWPE).
Selected advanced topics in business law are analyzed by means of readings, analysis of cases and problems, case studies, and class discussion. Focus is on Business Ethics.

3. Ethics Instruction within the University

CSUN offers general ethics course work in the Department of Religion Studies and in the Department of Philosophy, both housed in the College of Humanities. Religious Studies provides RS 361 Contemporary Ethical Issues which does not require any previous coursework in ethics. Philosophy offers two courses that do not require completion of prerequisites: PHIL 303 Sexual Ethics and PHIL 305 Business Ethics and Public Policy. PHIL 360 Ethical Theory and PHIL 460 Advanced Ethical Theory do require previous coursework in ethics. Accounting students can take either RS 361 Contemporary Ethical Issues or PHIL 305 Business Ethics and Public Policy to satisfy the ethics requirement for the BS in Accountancy.

RS 361 *Contemporary Ethical Issues (3)*
Emphasizes the development of skills in critical thinking through analysis of such contemporary ethical issues as abortion, euthanasia, genetic engineering, sexual behavior, racism, gender bias, punishment, animal rights, the environment, and the relationships between religion and morality. (Available for General Education, Arts and Humanities)

PHIL 305 *Business Ethics and Public Policy (3)*
Prerequisite: Completion of the lower division writing requirement.
Application of the insights and methods of moral philosophy to a practical examination of contemporary moral problems and normative issues of public policy concerning the conduct and responsibilities of individuals and firms in business and the organization and role of business and economic institutions in society. Regular written assignments are required. (Available for General Education, Lifelong Learning)

4. Providing Credit for Ethics-related Course Work Embedded in Another Course
The ethics component of the College of Business and Economics core curriculum is currently delivered on an embedded basis in BUS 302 The Gateway Experiences, FIN 303 Financial Management, and MGT 360 Management and Organizational Behavior. Assessment is conducted annually through an evaluation by the Finance, Real Estate, and Insurance Department and the Management Department. Selected multiple-choice exam questions covering students' knowledge of business and financial ethics and regulatory requirements are administered as part of the regular examination process.

While CSUN does regularly assess the ethics component in the common business degrees core, there has been no attempt to quantify the number of hours of instruction; AACSB does not require it. Even if the hours could be identified, there isn't any mechanism for specifying those hours on the student transcript. Like most universities, CSUN transcripts do not disaggregate instruction by module; grades are only reported at the course level of granularity. The Student Information System is part of an Enterprise Resource Planning (ERP) product provided by Oracle/PeopleSoft. The CSUN Information Technology Division would have to be consulted to determine if ERP customization would be feasible and if there were adequate resources to make such a major modification. Given Governor Brown's recent budget proposal in which the CSU systems will undergo a half-billion dollar cut, the likelihood of changes to the ERP is minimal.

5. Ethics Initiatives in Response to the 10-semester Hour Ethics Requirement of SB 819.

Under the current requirements for the BS Accountancy (academic year 2010-2011), students must complete 9 credits of upper division general education selected from four possible approved courses. Two of those courses are ethics-intensive (RS 361 Contemporary Ethical Issues and PHIL 305 Business Ethics and Public Policy). At a minimum, students then must complete one 3-credit ethics course. Some students choose to complete both ethics courses (6 units) in order to satisfy the CSUN undergraduate upper division GE requirement.

Starting Fall 2011, BSA students will be required to take RS 361 Contemporary Ethical Issues as part of the required accounting core. Students pursuing the Professional Accountancy option under the BSA must complete an additional ethics course from one of two offerings (PHIL 305 Business Ethics and Public Policy or BLAW 495 Advanced Topics in Business Law). Students graduating with the BSA Professional Accountancy option will have completed a total of 6 credits of ethics instruction – 3 general ethics and 3 business ethics. These three additional semester hours of ethics required in the BSA will necessitate at least one and one-half additional full time ethics faculty (300 students per year; 35 per class; approximately 9 sections; 3 to 4 sections per semester teaching load). We are hopeful the Religious Studies, Philosophy, and Business Law departments are able to provide the necessary service courses; discussions are ongoing).

Under the proposed MSA, students will be required to complete ACCT 611 Ethics and Communications for Accounting Professionals as part of the graduate core. This course will focus on accounting ethics. Students graduating with both the CSUN BSA and MSA will have completed 9 hours of ethics instruction.

The MS Taxation was designed so that ethics would be taught across the entire graduate curriculum; there isn't a separately identifiable ethics course. However, there is a substantial module on "ethics and professional responsibility in taxation" in ACCT 610 Tax Research and Communication. The module was listed as a Board-Approved Professional Conduct and Ethics Course with completion of the module satisfying the previous ethics requirements for CPA

license renewal. Students completing the module were permitted to claim credit earned for completion of a Board-approved eight-hour Professional Conduct and Ethics (PC&E) course. During the phase-in period to the new ethics education and Regulatory Review course requirement, the module was allowed to fulfill the new requirement. The phase-in period ended December 31, 2010. The MST Program Director is currently pursuing approval of the module to meet the new CBA Regulations for the Regulatory Review course.

6. Accounting Master's for Students Possessing a Non-business or Non-accounting Baccalaureate Degree

Students with baccalaureate degrees who did not major in accounting or business are encouraged to apply for admittance to our M.S. in Taxation. This degree is designed for mid-career working professionals interested in a career in taxation. Applicants without any previous coursework in business or accounting are required to successfully complete an introduction to federal income taxation course, an introduction to financial accounting course, and an introduction to computers course. These prerequisite courses may be taken at any accredited institution of higher education.

Graduate students in the MST are mid-career and usually have already earned whatever certification they seek (e.g., CPA, Enrolled Agent). The design of the MST curriculum would not change based on guidance provided by the California State Board of Accountancy regarding the content of the 10 units of ethics or the 20 units of accounting/business required for pathway 2

7. Accounting Master's for Students Possessing an Undergraduate Degree in Business or Accounting

Contingent on approval of the CSU Chancellor's office, CSUN will begin offering an M.S. in Accountancy, beginning Fall 2011. The program has already been approved both at the college and university level; the MSA has explicit support from the CSUN President and Provost. Students applying for the MSA will need to complete 15 semester units of accounting and 24 semester units of business prerequisites. Accounting prerequisites include: 6 semester units of intermediate accounting, 3 units of cost accounting, 3 units of auditing, and 3 units of taxation. Business prerequisites include: 3 units management information systems, 3 units business law, 3 units of finance, 3 units of business statistics, and 12 units of unspecified business coursework.

The MSA degree program was designed based on our best understanding of what the California State Board might propose by way of curriculum requirements for the additional 30 hours. Since our information is, at best, imperfect, at this time, we anticipate having to make changes to the degree program once the CBA issues guidance on required content for the 30 hours. The program, as now proposed, includes 30 credits of additional accounting/business/ethics coursework, and is designed to be completed within one year.

CSUN students completing the dual-degree BS Accountancy/MS Accountancy with the Professional Accountancy track should easily have met the 24 accounting/24 business and 20 additional accounting/business requirements required for licensure under pathway 2. As for the 10-hour ethics requirements, students will have completed nine hours in three different ethics courses that will be readily identifiable on student transcript. One course will cover general ethics, the second will address business ethics, and the third will cover accounting ethics and professional conduct. This leaves the dual-degree option one hour short, assuming non-accounting upper-division course work will count toward the ethics requirement. While we feel nine hours of ethics instruction is more than adequate to meet the ethics learning objectives of the

MSA program, our mission is to meet the needs of our students and our service region. If necessary, we will find a way to shoehorn the remaining unit into the curriculum.

Our concern is not so much for CSUN students on the dual-track BS/MS – Professional Accountancy option. Our worry is for students who have completed their bachelor's in accountancy at other institutions, especially those institutions located in other states and countries. While these students can successfully complete our MSA program (and graduate), they may be shy up to seven semester hours of ethics for licensure, depending on where they completed their undergraduate work. As we do not have the resources in the department to provide the unmet ethics units, these students will have to search elsewhere to take suitable ethics coursework elsewhere in order to meet the 10-hour licensure requirement. We see this as a disadvantage and possible barrier to entry.

Since our MSA program is cohort-based and designed to be completed in one year, students generally would have to either complete the missing ethics course work ahead of the Fall start date or after graduation. CSUN does have provision for degree-seeking students not formally admitted to take courses through the Open University offered through Tseng College Extended Learning. Given the uncertainty surrounding funding for the CSU system, enrollments have at times been capped or even rolled back (e.g., academic year 2009-2010). This often results in enrollment preference for matriculated majors over Open University students, making it difficult for Open University students to find the courses they need.

In order to accommodate the need for a significant base of IS instruction, students completing the dual-track BS/MS – Information Systems option are only required to take six units of ethics (3 units general ethics; 3 units accounting ethics). Students pursuing the IS option seek positions in IS/IT audit upon graduation. Many of our graduates take positions with Big 4 and plan on CPA licensure. Students graduating with an MS – Information Systems will be short four semester units of ethics under the current 10-hour rule.

Summary

MST graduates receive ethics instruction in professional responsibility in tax. The instruction is embedded in the graduate course work. The MST program is designed for mid-career working professionals that generally have already achieved credentialing. There are no plans to modify the curriculum to meet the 10-hour ethics requirements. MST graduates seeking CPA licensure would need to take up to nine units of additional ethics course work. There will need to be some mechanism provided (possibly by the CBA) for certifying the one semester-hour of embedded ethics in the CSUN MST. The current Student Information System can only report grades at the course level; evidence of completion of embedded instruction is not provided on transcripts.

Assuming approval of the proposed MS in Accountancy, CSUN students that complete the dual BS/MS in Accountancy – Professional Accountancy option will have earned nine semester-hours toward the 10-hour ethics requirement. Students pursuing the Information Systems option will receive six hours of ethics instruction including three units in accounting ethics and professional conduct.

Students that apply for admission to the CSUN MSA who possess baccalaureate degrees in accounting or business from other institutions will receive three hours of graduate ethics instruction (ACCT 611 Ethics and Communications for Accounting Professionals). There are no ethics prerequisites for ACCT 611. For this reason, unless non-CSUN undergraduates admitted to the MSA have previous ethics coursework, they will be short up to seven hours of ethics upon

graduation from the MSA program. We see this as a major hurdle. Given current budget considerations and the shortage of Academically Qualified (AQ)-qualified PhDs to teach accounting ethics, the CSUN Accounting and Information Systems Department is not in a position to address this ethic coursework shortfall. MSA graduates who took their bachelor's degree at another institution would be on their own to find the remaining coursework to satisfy the 10-hour rule.

We would like to thank you and the members of the Ethics Curriculum Committee for considering our input into the deliberations regarding the composition of the 10 units of ethics required by Business and Professional Code Section 5093.

With regards,

Christopher G. Jones, Ph.D., CPA
Associate Chair, Accounting and Information Systems
California State University, Northridge
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California State University
Northridge

Accounting and Information Systems
College of Business and Economics

March 8, 2011

Mr. Donald Driftmier
Chair, Ethics Curriculum Committee
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

Subject: CSUN "Alice Test" Results

Dear Chairman Driftmier:

In response to your request at the January 26, 2011, Ethics Curriculum Committee for an "Alice Test" of accounting curriculum, we present the following results for California State University, Northridge (CSUN):

The Alice Test

> *Can first time freshman "Alice", seeking a B.S. in Business (Accounting Option) or Accounting at your school graduate with no more than 225 quarter units/150 semester units and satisfy a requirement for 15 quarter units/10 semester units in ethics consistent with the broad ethics definition previously stated?*

Yes, if Alice expands her horizons and pursues a dual degree BS/MS in Accountancy (Professional Accountancy Concentration). Otherwise, Alice will be short 3 semester units (See Table 1). By completing both the B.S. in Accountancy (Professional Accountancy Concentration) **and** the M.S. in Accountancy (Professional Accountancy Concentration), Alice will have directly satisfied 9 units of ethics instruction and indirectly satisfied the remaining 1 unit through embedded ethics coursework. Following this dual degree pathway (Professional Accountancy Concentration), Alice can satisfy the ethics requirement with a minimum of 150 semester hours.

However, if Alice selects the Information Systems Concentration in the BS/MS Accountancy dual degree program, she will have completed just 7 units of ethics instruction. She would need to take one additional 3-unit ethics course beyond the degree requirements for the BS/MS in Accountancy (Information Systems Concentration) to satisfy the ethics instruction requirement of SB819. This would bring her minimum required number of units to graduate with the dual degree pathway (Information Systems Concentration) to 152.

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Table 1 - Alice's Pathway to Meeting the SB819 Ethics Instruction Requirement at CSUN

Course	Title	Ethics Units *(semester)*	Level of Instruction	Approach to Ethics Coverage
BS Accountancy – Professional Accountancy Concentration				
RS 361	Contemporary Ethical Issues	3	Undergraduate – Upper Division	Primary Focus
PHIL 305 *or* BLAW 495	Business Ethics and Public Policy Advanced Topics in Business Law	3	Undergraduate – Upper Division	Primary Focus
BUS 302 ***and*** FIN 303 ***and*** MGT 360	The Gateway Experience Financial Management Management and Organizational Behavior	1	Undergraduate – Upper Division	Embedded
Total		**7**		
Dual BS/MS Accountancy – Professional Accountancy Concentration				
RS 361	Contemporary Ethical Issues	3	Undergraduate – Upper Division	Primary Focus
PHIL 305 *or* BLAW 495	Business Ethics and Public Policy Advanced Topics in Business Law	3	Undergraduate – Upper Division	Primary Focus
BUS 302 ***and*** FIN 303 ***and*** MGT 360	The Gateway Experience Financial Management Management and Organizational Behavior	1	Undergraduate – Upper Division	Embedded
ACCT 611	Ethics and Communications for Accounting Professionals	3	Graduate. Must be admitted to the MS in Accountancy.	Primary Focus
Total		**10**		
Dual BS/MS Accountancy – Information Systems Concentration				
RS 361	Contemporary Ethical Issues	3	Undergraduate – Upper Division	Primary Focus
BUS 302 ***and*** FIN 303 ***and*** MGT 360	The Gateway Experience Financial Management Management and Organizational Behavior	1	Undergraduate – Upper Division	Embedded
ACCT 611	Ethics and Communications for Accounting Professionals	3	Graduate. Must be admitted to the MS in Accountancy.	Primary Focus
Total		**7**		

Discussion and Course Details

Starting Fall 2011, in response to SB 819, CSUN has modified its B.S. in Accountancy so that all students pursuing the Professional Accountancy Concentration must complete the following:

B.S. Accountancy (Professional Accountancy Concentration)
Classes with Ethics as Primary Focus
Required:

RS 361 Contemporary Ethical Issues (3)

Emphasizes the development of skills in critical thinking through analysis of such contemporary ethical issues as abortion, euthanasia, genetic engineering, sexual behavior, racism, gender bias, punishment, animal rights, the environment, and the relationships between religion and morality. (Available for General Education, Arts and Humanities)

Select one:

PHIL 305 Business Ethics and Public Policy (3)

Prerequisite: Completion of the lower division writing requirement. Application of the insights and methods of moral philosophy to a practical examination of contemporary moral problems and normative issues of public policy concerning the conduct and responsibilities of individuals and firms in business and the organization and role of business and economic institutions in society. Regular written assignments are required. (Available for General Education, Lifelong Learning)

BLAW 495 Advanced Topics in Business Law (3)

Prerequisites: BLAW 280; 308; BUS 302, 302L for Business majors; passing score on the Upper Division Writing Proficiency Exam (UDWPE). Selected advanced topics in business law are analyzed by means of readings, analysis of cases and problems, case studies, and class discussion. Focus is on Business Ethics.

Embedded Ethics Instruction

The ethics component of the College of Business and Economics Bachelor of Science core curriculum is currently delivered on an embedded basis in BUS 302 The Gateway Experience, FIN 303 Financial Management, and MGT 360 Management and Organizational Behavior. Assessment is conducted annually through an evaluation by the Finance, Real Estate, and Insurance Department and the Management Department. Selected multiple-choice exam questions covering students' knowledge of business and financial ethics and regulatory requirements are administered as part of the regular examination process.

While CSUN does regularly assess the ethics component in the common business degrees core, there has been no attempt to quantify the number of hours of instruction; AACSB does not require it. Faculty estimate that students receive at least one credit hour of ethics instruction across these three core courses.

BUS 302 The Gateway Experience (3)

Prerequisite: Completion of COMP 100, BUS 105/205 or ENGL 205, ECON 160, 161, MATH 103, SOM 120 or MATH 140, ACCT 220, 230, BLAW 280 (lower-division Business Core courses). To be taken by business and accounting majors prior to, or concurrently with, the student's first upper-division business core courses. Team-taught course integrating concepts from the lower-division core courses by using case studies. Students learn how to build an effective team and to become a valued team member as well as develop written and oral communication skills. Includes team analyses of case studies, exams and quizzes to review and integrate lower-division core material, and individual writing assignments including a term project aimed at helping students develop an effective, customized path to their desired career.

FIN 303 Financial Management (3)

Prerequisites: ACCT 220, ECON 160, SOM 120; SOM 120 may be taken concurrently. BUS 302 and BUS 302/L are co/prerequisites for Business majors. Analysis of the financial decision making process of a firm from both internal and external points of view. Topics include valuation, working capital management, capital budgeting, financial forecasting, capital structure, and sources of capital and dividend policy in both a domestic and international context.

MGT 360 Management and Organizational Behavior (3)

Prerequisites: Completion of lower division business core. BUS 302/L is a co/prerequisite for business majors. Introduction to the basic concepts in management and organizational behavior. Applies these concepts to the management of people and resources toward the accomplishment of organizational goals. Emphasis is on the organizational applications of behavioral science concepts, interpersonal skills, and team building.

Classes with Ethics as Primary Focus
M.S. in Accountancy (Professional Accountancy Concentration)
Required:

ACCT 611 Ethics and Communications for Accounting Professionals (3)

Prerequisite: ENGL 205 Business Communication or equivalent. Explores ethics in the accounting profession. Emphasizes theories of ethics and their applications; the California State Board of Accountancy's rules of ethics; the AICPA's Code of Professional

Conduct; implications of the Sarbanes-Oxley Act; and ethical conditions required by the Securities Exchange Commission. Through a series of cases, students develop their oral and written communication skills. Focus is on developing a functional approach to professional communication. Presents strategies for researching, organizing, analyzing, and presenting information in an accounting context.

We would like to thank you and the members of the Ethics Curriculum Committee for considering our input into the deliberations regarding the composition of the 10 units of ethics required by Business and Professional Code Section 5093.

With regards,

Christopher G. Jones, Ph.D., CPA
Associate Chair, Accounting and Information Systems
California State University, Northridge
Tel: 818-677-2427
Email: Christopher.Jones@csun.edu

CALIFORNIA STATE UNIVERSITY
Monterey Bay

January 25, 2011

Don Driftmier,
Chair, California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento California 95815-3832

Dear Mr. Driftmier:

I am the chair of the School of Business here at CSU-Monterey Bay. With respect to including 10 additional Ethics units in the accounting, I feel this is not feasible for our program. The Accounting Concentration is only one program in our department. Given the fact that our accounting concentration has the highest unit count in the School of Business, we do not support more units for students to take. With the constraints on the CSU budget and pressure to graduate students sooner, this extra requirement will be very difficult to implement. We, therefore, support the California Society of CPAs' Accounting Education Committee's concerns about this initiative to add ten Ethics units to accounting programs. Some reasons include:

- Budgetary constraints associated with adding new classes despite tuition increases
- Allocation or addition of qualified faculty, especially with PhD shortages
- Time frame for completing curriculum reviews for new classes (2+ years)
- Ethics is already embedded in course curriculum and being taught within existing accounting coursework, including the use of case studies
- Most accounting textbooks have ethics cases included in them

Of the 50 states that have adopted their own 150-Hour programs, only West Virginia, Texas and Maryland, require additional ethics coursework – all three states require 3 units only. We feel that the ten unit ethics requirement is excessive.

Regards,

Marylou Shockley
Chair-School of Business
CSU-Monterey Bay

Dominic Franzella

Subject: FW: Ethics Units in Accounting Education at CSU Monterey Bay

----- Original Message -----
From: Marylou Shockley <[redacted]>
To: [redacted]
Sent: Wed Mar 16 19:47:14 2011
Subject: Ethics Units in Accounting Education at CSU Monterey Bay

To: ECC Committee Members-CBA.
--Don Drftmier, Chair
--Patti Bowers, Executive Officer

I am sorry we are late in our response; however, we are responding to your requests. First, we have attached a table of our curriculum, showing where ethics is most prominently taught. It is by no means the only courses in which students are taught specific subject material from an ethical perspective. Each year at the School of Business we also sponsor an Ethics Panel in which we have panelists and/or guest speakers addressing an Ethical Dilemma; we have done this for 9 years.

To address the specific questions that are under discussion, here are our responses.

--Where is ethics embedded in courses. Our table emphasizes this. We do NOT teach an ethics course, but do infuse our curriculum with ethics.
--Level of courses. All of the courses are upper division expressed in the table. However, we also teach a lower division course on communications and ethics that all business majors must take; it is a 4 unit course.
--In what Department. School of Business -Who Taught the Courses. These courses are taught by both adjunct and tenure track faculty.
--Stand Alone Ethics Class. None

In the current economic climate, we do NOT support a 10 unit curriculum of "ethics only" courses, even if these courses are on ethics related topic areas such as corporate social responsibility. We do support having ethics taught in embedded courses.

Regards,

Marylou Shockley
Chair-School of Business

Cathy Ku
Assistant Professor-Accouting

TABLE for
:counting_ethics[1]

California State University-Monterey Bay School of Business

Below is a summary of courses taught in the Business Curriculum in which Ethics is embedded. We have estimated the contact hour equivalents to represent ethics education. There are many other courses in the business curriculum that stresses ethics; however, we selected those most relevant to the Accounting Concentration.

Courses	Units	Ethics topics	Equivalent units
Auditing	4 semester units	**Description** Roles and responsibilities of independent auditor. Generally accepted auditing practices and standards; professional ethics. Auditing procedures, planning the audit, work paper preparation, report writing, rendering an opinion on financial statements. Requires use of spreadsheet software. (Offered only as interest warrants)	3 semester units
Advanced accounting	4 semester units	**Description** Concentrates on the underlying theory and application of business combinations, consolidated financial statements, foreign currency transactions, partnerships, segment and interim reporting, SEC reporting, accounting for non-profit organizations and estates and trusts. Emphasizes the cost method and partial equity method of accounting for acquisitions and investments. Covers current FASB and GASB pronouncements as well as the Sarbanes-Oxley Act, and ethical and legal issues on account reporting. (Offered only as interest warrants.)	1 semester units
Intermediate Accounting I	4 semester units	**Description** Principles and applications of accounting for assets, liabilities, and equity. Preparation of balance sheets. Measurement of income. Develops in-depth understanding of accounting and report preparation, and expects students	1 semester unit

		to understand the ethical and business implications of various reporting requirements. Requires use of spreadsheet software. (Offered in Fall, as interest warrants.)	
Intermediate Accounting II	4 semester units	**Description** Principles and applications of accounting for assets, liabilities, and equity. Preparation of balance sheets. Measurement of income. Develops in-depth understanding of accounting and report preparation, and expects students to understand the ethical and business implications of various reporting requirements. Requires use of spreadsheet software. (Offered in Fall, as interest warrants.)	1 semester unit
Principles of Management	4 semester units	**Description** Concepts of management including managerial roles, organizational and team dynamics, leadership and motivation, decision making, ethical and legal issues, and communication. Individually and in teams, students explore how organizations do or do not function effectively in international and multicultural contexts. Students also develop management plans as part of multi-course business planning process. (Offered every semester; sections may be offered as classroom-based, hybrid or online courses.)	3 semester units
Participating in Economic Development	6 semester units	**Description** Students explore concepts of culture and cultural identity, differential power relationships among cultural groups, and ways to achieve greater equity and social justice. Students explore ethical dilemmas which occur when business and personal perspectives differ from	2 semester units

		that of community stakeholders. They do so in the context of community development in the Monterey region. As an integral aspect of learning, students work with a community nonprofit organization and reflect on that experience. (Offered every semester.)	
Reading, Business Writing & Critical Thinking	4 semester units	**Description** Enables upper division students to acquire and demonstrate effective critical thinking and business writing skills. Students learn, hone, and demonstrate empathetic and articulate written communication skills, problem-recognition strategies, and analytical skills applicable to real world business issues and events, including ethically and socially responsible behavior. Introduces business case study analysis in content and skill-building activities. (Offered every semester; sections may be offered as classroom-based, hybrid or online courses.)	1 semester unit

Dominic Franzella

Subject: FW: Comments on Ethics in SB819

----- Forwarded Message -----
From: "Janis Zaima" <[redacted]>
To: [redacted]
Sent: Monday, January 24, 2011 7:46:54 PM
Subject: Comments on Ethics in SB819

January 23, 2011

TO: Don Driftmier, Chair, California Board of Accountancy

and

Patti Bowers, Executive Officer, California Board of Accountancy

SUBJECT: Offering Ethnics as part of SB819

As we work on the accounting curriculum at San Jose State University (SJSU) to meet the requirements of SB819 the faculty and I are facing a daunting task, especially as related to the ten units of ethics.

Currently our undergraduate curriculum requires one Philosophy course (3 units) in which the Philosophy Department has worked with the College of Business to ensure appropriate coverage by using cases related to business ethics. However, to offer 7 additional units will place a strain on our already stretched budget and faculty. Given that some states with the 150-unit requirement require 3 units in ethics, presently, we feel that 10-units of ethics an onerous requirement.

Additionally, we have further concerns related to a shortage of qualified accounting faculty and section cuts due to the budgets, making it difficult to create additional classes as well as to expand the program by an additional 30 units. Although we do have some flexibility with accounting courses and business-related classes, we do not have offerings in ethics beyond the Philosophy class. That said, ethics is incorporated in numerous classes, such as Forensic, Financial Audit , and Operational Audit utilizing cases with ethical issues. Flexibility in ethics courses would be vital to enabling the SJSU accounting program to meet the necessary requirements to produce students who will successfully meet the CPA licensure requirements.

In addition, the entire California State University (CSU) system comprised of 23 campuses faces sharp cuts amounting to a minimum of $500 million under the best-case scenario. Therefore, requesting the campus as well as the system to fund additional classes will be extremely difficult.

Thank you for allowing me to express the concerns and comments of the accounting faculty at San Jose State University.

Best regards,

Janis Zaima, Ph.D.

Chair and Professor of Finance

Dept of Accounting and Finance

College of Business, BT850

San Jose State University

San Jose, CA 95192-0066

January 24, 2011

To: Don Driftmier, Chair, California Board of Accountancy

Dear Mr. Driftmier

I am writing this letter as the head of the undergraduate accounting minor program here at UCLA. Our program enrolls more than 300 students (150 annually) and the majority of them pass the CPA exams at the end of the program.

The 10-unit ethics education requirement proposed by the legislature will be especially onerous on our accounting minor students. Currently, most of our students struggle to finish their undergraduate degree in four years. The majority of our accounting minor students satisfy the 150 hour requirement in pathway 2 by using AP classes or courses in our summer session. However, the ethics class requirement will definitely prolong the students' graduation as we will need to access ethics classes that might be offered in other departments (Law School, Center for Buddhist Studies, etc.). Those classes are currently enrolled to capacity and our accounting students will have a very low priority accessing them. Finally, we currently teach ethics throughout our curriculum, with a strong emphasis in our auditing class.

As such, I would like to voice our strong opposition to the additional **four** ethics classes this legislation will impose on us (we are on a quarter system and 10 semester units translate to 15 quarterly units, hence 4 new classes). As I explained above, the Law School offers only one ethics class to their students and I am not sure that studying ethics in Buddhist Studies is the intention of our legislators.

Sincerely,

Professor David Aboody

Director of Undergraduate Programs at Anderson (UCLA)

March 3, 2011

Dear Madam / Sir

In response to your request dated February 11, 2011, I have queried the professors teaching in our undergraduate accounting program. Currently, ethics is embedded in the following courses to varying degrees:

Lower division classes

Accounting Principles I: 5% of the class

Accounting Principles II: 10% of the class

Upper division classes

Business Law: 25% of the class

Intermediate Accounting I: 25% of the class

Intermediate Accounting II: 25% of the class

Management Accounting: 5% of the class

Auditing: 25% of the class

Financial Statement Analysis: 25% of the class

Tax Principles & Policy: 10% of the class

Corporate & Partnership Taxation: 10% of the class

Special Topics in Accounting: 100% of the class

This corresponds to 13 quarterly units of ethics embedded in our curriculum, all taught by our accounting and law professors. I have attached the syllabus of our Special Topics in Accounting class that is entirely devoted to ethics.

As I indicated in my prior letter, we, here at UCLA, strongly oppose the additional **four** ethics classes this legislation will impose on us (we are on a quarter system and 10 semester units translate to 15 quarterly units, hence 4 new classes).

Sincerely,

Professor David Aboody

Director of Undergraduate Programs at Anderson (UCLA)

Special Topics in Accounting
Management 128
Auditing and Fraud Examination

Julie Ann Gardner Treloar, Lecturer

Spring 2010

Office: MBA North D405
Office Hours: T/Th 2:30 pm – 3:30 pm

Texts: 1. Fraud Examination, 3rd edition, Albrecht, Albrecht & Albrecht, Required **(earlier editions are not acceptable)**
2. Business Fairy Tales, Grim Realities of Fictitious Financial Reporting, Cecil W. Jackson, Required
3. Enron Case from Knapp book
4. Course Lecture Notes - available at Course Reader Material, 1081 Westwood Blvd., Required

Objective:
The course will focus on an in-depth analysis of fraud examination, detection and prevention and on auditing in the post-Enron era. This will include discussions concerning the Sarbanes-Oxley Act of 2002 and SAS 99, Considerations of Fraud in a Financial Statement Audit.

The course will begin with an overview of fraud. The Enron case and other current cases will be analyzed and discussed in order to understand the nature of fraud and its perpetrators.

With respect to fraud examination, detection and prevention, the following topics will be discussed:

- The Nature of Fraud, Who Commits Fraud and Why
- Fraud Prevention and Detection
- Recognizing the Symptoms of Fraud, Proactive Approaches to Detecting Fraud
- Management Fraud: Financial Statement Fraud
- Revenue and Inventory Frauds
- Liability, Expense, Asset, and Inadequate Disclosure Frauds

The course will also address current changes in the auditing process, including the Sarbanes-Oxley Act of 2002 and SAS 99. It will address the impact of Sarbanes-Oxley on financial statement auditing and public accounting. The following topics will be discussed:

- Internal Control over Financial Reporting (Section 404)
- Disclosure Controls and Procedures
- Management's Discussion and Analysis & Off-Balance Sheet Disclosures
- Real-Time Disclosures and Increased SEC Review of Periodic Reports
- Corporate Governance Standards
- The Audit Committee
- Codes of Conduct and Ethics
- Auditor Independence
- Public Company Accounting Oversight Board and its impact on the accounting profession

Case discussions will provide a challenging method of applying the course materials and allowing student interaction. Valuable class participation goes beyond mere recitation of the case facts, but draws significant implication, makes conclusions, or recommends action from the facts presented. Your participation should build on the comments of others.

GRADING:
Your grade is determined based on the following:

4 Group Assignments - 25%
Class Participation - 10%
Midterm - 30%
Final exam - 35%
Exams will be closed book, closed notes. **Make-up exams will not be given.**

Groups: The following 4 assignments are to be completed in groups of 2 students. Each student should read the information in advance of the group meeting, then the 2 students should meet to write the assignment together.

Assignment #1. Enron Case 10% of grade Due: Tuesday, April 13

Read: 1. Business Fairy Tales, Chapter 6, 2. Enron Case in Knapp book, 3. SEC financial statements, 4. Congressional Report, 5. Watkins's letter (see page 15 of Fraud Examination text)

The assignment will be emailed to the class.

Assignment #2. Enron Case Part 2 5 % of grade Due Thursday, April 22

Write an Epilogue for each of the following: Enron, Enron employees and their pension plans (include one personal story), Arthur Anderson, Arthur Anderson partners and employees (include one personal story), Kenneth Lay, Jeffrey Skilling, Andrew Fastow. Include the financial and personal loss of each. Search on the Internet to complete this assignment.

Assignment #3. Sunbeam Case 5% of grade Due: Thursday, May 6

Read: Business Fairy Tales, Chapter 2

The assignment will be emailed to the class.

Assignment #4. WorldCom Case 5% of grade Due: Tuesday, May 18

Read: Business Fairy Tales, Chapter 4

The assignment will be emailed to the class.

Impacted Class

This is an impacted class. Any drop after the second week, if approved, will result in a "W" on the student's transcript.

Instructor:

Julie Ann Gardner Treloar is a licensed C.P.A. in the State of California. She has taught undergraduate courses in Beginning and Intermediate Accounting, Auditing, Managerial Accounting, Individual Taxation and Corporate and Partnership Taxation. She has a tax practice primarily focusing on employee benefits tax returns. She is also a tax and financial planner. Her education includes an MBA from the Anderson School at UCLA, a Masters in Business Taxation (MBT) from the Leventhal School of Accounting at USC, a Certified Financial Planner (CFP) Certificate from UCI, a B.S. in Aerospace Engineering from Cal Poly, Pomona and an A.S. in Airframe and Aircraft Powerplant Maintenance Technology from Mt. San Antonio College.

Week/ Day	Topic	Reading	Assignment Due
1/1	Overview		
1/2 and 2/1	The Nature of Fraud	Fraud Examination, Chapter 1 Business Fairy Tales, Chapter 1	
2/2	Who Commits Fraud and Why	"Selected Articles" in Section V of Course Reader Fraud Examination, Chapter 2	
3/1	Movie: Smartest Guys in the Room	Business Fairy Tales, Chapter 6	Assignment #1 Enron Case
3/2	Finish Movie & Case Discussion: Enron Case		
4/1	Overview of the Sarbanes-Oxley Act of 2002	Sarbanes-Oxley Act of 2002 in Section VI of Course Reader & Business Fairy Tales, Chapter 9	
4/2	Guest Speaker		Assignment #2 Enron Case part 2
5/1	Professional Ethics	GAO report in Section VIII of Course Reader	
5/2	Financial Statement Fraud	Fraud Examination, Chapter 11	
6/1	Revenue and Inventory-Related Financial Statement Fraud	Fraud Examination, Chapter 12	
6/2	Case Discussion: Sunbeam Case	Business Fairy Tales, Chapter 2	Assignment #3 Sunbeam Case
7/1	**MIDTERM**		
7/2	Case Discussions: Xerox, Rite Aid, Aldelphia	Business Fairy Tales, Chapter 3, 5 and 7 & GAO Report Appendix in Section VIII of Course Reader	
8/1	Liability, Asset and Inadequate Disclosure Frauds & Fraud Against Organizations	Fraud Examination, Chapter 13 & Fraud Examination, Chapter 14	
8/2	Case Discussion: WorldCom Case	Business Fairy Tales, Chapter 4	Assignment #4 WorldCom Case
9/1	Fighting Fraud: An Overview & Preventing Fraud	Fraud Examination, Chapter 3 & Chapter 4	
9/2	Sarbanes-Oxley Section 404, Management's Report on Internal Controls over Financial Reporting Guest Speaker	Sarbanes-Oxley, Section 404	
10/1	SAS 99 – Considerations of Fraud in a Financial Statement Audit Guest Speaker	Fraud Examination Appendix – page 643-649 and SAS 99 in Section VII of Course Reader	
10/2	Fraud Detection: Recognizing the Symptoms of Fraud & Proactive Approaches to Detecting Fraud	Fraud Examination, Chapter 5 & Chapter 6	
	FINAL EXAM: Tuesday, June 8, 2010 8:00 pm– 11:00 pm		

AZUSA PACIFIC UNIVERSITY
School of Business and Management

January 24, 2011

Mr. David Driftmier
California Board of Accountancy
Chair, Ethics Curriculum Committee

Dear Mr. Driftmier,

The letter of January 21, 2011 from the California Society of CPAs requested feedback on the ten unit ethics education requirement mandated in SB 819. The accounting faculty at Azusa Pacific University would like offer our concerns in response to that letter.

Under the limited guidance available thus far, it is likely that only one of our existing courses would qualify towards meeting the new standard. This would necessitate developing additional courses creating several significant hurdles:

- Our university is struggling with budget restraints, as are most institutions in California. There are no provisions to hire additional faculty in the foreseeable future. Any additional courses would have to by taught be existing faculty. This means additional overloads for faculty that are already overburdened.
- We are undergoing accreditation by AASCB. The accreditation standards prohibit overloads. The requirement for new courses hinders our ability to achieve and maintain accreditation.
- Addition of additional ethics courses will require faculty qualified to teach this discipline effectively. There are relatively few PhD qualified faculty available nationwide. We are a small private faith based university and have great difficulty competing with larger universities for the small number of qualified faculty. The inability to attract PhD faculty is an additional hurdle to accreditation.
- The requirement of ten units is excessive. The mandate in SB 819 was to "provide students with a framework of ethical reasoning, professional values, and attitudes, for exercising professional skepticism and other behavior that is in the best interest of the investing and consuming public and the profession." The application of ethical behavior cannot be learned in the classroom. It must be developed in the workplace, dealing with colleagues and clients. The theoretical discussion of ethical conduct and historical development of ethical standards is learned in the classroom. This mandate can be easily achieved with one three unit course.

901 E. Alosta Ave., Azusa, CA 91702 • 626.815.3005 • www.apu.edu/sbm • sbm@apu.edu
AZUSA PACIFIC UNIVERSITY

- The requirement of an additional seven units of ethical study is a severe economic burden on students at a time when the cost of college education is becoming prohibitive. This on top of the additional units to meet the 150 hour requirement will require students to add as much as one additional year to their education. Asking a student to add $20,000 to $30,000 to the cost of a degree is unnecessary and may actually be counterproductive. The addition cost may cause students to change majors or seek employment in the private accounting field where the additional education is not required. Driving qualified students away from the profession is not what we want to encourage.
- We are a faith based university. The study of ethics is more than the study of professional standards. The study of ethical and moral conduct is embedded in all of the courses taught in the School of Business, particularly the accounting courses, as well as many of the courses taught in the general studies curriculum. Adding additional courses focusing solely on ethics is unnecessary and repetitive.
- The creation of additional courses generally takes twelve to eighteen months, if all goes smoothly, which rarely happens. One of the requirements for approval of a new course is justifying the need. The course must add to the base of knowledge for the given major. Convincing the Undergraduate Studies Council that ten units of ethics study is necessary will be difficult if not impossible. To state simply that the State legislature requires it is not sufficient.
- Education in ethical standards and conduct is a part of most firms' ongoing training policy. In addition, continuing education requirements mandate eight hours of ethics study as part of the ongoing license renewal process. This recognizes the need for consistent and ongoing study,

These are just some of the most significant concerns. We have similar concerns with the additional unit requirements being studied by the Accounting Curriculum Committee. We appreciate the opportunity to submit these concerns and hope it will add additional insight into the problems the implementation of SB 819 is creating.

Sincerely,

Stanley B. Deal, CPA, M.S.

Paul V. Anderson, CPA, MBA

AZUSA PACIFIC UNIVERSITY
School of Business and Management

March 2, 2011

Mr. David Driftmier
California Board of Accountancy
Chair, Ethics Curriculum Committee

Dear Mr. Driftmier,

In your email of February 11, 2011, you requesting information about courses in our curriculum that would satisfy the broad "ethics study guidelines" as defined in California B&P Code Sec. 5094.6(e)(2), both stand alone courses and embedded coverage.

The fundamental question is whether a first time freshman could satisfy the ten unit requirement within the existing course offerings. The guidelines defined in the California code are to provide "a program of learning that provides students with a framework of ethic reasoning, professional values, and attitudes for exercising professional skepticism and other behavior that is in the best interest of the investing and consuming public and the profession. At a minimum, it ....shall include a foundation for ethical reasoning and the core values of integrity, objectivity, and independence...." With this as a benchmark, the answer is no. We currently have only two courses in the School of Business offerings that satisfy the definition. They are Senior Seminar (BUSI 496) and Business and Professional Ethics (ACCT 339). The later course was just passed through the approval process and has yet to be offered. Detailed course descriptions are attached. There are other courses that have an ethics component, but they are all offered by other departments as part of their degree requirements and require prerequisites. This makes them inaccessible to accounting majors. The only other course meeting the guidelines that is open to all students is a philosophy course entitled PHIL 300 - Ethics. If the ten unit requirement is enforced, we will need to create additional courses.

<u>Senior Seminar: Business Ethics - BUSI 496</u>
This course focuses on the integration of Christian faith, ethical issues and professional concerns, which confront business professionals in the workplace with particular concern for leadership and transitions. The course will explore biblical and moral principles as related to real life case studies. In addition, the course offers the student the opportunity to complete in-depth study in a business related area to further prepare them as effective participants and leaders in the workplace.

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Business & Professional Ethics - ACCT 339

This course investigates the broad spectrum of ethical issues that business managers face today. As corporate America struggles to find its ethical identity in a business environment that grows increasingly complex, managers are confronted with very difficult challenges in balancing their economic, legal and ethical responsibilities to the various stakeholder groups with which they interact. The course addresses these challenges from both the individual and managerial perspective.

Embedded Ethics Coverage

There are ethics components that are part of all courses in the School of Business. As a faith based institution, the topics of ethics and integrity are woven into every class. In fact, the continuing discussion of ethical issues is expected of each business faculty member in every course. The concept being that if a strong ethical foundation is built from the very beginning, students will be better prepared to make ethical decisions when they enter the business community. The difficulty is in measuring and quantifying the coverage. Below are some examples of the content included in our business core courses required of all business majors.

Introduction to Business – BUSI 100

The concepts of business ethics and social responsibility are covered at length. Students write a paper and complete a case study on these topics.

Principles of Organization of Management – BUSI 210

The professor spends significant time on the topics of beliefs, values and ethical reasoning inn decision making. The students complete several activities and write a paper on specific application of ethical reasoning in a business setting.

Principles of Microeconomics – ECON 251

The professor covers a section on corporate social responsibility. Lectures and case studies discuss ethical responsibilities in light of Milton Friedman's piece called "The Social Responsibility of Business to Increase Profits".

Principles of Marketing – BUSI 360

The professor covers the ideas of ethical, social and political issues in commerce. Students complete several case studies on these issues. The concepts are woven into many other sections of the course as well.

Principles of Finance – BUSI 330

The professor spends significant time on ethical issues and practices in business finance. Students are required to read several articles and engage in discussions of ethical practices in light of current financial practices.

This is just a sampling of how ethical issues are woven into the core business curriculum. There is significant coverage in all of the accounting courses as well.

Intermediate Accounting – ACCT 225/226

The foundation of generally accepted accounting principles and ethical issues in financial reporting are discussed at great length. The responsibilities of independence, objectivity and ethical practice is discussed in every chapter. As we look at GAAP and the intent of FASB pronouncements in the reporting process, we look in depth at how decision making by third parties is impacted by ethical and unethical practices.

Federal Taxation – Individual and Business Entities – ACCT 331/332

The ethical issues and social responsibilities of the tax law are discussed at length in all areas of these courses. The intent of Congress and the professional responsibilities in applying the law are discussed and contrasted. Professional responsibilities of the CPA and potential liabilities are also discussed in detail.

Cost Accounting - ACCT 325

Ethical decision making and exemplary business conduct is emphasized throughout the course, in every subject area. Responsibility for ethical treatment of all stakeholders is addressed.

Advanced Accounting – BUSI 336

Ethical decision making and exemplary business conduct is emphasized throughout the course, in every subject area. Fair and accurate financial reporting, and commitment to ethical fulfillment of all fiduciary responsibilities is addressed.

Auditing – ACCT 426/427

The professional and ethical responsibilities of the auditor addressed in the auditing standards are covered at great length. We require a second semester of auditing which is an in-depth simulation that covers all aspects from the initial planning to the presentation of the financial statements to the Board of Directors. The ethical and professional standards are addressed at each phase of the simulation.

As we have stated, there is adequate coverage of ethical decision making and behavior in the courses currently required along with the embedded coverage in other courses. Adding an additional seven units would be unnecessary redundant. The additional burden placed on students is not justified by any potential benefits.

Sincerely,

Stanley B. Deal, CPA, M.S.

Paul V. Anderson, CPA, MBA

UNIVERSITY OF CALIFORNIA
RIVERSIDE

School of Business Administration
Office of the Dean
900 University Avenue
Anderson Hall
Riverside, CA, 92521

Date: January 24, 2011

Don Driftmier, Chair, California Board of Accountancy
Email: ddriftmier@nhepictures.com

Dear Mr. Drifmier:

I am writing to you in my role as Dean of the School of Business Administration and the A. Gary Anderson Graduate School of Management at the University of California, Riverside in order to express my concerns about the implementation of the new "150-Hour-Rule." More specifically I wish to address my concerns regarding the requirement that ten (10) semesters hours of course work be added to the curriculum required by this rule.

I have two concerns: one related to pedagogy and one related to resources. From a pedagogical standpoint the requirement of ten additional semester hours of ethics seems to be a step backwards. Our faculty members have worked very hard to integrate ethics in all of our accounting courses. Textbooks routinely include content on ethics. Treatment of ethics in the context of relevant dimensions of practice is also more compelling and interesting to students. The ten hours of ethics would appear to require stripping out elements of existing courses to create stand alone courses in ethics that are unlikely to be as effective in teaching ethics as the current design of more integrated courses.

In addition to creating an inferior pedagogy, the addition of 10 hours in ethics places a burden on scarce resources at a time of significant budget cuts in the University of California and California State University. These resource constraints are exacerbated by the current severe shortage of qualified accounting faculty members.

Thus, it appears to me that the requirement of 10 additional hours of ethics produces an inferior learning experience at a higher cost. This does not seem to me to be a good outcome.

I hope the committee will reconsider this rule.

Sincerely,

David Stewart

Digitally signed by David Stewart
DN: cn=David Stewart, o, ou, email=David.Stewart@ucr.edu, c=US
Date: 2011.01.24 17:56:21 -08'00'

David W. Stewart, Ph.D.
Dean and Professor of Management and Marketing

Dominic Franzella

Subject: FW: Re: CBA's ETHICS CURRICULUM COMMITTEE

----- Forwarded Message -----
From: David Stewart <[redacted]>
To: [redacted]
Cc: [redacted]
Sent: Tue, 15 Feb 2011 12:24:56 -0800 (PST)
Subject: Re: CBA's ETHICS CURRICULUM COMMITTEE

[Description: J:\Communications\SoBA E-Mail Templates\dean.gif]
Date: February 15, 2011

To: Don Driftmier
Chair, California Board of Accountancy
From: David Stewart [[redacted]]
Dean, School of Business Administration

Re: School of Business Administration Research on Ethics Courses and Related Issues

Can a freshman student at University of California Riverside, seeking a B.S. in Business Administration (Accounting Concentration) and satisfy a requirement of 15 quarter units in ethics (equal to 10 semester units) consistent with thebroad "ethics study guidelines," as defined in California B&P Code 5094.6(e)(2)? The answer to that question is "no." UCR has three upper division undergraduate courses (4 quarter units each) that appear to satisfy the statute, for which students could receive credit for two (8 units). If the student continued with UCR for an additional 45 quarter units in a graduate program, an additional 4 unit course could be taken for a total of 12 quarter units (8 semester units). Detailed course descriptions are included below.

Upper division undergraduate courses

(1) BUS 102: Ethics and Law in Business and Society or
(2) PHIL 116: Business Ethics
(3) PHIL 161: Ethics

Graduate course

(4) MGT 218: Ethics in Management

Definition of "Ethics Study Guidelines"

The statutory mandate to the Ethics Curriculum Committee is to recommend to the board "ethics study guidelines" consisting of no less than 10 semester units. "Ethics study guidelines" are defined in California B&P Code Sec. 5094.6(e)(2) a "a program of learning that provides students with a framework for ethical reasoning, professional values, and attitudes for exercising professional skepticism and other behavior that is in the best interest of the investing and consuming public and the profession. At a minimum, it...shall include a foundation for ethical reasoning and the core values of integrity, objectivity and independence consistent with the International Educational Standars-4 of the International Accountants Education Standards Board,..."
The Courses

Upper Division Undergraduate

BUS 102: Ethics and Law in Business and Society. Analyzes the legal, ethical, political, and social aspects of the business environment. Topics include ethics and social responsibility, government regulation, corporate governance, and global management issues.

PHIL 116: Business Ethics. An inquiry into some of the moral issues arising from business life, such as conflicts of interest, responsibility to consumers, corporate culture and character, and the morality of competition. Also considers the history of ethics and history business as an institution.

PHIL 161: Ethics. A study of the major classical moral philosophers in the Westerntradition and of some selected problems of metaethics.

Graduate

MGT 218: Ethics in Management. Examines ethical dilemmas faced by managers and organizations and extends decision analysis to include the ethical dimension present in most policy decisions. Seeks to increase the students' ability to identify and respond to ethical issues in organizations, including such areas a affirmative action,bribery, deception, working conditions, product safety, environmental impact, and international relations.

Embedded Ethics Units

Numerous other business and accounting courses have ethics components embedded in the content. It is very difficult to quantify the coverage as expressed as a percent of total coverage as these ethics components are integrated with knowledge components of these courses. Without stand-alone ethics courses it seems quite impossible that the California Board of Accountancy staff could certify that courses met the ethics requirement.

Conclusion

As you are aware, the UC System is in the midst of a budget crisis. Attempting to create and staff additional courses in the ethics area is virtually impossible in this budget environment. We do not currently offer 15 quarter (10 semester) units of ethics on a stand alone basis and it will be difficult to do so in the foreseeable future. Our students will be harmed by the requirements in the new law. This is especially disconcerting considering that the ethics education and training they receive in the stand-alone ethics courses and the ethics materials embedded in other accounting and business courses satisfies the spirit of the law. UCR has the largest undergraduate business programs in the UC system and graduates as many students in accounting as UC Berkeley. Thus, the current requirement will have a negative effect on both our students and the supply of qualified graduates in accounting.

Dominic Franzella

Subject: FW: Ethics Studies at the University of La Verne

----- Original Message -----
From: Renee Miller <[redacted]>
To: ddriftmier@nhepictures.com <[redacted]>
Cc: [redacted]>
Sent: Sat Mar 05 16:21:06 2011
Subject: Ethics Studies at the University of La Verne

Dear Don Driftmier, Chair, California Board of Accountancy

At the University of La Verne, we believe our accounting and business programs adequately cover ethics. We do not believe that the California Board of Accountancy's Ethics Curriculum Committee should require 10 semester units of ethics beyond what we currently include in our programs.

Core Values

As described in the University of La Verne catalog, we share four core values that promote a positive and rewarding life for its students through fostering a genuine appreciation and respect for: 1) values orientation; 2) community and diversity; 3) lifelong learning; and 4) community service. As specifically stated in the description of the first core value, students are encouraged to become reflective about personal, professional, and societal values and also encourages values-based ethical behavior. Accordingly, the topic of ethics is embedded through the undergraduate accounting courses, business courses, and general education courses. In addition, ethics plays an important role in the graduate business degree programs which includes a concentration in accounting.

Standalone Business Ethics Courses

Two standalone business ethics courses are offered by The College of Business and Public Management. In the undergraduate business program, BUS 343-Foundations of Business Ethics is 4-credit hours and covers "Fundamental concepts underlying individual value systems as applied to practical issues of running a business or organization." In the M.B.A. program, BUS 543 - Ethics in Organizations & Society is 3-credit hours and "Considers important issues in building ethical organizations and critically examines individual and group ethical behaviors, rules of conduct, and the resulting managerial implications.

Ethics Embedded in Accounting Courses

Ethics is embedded in the core courses in the undergraduate accounting

curriculum which consists of 8 hours of accounting fundamentals plus 24 units of core accounting courses, bringing the total to 32-hours of accounting courses. Here are some examples of how ethics is covered in some of the accounting courses. In ACCT 201/202 Fundamentals of Accounting I/II (8-credit hours), one of the learning objectives is "To explore ethical considerations in the collection, formulation, interpretation, analysis and use of financial information." In ACCT 301/302 Intermediate Accounting I/II (8-credit hours), an important learning outcome is to "Develop an understanding of the ethics of the accounting profession and be able to make value-based judgments." In ACCT 401 Auditing (4-credit hours), "Students will be introduced to the public accounting profession, professional standards, audit report, and the auditor's professional responsibilities for ethical behavior, sound judgment and legal liability." In ACCT 402 Advanced Accounting (4-credit hours), students will "Understand the importance of ethics in financial accounting and reporting."

General Education Courses

Students are required to take general education courses, many of which address the issue of ethics. As described in the catalog, students reflect on individual and social responsibilities by gaining competence in intercultural knowledge, community engagement, and ethical reasoning and action.

Faculty

Faculty who teach the standalone ethics courses in the business programs may be full-time or part-time adjunct faculty with doctorate and/or masters degrees in a business-related area. For the accounting courses, instructors typically have a doctorate or masters degree plus the CPA license.

If you have questions, please let me know.

Sincerely,

Renee H. Miller
Professor of Accounting
Chair, Department of Applied Business Sciences and Economics
College of Business and Public Management
University of La Verne
909-593-3511 ext. 4766

Mary Beth Armstrong, PhD
P.O. Box 2522
Avila Beach, CA 93424
(805) 595-2417
mba313@sbcglobal.net

January 26, 2011

Don Driftmier, Chair
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815

I am enclosing a position paper which I have written concerning the recently enacted requirement that accounting programs require10 semester units of ethics to be taken by their accounting students. Although I have devoted my entire academic career to ethics in accounting education, I believe the requirement is excessive, and perhaps even detrimental. I have explained my reasoning in the position paper, along with recommended alternatives.

My first recommended alternative is that the ethics requirement be reduced to six semester units. If the legislature is unwilling to reduce the requirement that far, my second recommendation is to reduce it to nine units. Further, the position paper explains how accounting programs might construct a six-unit requirement and a nine-unit requirement.

Thank you, in advance, for your attention to my position paper.

Sincerely,

Mary Beth Armstrong
Professor Emeritus
Cal Poly
San Luis Obispo, CA

Ethics Requirement in Accounting Education
Position Paper
by
Mary Beth Armstrong, PhD

In 2009 the California legislature passed a requirement, as part of the "150-Hour Rule," that after January 1, 2014 students will be required to take ten semester units of ethics as part of their accounting curriculum. Not a lot of thought seems to have been devoted to the number ten, however, and implementation of this new requirement is problematic for two reasons: 1) Most universities and colleges offer courses of standardized size, usually 3 units for schools on the semester system, and 4 units for schools on the quarter system, and 2) ten semester units (three + courses) seems excessive. This position paper will address both of these issues in turn, but first it will give some of the author's background.

Author's Background

I held an active California CPA certificate from 1977 to 2009. It is currently inactive. In 1984 I received a PhD in Business Administration from the University of Southern California, with a major in Accounting and a minor in Ethics. My dissertation dealt with ethics in accounting, and I have published one text in accounting ethics, 30 papers in accounting ethics and/or ethics education for accounting students, and given 34 presentations on ethics and/or ethics education for accounting students at scholarly meetings. In addition, I have authored one live course in ethics for the California CPA Education Foundation and three self-study course for them in ethics or California regulations. For approximately 15 years I taught an ethics course to senior accounting students at Cal Poly State University in San Luis Obispo, where I was a Professor of Accounting for 20 years. I retired from Cal Poly in 2004. I have essentially devoted my entire career to accounting ethics and accounting ethics education.

Problem One

The first problem with the 10-hour ethics requirement, mentioned above, is the number ten. It does not fit well into curricula on a semester system, where most classes are 3 units, nor in curricula on a quarter system, where most classes are 4 units. For a school on a semester system, for example, to comply with the requirement, the curriculum would probably include three 3-unit ethics courses and one 1-unit ethics course. The 1-unit course will create scheduling and staffing headaches that do not seem to be justified, especially in a time of budget constraints. The cost is simply not worth the benefit that might be derived from that one additional unit. At a minimum, I would urge the legislature to reduce the requirement to 9 semester units.

Problem Two

The second problem mentioned above is the excessive nature of the requirement. How did the legislature determine that ten semester units of ethics is the appropriate amount for students to internalize the message? Do they have any research studies that might indicate an optimal number?

In 1993 I published a paper[i] describing a study in which I gave a well-known test of moral development to a class of students before and after an accounting course in Professionalism and Ethics, and I gave the same test to a class of students in Intermediate Accounting, as a control group. As expected, students' moral development scores in the control group did not improve significantly during the term. However, the scores of the Professionalism and Ethics students improved significantly. In fact, at the end of the course, their average scores exceeded the average moral development scores of college graduate students, according to the test's author, James Rest. After analyzing the students' test scores further, I learned that there was an interactive effect: The students whose test scores improved the most were students who had taken an ethics course, probably in the College of Liberal Arts, previous to taking the Professionalism and Ethics course. I should not have been surprised by these results. Most teachers know that students do not fully grasp concepts the first time they are exposed to them. Repetition helps the learning process. Ethical concepts are no exception.

Based on the above research, in my paper I called for a "sandwich" approach to teaching ethics in accounting. First students should be exposed to ethical concepts by taking an ethics course taught by philosophy faculty, or the equivalent. Second, students should be exposed to ethics in accounting by having ethics concepts and cases integrated into each and every accounting course they take (e.g., ethical tax issues in their tax courses). Third, a capstone course addressing Ethics and Professionalism, should be taught in the students' last year, in order to reinforce and integrate the material they have learned earlier. This capstone course should be taught by accounting faculty.

I believe the above approach, the "sandwich" approach is thorough enough to convey to students the concepts, issues, content of codes and regulation, and a sense of professionalism and the role of accounting in society. It can be accomplished in six semester units; one course in ethics (generic) and one course in accounting professionalism and ethics, as well as the integration of ethics throughout the accounting curriculum. Note: the integration of ethics throughout the curriculum is a good rationale for deleting one to four units from the existing requirement.

A Next-Best Solution

When asking the legislature to reduce the current ethics requirement, I believe it is salient to point out that the most common violations of the Accountancy Act is "Unprofessional Conduct," and that violation is often the result of incompetent practice. There is a trade-off between the curriculum hours devoted to ethics and those devoted to technical accounting material. It is important that we reach the right balance, and not devote too much time to one, at the expense of the other.

If the legislature is willing to reduce the ethics requirement by one unit, but not by four units, I would argue that a third course, in addition to the ones mentioned above, should be added to accounting curricula; a course in corporate responsibility and/or corporate governance. I would argue that "ethics" is a very broad term and should be interpreted to include courses which, directly or indirectly, point out accountants' public interest responsibility, including that of management accountants.

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[i] Armstrong, Mary Beth, "Ethics and Professionalism in Accounting Education: A Sample Course," *Journal of Accounting Education*, vol. 11, pp. 77-92.

Dominic Franzella

Subject: FW: 150 hour rule for accounting

----- Forwarded Message -----
From: "Rick R. Marrs" <[redacted]>
To: [redacted]
Sent: Wednesday, January 26, 2011 4:47:11 PM
Subject: 150 hour rule for accounting

Dear Mr. Driftmier -

Please note the following response from my undergraduate accounting faculty at Pepperdine University. I serve as the Dean of the College (Seaver College) and so am familiar with the challenges the faculty will be facing relating to this new requirement. I hope the following feedback is helpful as you consider implementation and timing of this new requirement.

Sincerely,

Rick R. Marrs

Dean of Seaver College and Professor of Religion

Rick,

Thank you for forwarding the email to me. We definitely would like to have Pepperdine respond.

The unanimous position of the accounting faculty (Farrell Gean, Carolyn Galantine, Nicole Velasquez, and me) is:

1) It is feasible to include one 3-4 unit stand-alone accounting/professional ethics class within the 150 hour curriculum, but it would be impossible to add the three stand-alone ethics classes that it would take to meet the 10-hour requirement. 10 stand-alone hours would be equivalent to a minor in ethics, and even in a liberal arts college, we do not have the faculty to offer that many ethics classes.

2) There would not be enough faculty in the nation to meet the demands of California universities if every California university had to require every accounting student to take three stand-alone ethics classes. In

addition, hiring new full-time faculty generally requires at least two years, and salaries are above $100,000; thus, the requirement would pose a substantial hardship both to private universities who are tuition dependent and to public universities who are facing severe budget cuts due to the shortfall in the California state budget.

3) The timeframe established by the California Board of Accountancy (CBA) for complying with the ethics curriculum requirements is entirely insufficient. According to the CBA May 10, 2010 Update (page 11): "The Ethics Curriculum Committee (ECC)...will recommend guidelines for the 10 semester units of ethics study to the CBA by June 1, 2012. The law requires the CBA to adopt those recommendations by January 31, 2013." Thus, since the 150-hour requirement becomes effective on January 1, 2014, programs would have to begin offering the new ethics classes no later than fall 2013, fewer than 7 months from the January 31, 2013 date on which the CBA is required to specify the courses to be included. It is absolutely impossible to move approval of new ethics classes through the college and university approval process and to begin offering the classes in a 7-month timeframe, let alone to seek approval of classes from the CBA (as is required in Texas). At a minimum, universities should have two years from January 31, 2013 (i.e., until January 31, 2015) to move classes through the university approval and startup process. If CBA approval of the courses is to be required, universities should have an additional two years (i.e., until January 31, 2017) to move classes through any CBA approval process, since the Board will be overloaded with requests for approvals.

4) As is the situation with other universities, we currently embed ethics into almost every class in the accounting and business curriculum. While it might make sense to have one separate ethics class that provides an in-depth look at ethics theory and professional ethics codes, we believe that discussions related to ethical issues are likely to be much more productive when they arise in a natural context rather than in generic survey classes.

5) The requirement to include 10-hours specifically related to ethics is excessive. If the requirement stands, courses devoted entirely to ethics would make up the second-largest content area of most accounting programs. Only financial accounting would have more dedicated hours.

Marilyn

Marilyn B. Misch, Ph.D.

Associate Professor of Accounting

Pepperdine University

Seaver College

Dominic Franzella

Subject: FW: 150 Hour Implementation Issues

----- Original Message -----
From: Mayra Meza <[redacted]>
To: sally.[redacted]
Cc: [redacted]
Sent: Wed Mar 16 22:11:37 2011
Subject: 150 Hour Implementation Issues

March 16, 2011

Sally Anderson, CPA

President

California Board of Accountancy

2000 Evergreen Street, Suite 250

Sacramento CA 95815-3832

Dear Ms. Anderson:

I am a recent accounting graduate from La Sierra University and currently in the process of the MBA program at the University.

My career goal is to become a certified public accountant. Because of the vast opportunities a CPA title offers, I see becoming a CPA very crucial to my career path and trying to fulfill all requirements to become licensed is at the top of my priority list. However, I am concerned about the new requirements for licensure. I have no concerns about achieving 150 semester hours of education, however, I am seriously concerned about the practicality of requiring that 10 of these units be in ethics.

As a student, I really cannot say for certain when I will be licensed by—much depends on my future employer—therefore, it seems imperative that I

earn these ethics units prior to graduation. However, I am also done with school and I am not sure whether I should take some random ethics classes or will something new be developed and required.

Besides, accounting ethics is included in every accounting class and most business classes. Courses that I have taken which included some form of ethics education are religion/moral/social aspect in business and biblical ethics in the modern world. Because my University is based on a denomination, ethics is usually discussed in my other courses on a regular basis.

I know many of my peers, as well for myself, can't afford to pay for another year or so of college just to meet this unknown requirement. Please help create a reasonable solution to this problem.

Sincerely Yours,

Mayra Meza

P: [redacted]

E: [redacted]

cc: California Society of CPAs

March 16, 2011

Sally Anderson, CPA
President
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento CA 95815-3832

Dear Ms. Anderson:

I am a senior at La Sierra University majoring in Accounting.

My career goal is to become a certified public accountant. However, I am concerned about the new requirements for licensure. I have no concerns about achieving 150 semester hours of education, however, I am seriously concerned about the practicality of requiring that 10 of these units be in ethics.

As a student, I really cannot say for certain when I will be licensed by—much depends on my future employer—therefore, it seems imperative that I earn these ethics units prior to graduation. However,

I am almost through with school and I am not sure whether I should take some random ethics classes or will something new be developed and required.

Besides, accounting ethics is included in every accounting class and most business classes. Courses that I have taken which included some form of ethics education are Advanced Accounting, Auditing, Fraud, Management and Organizational Behavior, Intermediate Accounting 1-3, IFRS, Financial Accounting and Managerial Accounting, and many others.

I can't afford to pay for another year or so of college just to meet this unknown requirement. Please help create a reasonable solution to this problem.

Sincerely Yours

Saira Saravia
[redacted]

cc: California Society of CPAs

March 16, 2011

Sally Anderson, CPA
President
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento CA 95815-3832

Dear Ms. Anderson:

I am a recent graduate from University of California Santa Cruz where I majored in Business Management Economics.

My career goal is to become a certified public accountant. Since the climate of corporate accountability has dramatically changed since the scandals of Enron and WoldCom, I have been driven to meet this objective and begin to work closely with firms to monitor possible violations of the Sarbanes-Oxley Act. However, I am concerned about the new requirements for licensure. I have no concerns about achieving 150 semester hours of education, however, I am seriously concerned about the practicality of requiring that 10 of these units be in ethics as my school did not offer an ethics course while engaged in my undergraduate study.

As a recent graduate, I really cannot say for certain when I will be licensed by—I begin taking the CPA exam next month and start with PricewaterhouseCoopers in the fall—therefore, it seems imperative that I earn these ethics units prior to beginning work. However, since graduating I am unsure whether I should take some random ethics classes from a community college or if a new requirement will be established and overturn my previous applicable work.

Besides, accounting ethics is included in every accounting class and most business classes. Courses that I have taken which included some form of ethics education are Introductory, Intermediate, and Advanced Accounting at UCSC. Recently I have taken more classes through De Anza Community College while working towards the 150 semester hours. One course I am currently taking, Business and Society, focuses heavily on questions of ethics and corporate responsibility.

After taking the extra classes to qualify for reciprocity amongst states, I can't afford to pay for more college courses to meet this unknown, and vaguely established, requirement. Please help create a reasonable solution to this problem and contact me with any questions or concerns regarding my letter.

Sincerely Yours,

Tyler McGreevey
(661) 644-0488
tmcgreevey@gmail.com

cc: California Society of CPAs

March 16, 2011

Sally Anderson, CPA
President
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento CA 95815-3832

Dear Ms. Anderson:

I am a junior at San Jose State University majoring in Accounting Information Systems. I have a strong passion for the accounting profession, and I plan to take all of the necessary steps that will help me excel in this profession, one being that I become a certified public accountant.

I am well aware of the upcoming changes in the new requirements for licensure, and I believe in the importance and benefits of these changes. However, I have some concerns regarding the requirement of 10 units in ethics. I have two more semesters before my anticipated graduation date, and I do not know if I will be able to meet this requirement.

One reason is that I do not know what courses fulfill this requirement. San Jose State University's College of Business offers only one course on ethics, but a majority of my accounting classes incorporate ethics in some way. Even if I were to take additional ethics courses in other departments, I am worried about the possibility of more specific ethics courses being developed and required.

My goal is to have all of the required units to sit for the exam completed by the time I graduate. I hope to have a full-time offer at the end of my internship at one of the Big 4 firms this summer, so I find it crucial that I am prepared for the exam before I am overloaded with work. I would greatly appreciate your help in creating a reasonable solution to this problem.

Sincerely,

Leann Joaquin
[redacted]

March 16, 2011

Sally Anderson, CPA
President
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento CA 95815-3832

Dear Ms. Anderson:

As a senior majoring in accounting, at San Jose State University, I am on track to graduate this spring. I will also be joining PricewaterhouseCoopers in September and am hoping to pass my CPA tests by the end of the year. There is, however, the possibility that I will not be able to complete this testing, either due to an increased workload or my own personal failure. If this occurs, there is no way to know when I will be able to attain my CPA certification. I have been hearing a lot about the new requirements for CPA licensure, specifically the requirements regarding the ten semester hours of ethics classes, and, since this could put me in a position where I would have to return to college in order to take seven more units of ethics classes, I have several concerns.

First, students will face a larger financial burden. Personally, I have already spent thousands of dollars on my education, including thousands of dollars in loans, in order to complete the current educational requirements. As this money has made a career with PricewaterhouseCoopers possible, I cannot be upset with the amount that I have already spent. That being said, I would not want to be forced to spend several more thousand to return to college to cover the new ethics requirement, especially after already receiving my degree. With a career, a family to take care of, school loans to pay off, and the potential of having mortgage payments, having to go back to school would create a financial strain on my personal budget. What concerns me even more is that San Jose State University, like all California educational facilities, is currently having financial troubles of its own. There is less and less money to pay for classrooms and teachers, and this has led to saturation. There are too many students, when compared to the teachers and classes offered, and the number of students that are allowed to declare an accounting major, or a business major in general, has been capped. Added to this, I have heard that California could see the closing of many smaller colleges, in the near future, which will further increase the ratio of students to teachers. This could add to my troubles and will definitely affect numerous future students who wish to enter the field of accounting. If I need to return to school, I, and others who find themselves in similar situations, may not even be able to find open classes. I will be an accounting graduate, with a full-time position, who will be unable to obtain a CPA license. As for the students who will be entering college for the first time, they will find it hard to enroll in any accounting classes, let alone the newly required ethics courses. Even if they are able to find classes, the rising cost of tuition, and the lengthening of required classes will lead to a larger and larger tuition bill. In turn, the total cost of college tuition could deter future students from continuing education, creating a situation where there may be fewer and fewer accounting students, possibly leading to a lack of qualified accountants, and CPAs, and a decline in the industry. It's obvious to see how this could pose some serious problems for the future of the accounting profession.

Second, the new requirement seems to be redundant. Ethics are already a part of the required curriculum. Along with Professional and Business Ethics (Bus. 186), which is currently required to earn a BS in accounting, there are many other classes that cover the topic of ethics in business. For example, required classes such as Global Dimensions of Business (Bus. 187), Fundamentals of Management and Organizational Behavior (Bus. 160), Strategic Management (Bus. 189), Tax Factors of Business (Bus. 123A), and all the upper division accounting classes have portions of the class that deal with ethics. As these courses already cover various issues regarding ethics in accounting, I am not sure how specific ethics classes will be created to cover the new requirement. In fact, the professors, themselves, also seem to be unsure of what these classes will be, what they will cover, and who will instruct them. Apparently, there have been several meetings regarding this issue, and it is still unsure how the new requirements would be covered. Add to this the fact that there simply may not be enough teachers to fill these new classes, due to the financial troubles already mentioned, and it becomes apparent that the new ethics requirement seems to be creating problems for everyone, including the educational institutions.

In light of the highly publicized accounting scandals that have occurred in the last decade, it is obvious that ethics is a vital issue in the accounting world. It's obvious that accounting students must be made aware of ethical issues and how to act when faced with sensitive business situations. Requiring additional semester hours of ethics classes seems to be a logical response to this problem, but, at this point in time, it seems to create more problems than it solves. The added requirement will increase the financial burden of accounting students, including graduates who have not attained their CPA license prior to the enforcement of the new requirements, as well as the educational institutions, who will have to find room in their diminishing budgets to account for new classes and, or, teachers. Additionally, the new requirement seems redundant. The topic is already covered by the current curriculum and nobody can seem to figure out what the curriculum will consist of or how to create these classes. While I believe that there may be good cause for the new ethics requirement, with the state in financial crisis, with students who may not be able to enroll in the classes, and with no curriculum designed to fulfill the requirements, I feel that now may not be the best time to implement such a solution. Because of this, I ask that you, please, rethink the requirement of ten semester hours of ethics, taking into consideration the effect it will have on the students, the educational institutions, and the industry as a whole.

Sincerely Yours,

Nick Sabbatini
[redacted]

Dominic Franzella

Subject: FW: Ethics Requirement Concerns

----- Original Message -----
From: Sean Capistrano <[redacted]>
To: sally.[redacted]
Cc: pbowers[redacted]
Sent: Wed Mar 16 22:35:51 2011
Subject: Ethics Requirement Concerns

March 16, 2011

Sally Anderson, CPA

President

California Board of Accountancy

2000 Evergreen Street, Suite 250

Sacramento CA 95815-3832

Dear Ms. Anderson:

My name is Sean Capistrano, and I am a senior at California State University, Monterey Bay majoring in Business Administration, with a concentration in Accounting.

My career goal is to become a certified public accountant. I have already received a full-time offer from a regional accounting firm in Monterey County, after completing an eight-week internship during the summer of 2010. I will begin employment with the firm in November of this year after graduating in May. However, I am concerned about the new requirements for licensure. I have no concerns about achieving 150 semester hours of education, however, I am seriously concerned about the practicality of requiring that 10 of these units be in ethics.

As a student, I really cannot say for certain when I will be licensed. I have plans to pass the CPA exam well before the end of 2012, but I know there are further requirements in order to receive my license. No matter the case, it seems imperative that I earn these ethics units prior to graduation. However, I don't know what courses will work and no one can tell me. Since I am almost through with school, I am not sure whether I should take random ethics classes or if something new will be developed.

In addition, accounting ethics is included in every accounting class and most business classes. Courses that I have taken which included some form of ethics education are: Auditing, Advanced Accounting, Intermediate Accounting I, Intermediate Accounting II, Principles of Management, Participating in Economic Development, and Reading, Business Writing & Critical Thinking. The university does an excellent job of clearly addressing and emphasizing the importance of ethics pertaining to business, especially accounting.

Perhaps most important, I am anxious to obtain my CPA license in order to better support my family. I cannot afford to take another year or so of college just to meet this unknown requirement. My wife and I constantly revise our budget in alignment with our needs, goals, and the fact that I will begin working full-time later this year. It proves to be increasingly difficult to sustain going to school while only working part-time, as well as caring for our daughter.

In closing, I appreciate your time and understanding of my concerns regarding this matter. Please help create a reasonable solution to this problem not only for me, but also all others in similar situations.

Sincerely Yours,

Sean Capistrano

Sean Capistrano
Business Administration, Accounting
School of Business
California State University, Monterey Bay
Cell: [redacted]
Email: [redacted]

Dominic Franzella

Subject: FW: Student Input on 150 hours CPA education requirement

----- Original Message -----
From: Paul Fuller <[redacted]>
To: sally[redacted]
Sent: Wed Mar 16 18:23:19 2011
Subject: Student Input on 150 hours CPA education requirement

Sally Anderson,

I recently became aware of the discussion regarding the 10 credit ethics component in the update to CPA regulation for certification. I personally applaud the concept of additional focus on integrating ethics education into CPA coursework, but the nature of the ethics component need should be clearly defined. My school of California State University, Monterey Bay has integrated ethical concepts into the accounting classes and the upper division business administration classes in order to develop the sense of individual ethical responsibility in every graduate toward the public, their profession, and world around them. From my own conviction on the topic, I am helping orchestrate in the 9th Annual Ethics Panel of CSUMB in order highlight ethical business responsibilities and facilitate related discussion.

Please reconsider if adding the additional 10 ethics units would prepare future CPAs as well as as integration of ethics into existing coursework. Ethical considerations should be integral to all steps of accounting coursework - not just another separate certification requirement set of courses.

Respectfully,

Paul Fuller
CSUMB Senior

Dominic Franzella

Subject: FW: 150 Hour Requirements

----- Original Message -----
From: Moriah Pierce <[redacted]>
To: sally[redacted]
Cc: [redacted]
Sent: Wed Mar 16 13:05:48 2011
Subject: 150 Hour Requirements

March 16, 2011

Sally Anderson, CPA

President

California Board of Accountancy

2000 Evergreen Street, Suite 250

Sacramento CA 95815-3832

Dear Ms. Anderson:

I am junior at California State University, East Bay majoring in accounting.

My career goal is to become a certified public accountant. However, I am concerned about the new requirements for licensure. I have no concerns about achieving 150 semester hours of education, however, I am seriously concerned about the practicality of requiring that 10 of these units be specifically in ethics.

As a student, I really cannot say for certain when I will be licensed by—much depends on my future employer—therefore, it seems imperative that I earn these ethics units prior to graduation. However, I don't know what courses will work and no one can tell me. I am almost through with school and I am not sure whether I should take some random ethics classes or if something new will be developed and required.

Accounting ethics are included in every accounting class and most business classes. Courses that I have taken which included some form of ethics

education are Financial Accounting, Managerial Accounting, Cost Accounting, Intermediate Accounting, Corporate Tax, Individual Tax, Marketing, and Business Law. Ethics in general was also covered extensively in my research papers for both English Composition courses I took.

I can't afford to pay for another year or so of college just to meet this unknown requirement. Please help create a reasonable solution to this problem.

Sincerely Yours,

Moriah Pierce

Vice President of Events

Beta Alpha Psi - Elpison Psi Chapter

California State University, East Bay

[redacted]

[redacted]

cc: California Society of CPAs

Dominic Franzella

Subject: FW: 150 Hour Education Requirement for CPA Licensure

----- Original Message -----
From: Sharon Sorscher <[redacted]>
To: sally.[redacted]
Cc: [redacted]
Sent: Wed Mar 16 14:45:04 2011
Subject: 150 Hour Education Requirement for CPA Licensure

March 16, 2011

Sally Anderson, CPA

President

California Board of Accountancy

2000 Evergreen Street, Suite 250

Sacramento CA 95815-3832

Dear Ms. Anderson:

I am a senior at California State University East Bay majoring in Business Administration and Accounting.

My career goal is to become a certified public accountant and work in corporate accounting. However, I am concerned about the new requirements for licensure. I have no concerns about achieving 150 semester hours of education, however, I am seriously concerned about the practicality of requiring that 10 of these units be in ethics.

As a student, I really cannot say for certain when I will be licensed bymuch depends on my future employertherefore, it seems imperative that I earn these ethics units prior to graduation. However, I am graduating in June and I have already taken courses specifically targeting accounting or business-related ethical issues that are offered through the College of Business. I am not sure whether I should take some random ethics classes (through the philosophy department, for example), since they might not be as relevant to accounting issues but potentially could fulfill the requirement, depending on interpretation.

Additionally, accounting ethics is included in every accounting class and most business classes. I have taken at least one course specifically about business ethics, MGMT 4500, and all of my classes discuss the ethical issues related to the subject. In my Corporate Tax class, for example, while learning about Corporate Tax topics we also cover the ethical issues that companies encounter, and the ethical response in those situations.

I cant afford to pay for another year or so of college just to meet this unknown requirement. Please help create a reasonable solution to this problem.

Sincerely Yours,

Sharon Sorscher

[redacted]

cc: California Society of CPAs

Dominic Franzella

Subject: FW:

----- Original Message -----
From: Hai Pan <[redacted]>
To: sally.[redacted]
Sent: Wed Mar 16 18:01:50 2011
Subject:

<3/16>

Sally Anderson, CPA
President
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento CA 95815-3832

Dear Ms. Anderson:

I am a senior at CSU East Bay majoring in accounting.

My career goal is to become a certified public accountant. However, I am concerned about the new requirements for licensure. I have no concerns about achieving 150 semester hours of education, however, I am seriously concerned about
the practicality of requiring that 10 of these units be in ethics.

As a student, I really cannot say for certain when I will be licensed by—much depends on my future
employer—therefore, it seems imperative that I earn these ethics units prior to graduation. However,

I am almost through with school and I am not sure whether I should take some random ethics classes or
will something new be developed and required.

Besides, accounting ethics is included in every accounting class and most business classes.

I can't afford to pay for another year or so of college just to meet this unknown requirement. Please
help create a reasonable solution to this problem.

Sincerely Yours

Hai Pan
[redacted]

cc to Bruce Allen

Dominic Franzella

Subject: FW: 150 hour

----- Original Message -----
From: Melanie Fellhauer <[redacted]>
To: sally[redacted]
Cc: [redacted]
Sent: Wed Mar 16 16:07:50 2011
Subject: 150 hour

March 16, 2011

Sally Anderson, CPA

President

California Board of Accountancy

2000 Evergreen Street, Suite 250

Sacramento CA 95815-3832

Dear Ms. Anderson:

I am a sophomore at Fresno City College majoring in accountancy.

My career goal is to become a certified public accountant. I have always loved numbers and the truth to accounting. However, I am concerned about the new requirements for licensure. I have no concerns about achieving 150 semester hours of education, however, I am seriously concerned about the practicality of requiring that 10 of these units be in ethics.

As a student, I really cannot say for certain when I will be licensed by—much depends on my future employer—therefore, it seems imperative that I earn these ethics units prior to graduation. However,

I would like to know what the course work will be.

Besides, accounting ethics is included in every accounting class and most business classes. Courses that I have taken which included some form of ethics education are my accounting 4A, and my BA -18 class.

I can't afford to pay for another year or so of college just to meet this unknown requirement. Please help create a reasonable solution to this problem.

Sincerely Yours,

Melanie Fellhauer

[redacted]

[redacted]

[redacted]

[redacted]

cc: California Society of CPAs

March 18, 2011

Amy Murch
[redacted]

Sally Anderson, CPA
President
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento CA 95815-3832

Dear Ms. Anderson:

I am a senior at California State University, Bakersfield majoring in Accounting, with a graduation date of June, 2011.

My career goal, and that of many of my classmates, is to become a certified public accountant. I believe that the esteem and expertise that is provided by licensure sets those who choose to take that path leagues beyond those who don't in terms of career opportunity. However, many are concerned about the new requirements for licensure. While I have no concerns about achieving 150 semester hours of education, I am seriously concerned about the practicality of requiring that 10 of these units be in ethics.

As a student, I really cannot say for certain when I will be licensed by—much depends on my future employer—therefore, it seems imperative that I earn these ethics units prior to graduation. However, I am almost through with school and I am not sure whether I should take some random ethics classes or will something new be developed and required.

Besides, accounting ethics is included in every accounting class and most business classes. In fact, every accounting professor that I have had has strongly emphasized the importance and dynamics of ethics in the industry and has made the topic an integral part of lectures, class discussions and assignments.

I can't afford to pay for another year or so of college just to meet this unknown requirement. Please help create a reasonable solution to this problem.

Sincerely Yours,

Amy Murch

cc: California Society of CPAs

Dominic Franzella

Subject: FW: 10 Semester Hour Ethics Requirement Concerns

----- Original Message -----
From: Neil Shah <[redacted]>
To: sally[redacted]
Cc: [redacted]
Sent: Wed Mar 16 13:07:24 2011
Subject: 10 Semester Hour Ethics Requirement Concerns

Dear Ms. Anderson:

I am a senior at Santa Clara University majoring in Accounting.

My career goal is to become a certified public accountant. In freshman year, when I took Financial Accounting 11 with Professor Calegari, I knew the life of debits and credits would be mine. In addition, after taking Introduction to Taxation for Individuals with Professor Luttman, I think a career in Tax Consulting and Preparation is the one for me because the field is complex enough to keep me entertained for a very long time. Plus I love solving puzzles and would love to solve real world tax problems for my clients.

However, I am concerned about the new requirements for licensure. I have no concerns about achieving 150 semester hours of education(225 units for quarter units at Santa Clara), however, I am seriously concerned about the practicality of requiring that 10 of these units be in ethics. Santa Clara already requires a 4 quarter-units course in business ethics which I have fulfilled. However, under the new requirements I would be required to take 15 quarter units (10 semester hours) in total, meaning an additional 11 quarter units in ethics. Since I'm already graduating this year, this new law seems unfair.

As a student, I really cannot say for certain when I will be licensed by—much depends on my future employer—therefore, it seems imperative that I earn these ethics units prior to graduation.

I don't know what courses will work and no one can tell me. I have taken two philosophy courses that included a lot of ethical discussion but I don't know if these would count. In addition, as my school is a Jesuit institution we have a requirement of taking 3 religion classes. A discussion of religion often involves a deep understanding of ethical behavior and therefore these 3 classes (each 4 units) would also according to me be "ethics" courses. Further clarification on what satisfies the ethics requirement is needed, especially for seniors like me.

Furthermore, I am almost through with school and I am not sure whether I should take some random ethics classes or will something new be developed and required.

Besides, accounting ethics is included in every accounting class and most business classes. Courses that I have taken which included some

form of ethics education are Forensic Accounting (fraud discussion), Auditing, International Accounting, Commercial law (Business law), Governmental Accounting, Taxation of Individuals, Management of Business and Organizational Behavior, and many other such courses.

I can't afford to pay for another year or so of college just to meet this unknown requirement. Please help create a reasonable solution to this problem.

Sincerely,

Neil Shah
[redacted]

cc: California Society of CPAs

Dominic Franzella

Subject: FW: CPA Unit Requirement Concern

----- Forwarded Message -----
From: Alyssa Vahratian <[redacted]>
To: sally anderson <[redacted]>
Cc: [redacted]
Sent: Thu, 17 Mar 2011 09:17:52 -0700 (PDT)
Subject: CPA Unit Requirement Concern

March 17, 2011

Sally Anderson, CPA

President

California Board of Accountancy

2000 Evergreen Street, Suite 250

Sacramento CA 95815-3832

Dear Ms. Anderson:

I am a junior at Santa Clara University majoring in Accounting Information Systems.

My career goal is to become a certified public accountant but I am concerned about the new requirements for licensure. I have no concerns about achieving 150 semester hours of education, however, I am seriously concerned about the practicality of requiring that 10 of these units be in ethics.

As a student, I really cannot say for certain when I will be licensed by—much depends on my future employer—therefore, it seems imperative that I earn these ethics units prior to graduation. However,

I don't know what courses will work and no one can tell me.

Besides, accounting ethics is included in every accounting class and most business classes*. *Courses that I have taken which included some form of ethics education are Introduction to Financial Accounting, Introduction to Marketing Strategies, Business Statistics, and Business Systems Analysis.

I can't afford to pay for another year or so of college just to meet this unknown requirement. Please help create a reasonable solution to this problem.

Best Regards,

Alyssa Vahratian

[redacted]

Avahratian@scu.edu

cc: California Society of CPAs

March 17, 2011

Sally Anderson, CPA
President
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento CA 95815-3832

Dear Ms. Anderson:

I am a junior at Menlo College majoring in Accounting.

My career goal is to become a certified public accountant. However, I am concerned about the new requirements for licensure. I have no concerns about achieving 150 semester hours of education, however, I am seriously concerned about the practicality of requiring that 10 of these units be in ethics.

As a student, I really cannot say for certain when I will be licensed by—much depends on my future employer—therefore, it seems imperative that I earn these ethics units prior to graduation. However, I am almost through with school and I am not sure whether I should take some random ethics classes or will something new be developed and required? It is truly frustrating to try and plan out my future when no one can tell me what the requirements are to be a Certified Public Accountant. I'm not sure if I should stay in college an extra year or start working and take night classes, which will take longer for me to get my license. After talking to many CPAs, I've learned that it is much harder to get the CPA once work starts. I want to avoid delaying it and get certified as soon as possible. I can only do that once the California Board of Accountancy makes their decision.

Besides, accounting ethics is included in every accounting class and most business classes. Courses that I have taken which included some form of ethics education are Business Management Practice, Macroeconomics, Microeconomics, Intro to Social Science, Marketing Management, Diversity in the Workplace, Organizational Theory & Development, Principles of Accounting 1, Principles of Accounting 2, Intermediate Accounting 1, Business Communications, System & Software of Accounting, & Business Ethics. All these classes have focused on different situations on ethical dilemmas that give students a broader and meaningful understanding of ethics.

I can't afford to pay for another year or so of college just to meet this unknown requirement. Please help create a reasonable solution to this problem.

Sincerely Yours,

Sidra Iqbal
[redacted]

cc: California Society of CPAs

March 18, 2011

Sally Anderson
President, California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

Dear Ms Anderson:

I am currently in my final year of the Master's of Accountancy program at Golden Gate University. It is my ambition to become a CPA and begin a career as an auditor. The profession is exciting and complex, and I have found the principles behind it to be truly fascinating. I am writing to the Board of Accountancy to express my concern about a pending change to the Board's education requirements for CPA licensure. The new rules that are slated to take effect in January of 2014 propose an increase in the number of credit hours to 150 credits and the possible requirement that students take a certain number of credits in ethics. This will affect the plans of students such as myself, who are navigating the confusing path that will eventually end in licensure. The lack of clarity to the Board's plans, however, means that many of us are uncertain of how to prepare for the pending changes.

I am primarily concerned with the possibility of a new requirement of 10 units in ethics. Since I am almost finished with my program, I would be forced to modify my future course schedules to comply with such a change in the CPA licensing requirements. Although I understand the Board's reasoning in valuing ethics, I do not believe that this requirement would prove to be practical. Business ethics are important in the profession, and every single accounting course I have taken has emphasized the central role of ethics in the proper functioning of the business world and capital markets.

Accounting students receive a strong education in ethics through the constant reinforcement of basic ethical principles, even though there is not a credit count associated with this knowledge. My introductory accounting course involved many discussions based upon newspaper clippings detailing actual accounting scandals from the viewpoint of perpetrators and victims. Every class I have taken since then has discussed the ethical implications of newly introduced concepts and enumerated the ways that accountants with professional ethics protect the many users of financial information. A few of the many examples include my accounting research course, which focused on the way that accountants find and interpret regulations; my audit course which explored the tension that frequently exists between management's drive to exceed profit estimates and the profession's conservatism; and my business law course which discussed the many types of negligence or fraud in which an accountant could become involved.

The burden that is being placed upon students who are graduating during the transition is greatly increased by the uncertainty surrounding the new rules. It is important for us to have time to prepare for any changes that the Board recommends, so that we do not find ourselves scrambling for a last-minute solution or taking expensive and possibly unnecessary additional courses. I truly appreciate your attention to this problem.

Sincerely,

Brandon Cohen
M.A. Accountancy
Golden Gate University
Expected graduation: Winter 2011

cc: California Society of CPAs

RECEIVED
11 MAR 23 PM 1:32
CALIFORNIA BOARD
OF ACCOUNTANCY

Samaporn Khaophuan
P.O. Box 924
Stinson Beach, CA 94970
(415) 868-9006

3/20/2011

Sally Anderson, CPA
President
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento CA 95815-3832

Dear Ms. Anderson:

I am a junior at Dominican University of California majoring in Business Administration with a concentration in Accounting.

My career goal is to become a certified public accountant because I know that as a CPA I will have a large selection of careers open to me and an excellent chance of achieving financial independence. However, I am concerned about the new requirements for licensure. I have no concerns about achieving 150 semester hours of education, however, I am seriously concerned about the practicality of requiring that 10 of these units be in ethics.

As a student, I really cannot say for certain on which date I will be licensed —much depends on my future employer—therefore, it seems imperative that I earn these ethics units prior to graduation. However, I am almost through with school, and I am not sure whether I should take some random ethics classes now or will there be some new courses developed and required.

Besides, accounting ethics is included in every accounting class and most business classes. Courses that I have taken which included some form of ethics education are Philosophy 111, Auditing, Taxation, Cross-cultural Communications, and Organizational Behavior, a total of 15 units.

I can't afford to pay for another year or so of college just to meet this unknown and as yet to be specified requirement. Please help create a reasonable solution to this problem.

Sincerely Yours,

Samaporn Khaophuan
P.O. Box 924
Stinson Beach, CA 94970
(415) 868-9006
samadream2000@yahoo.com

cc: California Society of CPAs

Tuesday, March 29, 2011

Sally Anderson, CPA
President
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento CA 95815-3832

Dear Ms. Anderson:

I am a senior at the California State University, Fullerton majoring in accounting, and my career goal is to become a certified public accountant within the next three years. For the last two years, I have been working for a local CPA firm, and I can't wait to finish my degree, so I can be eligible to sit for the CPA exam. However, I am concerned about the new requirements for licensure. I have no concerns about achieving 150 semester hours of education, however, I am seriously concerned about the practicality of requiring **that 10 of these units be in ethics**.

As a student, I really cannot say for certain when I will be licensed by—much depends on my future employer—therefore, it seems imperative that I earn these ethics units prior to graduation. **However, I don't know what courses will work and no one can tell me**. Besides, accounting ethics is included in every accounting class and most business classes in our school especially since our university holds a dual AACSB accreditation for both business and accounting. Courses that I have taken so far which included some form of ethics education are:

1) Financial and Managerial Accounting
2) Cost Accounting
3) Accounting Information Systems
4) Business Writing
5) Principles of Microeconomics and Macroeconomics
6) Business & Its Legal Environment
7) Advanced Business Communication with an accounting emphasis
8) Business Finance
9) Principles of Marketing

Within the next two years, I will be also taking the following courses (please see below), and I know that these courses will also include some form of ethics education from what the professors who are currently teaching these courses have already told me.

10) Seminar in Strategic Management
11) Intermediate Accounting I & II
12) Concepts of Federal Income Tax Accounting
13) Auditing
14) Internal Audit and Control
15) Accounting for Governmental & Nonprofit Entities
16) Advanced Accounting
17) Fraud Detection
18) Seminar in Financial Statement Analysis

I can't afford to pay for an additional year or so of college just to meet this unknown requirement especially since I have already postponed my graduation in order to meet the 150 unit requirement in the first place. Please help create a reasonable solution to this problem.

Sincerely Yours

Stylianos (Steve) Tsolakis
President, CSUF Council of Honor Societies, 2010-11
President, CSUF Business Peer Mentoring Institute, 2010-11
Executive Vice President, CSUF BGS Business Honor Society, 2010-11
[redacted]

cc: California Society of CPAs

How Are You Managing?℠

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RECEIVED
2011 MAR 28 PM 12:42
CALIFORNIA BOARD OF ACCOUNTANCY

March 22, 2011

Sally Anderson, CPA
President
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento CA 95815-3832

Dear Ms. Anderson:

I am a practicing CPA and Office Managing Partner of a large regional accounting firm in California and am concerned about the new requirements for licensure. I have no concerns about students achieving 150 semester hours (units) of education. However, I am seriously concerned about the practicality of requiring that 10 of these units be in ethics.

It appears that no California college or university currently offers 10 units of ethics, and as an employer who actively recruits entry level candidates from our local universities, we don't know whether to continue recruiting on the local university campuses because we don't know if their education will qualify.

It is very important for us to hire new candidates each year to ensure that we have employees to work and train for the future. We require all of our managers to be fully licensed CPAs and we do not recruit candidates who have not met the education requirements to qualify them to sit for the CPA exam. If there are no college candidates who are qualified, we will be forced to consider hiring only experienced accountants which will make it more difficult for new college graduates to be hired.

We believe accounting ethics should be explicitly included in every accounting class and most business classes. Don't make student pay for another year or so of college just to meet this unknown requirement. Please help create a reasonable solution to this problem.

Sincerely,

Wade McKnight, CPA
Office Managing Partner - San Diego

cc: California Society of CPAs

New Ethics Course Requirement for CPA Licensure

Attachment #3

New Ethics Course Requirement for CPA Licensure

This survey seeks your input concerning new ethics course requirements for CPA licensure in California.

We greatly appreciate your input which will be used in finalizing the requirements of SB 819.

Ramona Farrell, Managing Partner, Ueltzen & Company, LLP

Charles Davis, Professor of Accountancy, California State University, Sacramento

Suzanne Ogilby, Professor of Accountancy, California State University, Sacramento

---

New Ethics Course Requirement for CPA Licensure

Page 1 - Question 1 - Choice - One Answer (Bullets) [Mandatory]

Check the category that applies to your institution.

- ❍ California State University
- ❍ Junior College
- ❍ Private
- ❍ University of California
- ❍ Other, please specify

Page 1 - Question 2 - Open Ended - One Line [Mandatory]

What is the name of your institution?

Page 1 - Question 3 - Choice - One Answer (Bullets) [Mandatory]

In what California region is your institution?

- ❍ Northern California
- ❍ Central California
- ❍ Southern California

Page 2 - Question 4 - Open Ended - One Line [Mandatory]

What is your current position/title?

Page 2 - Question 5 - Open Ended - One Line [Mandatory]

On average, how many accounting majors do you have enrolled at any time?

Page 2 - Question 6 - Choice - One Answer (Bullets) [Mandatory]

Are there courses currently available to meet the 10 units of ethics study requirement?

- ❍ Yes
- ❍ No

Page 2 - Question 7 - Choice - One Answer (Bullets) [Mandatory]

How many units of Business/Accounting Ethics courses are currently offered?

- ❍ 0 [Skip to 4]
- ❍ 3
- ❍ 6
- ❍ 9
- ❍ 10

Page 3 - Question 8 - Open Ended - Comments Box [Mandatory]

What is the title of the Business/Accounting Ethics course(s)?

Page 3 - Question 9 - Open Ended - One or More Lines with Prompt

Is Business Ethics an elective?

- Number of elective units
- Not applicable (mark with X)

Page 3 - Question 10 - Open Ended - One or More Lines with Prompt

Is Business Ethics a required course?

- Number of required units
- Not applicable (mark with X)

Page 3 - Question 11 - Open Ended - One or More Lines with Prompt [Mandatory]

Is Business Ethics offered as a lower division or upper division course? Please indicate the number of units which are lower division and upper division. Enter 0 if that is the appropriate response.

- Lower division
- Upper division

Page 3 - Question 12 - Choice - One Answer (Bullets) [Mandatory]

How often is Business Ethics offered?

- ❍ Every semester/quarter
- ❍ Once per academic year
- ❍ Less frequently than once per academic year
- ❍ Other

Page 4 - Question 13 - Rating Scale - Matrix [Mandatory]

To what degree do you favor having integrated ethics course coverage or stand-alone ethics course coverage throughout the business and accounting curriculum?

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Integrated coverage	❍	❍	❍	❍	❍
Stand-alone coverage	❍	❍	❍	❍	❍

Page 4 - Question 14 - Rating Scale - Matrix [Mandatory]

To what degree do you favor ethics coverage in a business or accounting context, or in general education courses?

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Business or accounting context	❍	❍	❍	❍	❍
General ethics	❍	❍	❍	❍	❍

Page 5 - Question 15 - Rating Scale - One Answer (Horizontal) [Mandatory]

How difficult would it be for your business school to develop a program to include 10 units of Business Ethics courses?

Very Difficult	Difficult	Moderately Difficult	Somewhat Difficult	Not Difficult
❍	❍	❍	❍	❍

Page 5 - Question 16 - Rating Scale - Matrix [Mandatory]

Rank the significance of barriers to implementing 10 units of Business Ethics for your school.

	Very Significant	Significant	Moderate	Somewhat Significant	Not a Barrier
Budget	❍	❍	❍	❍	❍
Staffing	❍	❍	❍	❍	❍
Curriculum	❍	❍	❍	❍	❍
Accreditation	❍	❍	❍	❍	❍
Unit Cap Requirements	❍	❍	❍	❍	❍

Page 6 - Question 17 - Choice - One Answer (Bullets) [Mandatory]

Will your program be able to make the necessary changes to comply with a new 10 unit ethics requirement, in time to meet the January 1, 2014 deadline?

- ❍ Yes
- ❍ No

Page 6 - Question 18 - Rating Scale - One Answer (Horizontal) [Mandatory]

Indicate your response to this statement: Ten (10) units of Business Ethics will ensure that CPA candidates will be prepared to handle ethical dilemmas.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
❍	❍	❍	❍	❍

Page 6 - Question 19 - Choice - One Answer (Bullets) [Mandatory]

To achieve the effective benefit of the Business Ethics requirement, how many units would be appropriate?

- ❍ 3
- ❍ 6
- ❍ 9
- ❍ 10
- ❍ more than 10

Page 7 - Question 20 - Rating Scale - One Answer (Horizontal) [Mandatory]

Indicate your response to this statement: The benefit of 10 units of Business Ethics outweighs the cost.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
❍	❍	❍	❍	❍

Page 7 - Question 21 - Rating Scale - One Answer (Horizontal) [Mandatory]

Indicate your response to this statement: Business Ethics courses for accountancy majors should be approved by the California State Board of Accountancy for compliance with the new 10 unit ethics requirement.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
❍	❍	❍	❍	❍

Page 7 - Question 22 - Rating Scale - Matrix [Mandatory]

How difficult would it be for your business school to design a program with the following units of Business Ethics?

	Very Difficult	Difficult	Moderately Difficult	Somewhat Difficult	Already Exists
3	❍	❍	❍	❍	❍
6	❍	❍	❍	❍	❍
9	❍	❍	❍	❍	❍
10	❍	❍	❍	❍	❍

Page 8 - Question 23 - Choice - One Answer (Bullets) [Mandatory]

How much exposure to Ethics, in terms of equivalent units of coverage, are accounting students able to obtain in the general education requirements for their degree?

- ❍ 0
- ❍ 1-3
- ❍ 4-6
- ❍ 7-10

Page 8 - Question 24 - Open Ended - Comments Box

Please provide any additional comments you have concerning the 10 unit ethics requirement.

Thank You Page

We thank you for taking the time to complete this survey. Your input is very valuable to this study.

Ramona Farrell
Charles Davis
Suzanne Ogilby

Attachment #4

Executive Summary - Survey Findings
New Ethics Course Requirement for CPA Licensure

An Ethics Curriculum Committee of the California Board of Accounting has been formed to study the impact of a 10-unit ethics education requirement for new CPA's to become effective for licensure beginning January 1, 2014 (Senate Bill 819).

Providing a voice for the educators in California institutions, a major stakeholder, a survey of California institutions that include the UC system, CSU system, private schools, and community colleges was conducted, to determine:

1. The availability of ethics courses currently;
2. The content of existing ethics courses;
3. The ability and feasibility of providing 10 units of ethics courses by 2014; and
4. An assessment of the benefits of providing 10 units of ethics courses by 2014.

Executive Summary

The survey data (31 Respondents) reveals:

1. The proposed 10 unit ethics requirement will be difficult to comply with;
2. It is questionable whether the 10-unit requirement would ensure that CPAs will be able to cope with ethical dilemmas;
3. There are many barriers and only a nominal cost benefit to schools to warrant implementing a 10-unit requirement;
4. Many existing business and accounting courses already address ethical issues in a manner more effectively than discussions of ethics in the abstract; and
5. If specific ethics units are required, then a more reasonable number of ethics units to require is 3 units, which could be offered in a combination of integrated coverage and/or a stand-alone course.

Specific Findings

<u>Ethics courses currently offered</u>

Most schools are far from being able to meet the 10-unit requirement at the current date.

- Ninety percent (90%) of respondents do not currently have the necessary courses available to meet the proposed 10-unit requirement.

Ability to comply with the 10-unit requirement and projected effectiveness

There are many barriers and only a nominal cost benefit to schools to warrant implementing a 10-unit requirement.

- More than 60% of the respondents identified the budget, curriculum, and unit cap requirements as significant barriers.

- 59% of respondents were neutral or in disagreement with the notion that the 10-unit requirement would ensure that CPAs will be able to cope with ethical dilemmas.

Number of ethics units to be required

If specific ethics units are required, then a more reasonable number of ethics units to require is 3.

- 55% of respondents indicated that they currently offer zero (0) units of Business/Accounting Ethics courses.

- 35% of respondents currently offer 3 units of Business/Accounting Ethics.

How ethics should be covered

The agreement with the coverage options is not mutually exclusive from each other. These findings suggest that a change in required ethics coverage is more acceptable to the academic community if ethics is included as part of existing courses (integrated coverage) or a combination of integrated coverage and stand-alone courses and in a business or accounting context.

- 74% of respondents strongly agreed or agreed that ethics coverage should be integrated throughout the business and accounting curriculum (61% strongly agree).

- 62% of respondents strongly agreed or agreed that ethics coverage should be on a stand-alone basis (39% strongly agree).

- 88% of respondents strongly agreed or agreed that ethics should be covered in a business or accounting context (68% strongly agree).

Additional Comments

Respondents provided the following additional comments.

- "I believe that the proposed 10-unit ethics requirement will impose costs on many programs and do little to affect the ethics of California's practicing accountants."
- "Ten additional units will not fit into the 120 unit degree. The CSU System will not permit us to raise the units to 130."
- "For schools such as ours there are no additional units available if a student wishes to graduate in four years." ..."Anything that would require a student to remain beyond four years would be a significant financial hardship."

Dr. Charles Davis, California State University, Sacramento
Dr. Suzanne Ogilby, Senior Associate Dean, California State University, Sacramento
Ramona Farrell, Managing Partner, Ueltzen & Company, LLP
March, 2011

State of California
Department of Consumer Affairs

Attachment 3

California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

M e m o r a n d u m

ECC Agenda Item IV.
April 6, 2011

To : ECC Members

Date : March 28, 2011

Telephone : (916) 561-1700
Facsimile : (916) 263-3675

From : Gary McBride, ECC Member
Robert Yetman, ECC Member

Subject : Report of the Subcommittee's February 22, 2011 Meeting and Proposal for the 10 Units of Ethics Study Required for CPA Licensure Beginning January 1, 2014

At the January 2011 meeting, the California Board of Accountancy's (CBA) Ethics Curriculum Committee (ECC) continued deliberations on establishing a framework for the 10 units of ethics study that will be required for certified public accountant licensure (CPA) beginning January 1, 2014. The ECC held extensive discussions regarding the impact of recommending less than 10 units of ethics study, the flexibility in allowing courses outside the accounting department, embedded ethics courses, and identifying ethics study courses on college transcripts.

As a result of these discussions and testimony from various stakeholders, a two-member subcommittee (comprised of the authors of this memorandum) was formed to work with staff to draft a framework for the ethics study guidelines and present a proposal at the next ECC meeting. The chair requested that those ECC members that wished to provide the subcommittee with ideas, comments, or framework on the ethics study guidelines should provide them directly to staff.

On February 22, 2011, the subcommittee met with Deanne Pearce, Licensing Division Chief, Dominic Franzella, Licensing Manager, and Cindi Fuller, Licensing Coordinator. For the subcommittee meeting, staff provided comments and suggestions provided by ECC members for the 10 units of ethics study.

Prior to identifying the actual recommendations that comprise the ethics study proposal, the subcommittee would like to provide some background information on the initial discussions the subcommittee and staff had that framed subsequent discussions for developing the proposal. Specifically, the subcommittee and staff discussed the following:

- Intent of legislation as communicated in Senate Bill (SB) 819
- Reliance on transcripts to verify educational requirements
- Embedded ethics content
- Applying the same units to meet multiple educational requirements

Intent of Legislation as Communicated in SB 819

The subcommittee and staff reviewed the definition of the ethics study guidelines provided for in SB 819. The subcommittee believes the legislative language included in SB 819 allows the ECC considerable flexibility in developing the ethics study guidelines. This belief is underpinned by comments received from the Center for Public Interest Law (one of the primary stakeholders in the development of the final bill language) in its letter to the CBA's Executive Officer dated December 15, 2010, in which CPIL stated, "The law provides for terrific flexibility to the [ECC] as to how to calculate the ten units…".

The subcommittee believes that the Legislature wanted to increase students' exposure to ethics and ethics-related topics, for example, professional values and skepticism, independence, objectivity, and integrity. The law even goes as far as stating that the ethics study guidelines includes "other behavior that is in the best interest of the investing and consuming public and the profession." This appears to allow the ECC tremendous flexibility in identifying possible courses and subjects that could potentially fall within a proposal for the 10 units of ethics study guidelines.

What SB 819 does not do, at least from the subcommittee's perspective, is require, or in any way mandate, that 10 units be comprised of stand-alone courses solely devoted to the topic of ethics or accounting ethics.

Reliance on Transcripts to Verify Educational Requirements

The subcommittee requested that staff provide a brief overview of how the CBA determines applicants have met the educational requirements. Staff informed the subcommittee that the CBA relies on certified college transcripts as the sole documentation to assess applicants' educational qualifications. Upon review of the transcripts, staff stated that it looked for accounting- and business-related course titles and courses with certain designators such as ACC or ACCY. As a result of this information, the subcommittee understood that staff must be able to maintain the present transcript review process when identifying courses to meet the 10 units of ethics study.

Embedded Ethics Content

Early discussions held at both the September 2010 and January 2011 ECC meetings had a heavy focus on embedded ethics content included in existing accounting courses. The need for embedded ethics was further testified to by various college/university faculty members at the January 2011 meeting.

At first blush, the idea of embedded ethics content seems very appealing. SB 819 specifically permits for this by allowing for portions of courses to qualify toward the ethics study requirement. Further, as noted by ECC members, and as previously noted by testifying faculty members at the January 2011 meeting, ethics content is woven throughout most accounting courses.

However, as the subcommittee explored this topic further, members grew increasingly concerned regarding embedded ethics content being applied to the new ethics study requirement. Three primary issues the subcommittee identified were: (1) properly identifying embedded ethics content, (2) documenting embedded ethics content, and (3) taking from one educational requirement to apply to another educational requirement, thus leaving an applicant short in total.

Properly identifying embedded ethics content proves difficult when one considers that the same course may (and over time, most likely will) be taught by various instructors. Instructors teaching methods, including points of emphasis, change from instructor to instructor; moreover, the materials used during the course often change from instructor to instructor. This divergence is likely further compounded from institution to institution. Thus, an arbitrary quantification of embedded ethics content based solely on the course title does not seem a prudent method for calculating and applying ethics units.

A natural progression of this idea then would be for applicants to possibly substantiate the ethics content by supplying supplemental documentation demonstrating ethics treatment during the course. Aside from the official certified transcript supplied by the college/university, institutions, because of legal liability, are often reluctant to certify anything further – this would include course descriptions provided for in a catalog. Given this limitation, the subcommittee is uncomfortable with attempting to develop a method for calculating embedded ethics content, which the CBA would somehow then need to apply, without some form of certification from a college/university.

As the subcommittee had additional time to reflect on the topic of embedded ethics, another potential pitfall presented itself – namely, the issue of taking from one educational requirement to apply to another educational requirement, thus leaving an applicant short in total. For example, if the subcommittee recommended that all accounting courses that dealt with taxation received one semester unit of ethics, then a three semester unit course could be divided up among the four educational requirements (1) 24 semester units of accounting subjects, (2) 24 semester units of business-related subjects, (3) the new 10 units of ethics study, and (4) the new 20 semester units of accounting study.

Applying this scenario, a real possibility exists that at the time the CBA reviewed an applicant's transcripts who applied for the Uniform CPA Examination (which only requires completion of a baccalaureate degree and 24 semester units of accounting subjects and 24 semester units of business-related subjects), a taxation course would be counted toward the 24/24 requirement. When the CBA reviews the transcript under the new licensure requirements, one-semester unit of the course could now be applied to the 10 units of ethics study, which could potentially leave the applicant short in the 24/24 requirement required for licensure. In the subcommittee's opinion, this potential benefit does not outweigh the potential problem, with one narrow exception for an auditing class which is discussed as part of the attached proposal.

Applying the Same Units to Meet Multiple Educational Requirements

As staff informed the ECC at its inaugural meeting in September 2010, one of the CBA's directives to both the ECC and Accounting Education Committee was that the newly-required units were to be separate from the existing education requirements. Therefore, the subcommittee recommends the guidelines clarify the 10 units of ethics study be completed in addition to the 24 semester units of accounting subjects, 24 semester units of business-related subjects, and the new 20 units of accounting study.

Taking all of the above issues into account, attached is the subcommittee's proposal for the 10 units of ethics study required for CPA licensure beginning January 1, 2014. As noted in the conclusion of the proposal, the subcommittee understands that this initial proposal offers a starting point from which the full ECC can further expand and refine.

The subcommittee, and staff that participated in the discussion, will be available at the meeting to answer questions.

Attachment

CALIFORNIA BOARD OF ACCOUNTANCY

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ECC Agenda Item IV.
April 6, 2011

SUBCOMMITTEE PROPOSAL FOR THE 10 UNITS OF ETHICS STUDY REQUIRED FOR CPA LICENSURE BEGINNING JANUARY 1, 2014

The four areas addressed in the cover memorandum provided the foundation for the proposal that follows. Additionally, throughout the deliberative process, two key components continued to permeate discussions: (1) flexibility to applicants and colleges/universities and (2) feasibility of implementation for the CBA (including staff) for drafting the new requirements and providing succinct and accurate information to applicants.

With this in mind, the subcommittee hereby recommends that the ethics study guidelines for the 10 semester units of ethics study include:

- **Three semester units or four quarter units in an upper division course or courses solely devoted to accounting ethics, accounting fraud, or accountants' professional responsibilities.**

- **No more than seven semester units in a combination of either Un-Capped or Capped courses.**

- **No more than one semester unit be applied to the 10 semester unit ethics requirement for courses devoted solely to financial statement auditing.**

In the following sections, the subcommittee will provide rationale for each portion of the above proposal.

<u>Three Semester Units or Four Quarter Units in an Upper Division Course or Courses Solely Devoted to Accounting Ethics, Accounting Fraud, or Accountants' Professional Responsibilities</u>

SB 819 requires that the recommendation on the ethics study guidelines offered by the ECC take into consideration the International Education Standards-4 (IES-4) of the International Accountants Education Standards Board, the International Federation of Accountants Code of Ethics, and the American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct.

The subcommittee believes that a required course in accounting ethics, accounting fraud, or accountants' professional responsibilities assures that students understand ethical issues confronted by accountants.

With requiring units in an area solely devoted to accounting ethics and/or accountants' professional responsibilities, the subcommittee needed to overcome two potential hurdles. First, a real possibility exists that many colleges/universities do not presently offer a course or courses solely allotted to these topics. With this in mind, the subcommittee recommends that this requirement be phased in, and that applicants will not need to satisfy this specific requirement until January 1, 2016. This should allow colleges/universities sufficient time to develop a coursework for their respective institutions. During this interim period, applicants will be allowed to fulfill the needed 10 semester unit ethics requirement within the areas identified in the following two recommendations.

Second, the subcommittee quickly recognized that requiring a specific area of study that all potential applicants must complete raised an issue of semester versus quarter units that would need to be addressed. As members will notice, the recommendation distinguishes between semester and quarter units. The subcommittee believes this must occur to eliminate the potential impact on quarter unit applicants if only three semester units were accepted.

For example, at the University of California Davis (UC Davis), students are limited to enrolling in 16 units per quarter (four, four-unit courses). For applicants from a quarter-system college/university to receive credit for three semester units in accounting ethics or accountants' professional responsibilities, they would need to complete five quarter units (each quarter unit is equal to 2/3 of a semester unit).

If applicants took a five-unit course in a single quarter, they would only be able to enroll in two other four-unit courses, without going over the 16 quarter unit maximum. Based on this scenario, for this quarter, applicants would only complete 13 quarter units, thus necessitating applicants to enroll in at least one additional quarter to make up for not enrolling in the maximum number of allowable quarter units.

To offset this potential impact, for the accounting ethics, accounting fraud, or accountants' professional responsibilities coursework requirement, the subcommittee recommends a distinction be made between semester and quarter units. This distinction would only exist specific to this recommendation. For the remaining areas of the ethics study recommendation, the unit totals will be expressed as semester units.

No More Than Seven Semester Units in a Combination of Either Un-Capped or Capped Courses

In working out how best to allocate the remaining units (seven units for semester applicants and roughly eleven units for quarter applicants), the subcommittee focused on two key factors:

1. Flexibility – both to the students and the colleges/universities, as well as the flexibility allowed for by SB 819

2. How will the CBA identify the courses

For the courses where no unit limitation will be established (Un-Capped courses), the subcommittee identified specific courses closely aligned with the ethics study guidelines, and courses for which there was a high degree of certainty the course title would be clearly identifiable via applicants' transcripts. For courses where a unit limitation will be established (Capped courses), the subcommittee identified departments or subject areas that had a close nexus to SB 819's definition for the ethics study guidelines. The reason for establishing a cap is because it may be that not all of the courses in the departments or subject areas always possess as close a nexus with the ethics study guidelines, coupled with the fact that it may be difficult for staff to identify specific ethics-related course titles.

In identifying the courses that would make up the Un-Capped semester units, the subcommittee considered those courses that would increase applicants' knowledge, skills, and abilities, specifically related to accountants' ethical responsibilities in public practice – namely, decision making, social and ethical responsibilities, and professional and ethical reasoning. As such, the subcommittee recommends that applicants receive a maximum of seven-semester units toward the 10 semester unit ethics study requirement in the following courses:[1]

- Business Law
- Ethics, Morals, or Fraud
- Human Resources Management
- Business, Government & Society
- Professional Responsibilities (non-accounting)
- Corporate Governance
- Organizational Behavior
- Management of Organizations
- Business Leadership

With the exception of courses in the Ethics, Morals, or Fraud and Professional Responsibilities (non-accounting), the majority of these courses will be available in Business Departments/Schools at most colleges/universities. In order to provide increased flexibility, for courses outside the Business Departments/Schools, especially

[1] In **Attachment #1**, staff have provided sample catalog descriptions for the courses listed in this section.

for applicants who earned a non-business or non-accounting baccalaureate degree, the subcommittee believes consideration must be given to departments and subject areas that also will increase applicants' understanding regarding their ethical responsibilities in public practice.

Unlike the Un-Capped courses outlined previously, the subcommittee has elected not to identify specific courses for Capped courses. In selecting the below list of departments and subject areas, the subcommittee reflected on the basic principles these academic disciplines examine. For example, Sociology is the science or study of the origin, development, organization, and functioning of human society, as well as the science of the fundamental laws of social relations. Given that CPAs do not practice in a vacuum, a general understanding of human nature and motivations is crucial to provide the CPA with a framework for ethical reasoning.

With the understanding that several non-business and non-accounting departments and subject areas offer valuable classes that meet the broad ethics study guidelines outlined in SB 819, as part of the maximum seven semester units allowed under this section, the subcommittee recommends that courses completed in the below departments or subject areas be applied. In order to prevent overuse of the courses in a single discipline, and to encourage business-related ethics study, the subcommittee recommends that no more than three semester units be applied from one of the listed disciplines.

- Philosophy
- Sociology
- Cultural, Ethnic, or Diversity Studies[2]
- Religion
- Psychology

In offering the limitation to the Capped courses part of the recommendation, as noted earlier, the subcommittee recognizes that not all courses within these departments or subject areas have as close a nexus to ethics study as the courses identified in the Un-Capped courses listed previously. Given that only three-semester units from one department or subject area would be applied, the subcommittee believes in many instances this will be a lower division, introductory course that lays the foundation for the general objective, goals, and principles these departments and subject areas seek to instill in students.

The subcommittee considered other departments and subject areas, specifically, law and political science. The subcommittee believed these departments may not possess the same direct nexus to the ethics study guidelines definition outlined in SB 819. The committee may wish to further deliberate if these departments should be added to the list of Capped courses.

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[2] In **Attachment #2**, staff have provided course catalog descriptions for the department/subject areas listed in this section.

No More Than One Semester Unit be Applied to the 10 Semester Unit Ethics Requirement For Courses Devoted Solely to Financial Statement Auditing

As noted earlier, because of difficulties identifying an accurate quantity for embedded ethics and on the CBA and applicants in validating embedded ethics content, the subcommittee shied away from recommending applying semester units for embedded ethics content. The subcommittee, however, believes that a narrow exception to this option exists.

Accounting courses with content solely devoted to financial statement auditing present an avenue that allows applicants to receive some credit toward the ethics study requirement. The subcommittee recognized that a course focused on auditing would require applicants to receive exposure to the principles of objectivity, independence, and integrity. These principles provide the foundation for the AICPA's Code of Professional Conduct (specifically referenced in SB 819), which CPAs, at a minimum, must adhere to during the practice of public accounting.

Making this recommendation also achieves the increased flexibility that is needed to enact the new ethics study requirement. Similar to the rationale used in creating flexibility for quarter unit applicants by allowing a four quarter unit ethics course to meet the required accounting ethics, accounting fraud, or accountants' professional responsibilities requirement, allowing applicants to receive one semester unit from financial statement auditing courses creates increased flexibility for applicants earning education at semester unit colleges/universities.

For example, since most semester-unit courses are three units, applicants from a semester unit college/university will be one semester unit short after taking three, three semester unit courses. Provided the applicant took a course solely devoted to financial statement auditing, one semester unit could be applied to the ethics study requirement, with the remaining two semester units being applied to any one of three categories: (1) 24 semester units of accounting subjects, (2) 24 semester units of business-related subjects, or (3) the new 20 semester units of accounting study also created as part of SB 819.

The subcommittee understands that the above proposal offers a starting point for further discussion regarding defining the 10 units of ethics study. The subcommittee values input from other ECC members that would further refine and clarify the proposed recommendations. Additionally, for reference purposes, the subcommittee requested that staff make a preliminary draft of the recommendations in regulation format. Staff have provided draft language for **Attachment #3**.

Attachment #1

CATALOG DESCRIPTIONS
FOR
UN-CAPPED COURSES

Business Law

CSU San Bernardino

- Business Law
  An introduction to statutory and common law developments impacting commercial transactions. Emphasizes principles of contract law and sale of goods under the Uniform Commercial Code. Additional topics include business organizations, commercial paper and secured transactions. (4 units)

UC Berkeley

- Business Law: Managers and the Legal Environment
  A manager must understand the legal environments which impact business and understand how to work effectively with lawyers. This course addresses the legal aspects of business relationships and business agreements. Topics covered include forms of business organization, duties of officers and directors, intellectual property, antitrust, contracts, employment relationships, criminal law, and debtor-creditor relationships including bankruptcy.

CSU East Bay

- Business Law for Accountants
  A study of some of the areas of business law tested on the CPA exam. An in-depth study of contract law under the common law, and the regulation of the sales of goods and negotiable instruments under the Uniform Commercial Code. Also covers the professional liability of accountants.

Corporate Governance

UC Davis

- The Law of Corporate Governance Seminar
  Advanced issues in the governance of publicly held corporations. Separation of ownership and control and how the law has addressed this issue at the theoretical level and in the context of topics such as the duties of corporate directors, shareholder voting rights, and competition among states to attract corporate charters.

- Corporate Governance
  restricted to full-time MBA students or consent of instructor. Discusses how corporations can better operate in the interests of shareholders and public. Directly relevant to managers, consultants in compensation and incentives, staff working on

mergers and acquisitions, corporate regulators, shareholder rights activists, and board members

Ethics, Morals, Fraud

CSU San Bernardino

- Accounting Law, Ethics, and Institutions
  Advanced accounting law topics, ethical standards, and institutions for professional accountants. Emphasis on legal problems encountered in the public accounting profession, including an examination of the ethical standards and the political and regulatory institutions that affect the practice of public accounting.

UC Berkeley

- The Social, Political, and Ethical Environment of Business
  Study and analysis of American business in a changing social and political environment. Interaction between business and other institutions. Role of business in the development of social values, goals, and national priorities. The expanding role of the corporation in dealing with social problems and issues.

- Moral Reasoning and Human Action: The Quest for Judgment
  This is an interdisciplinary survey course that seeks to understand how we define justice, evil, and individual responsibility in modern society. In particular we are going to probe carefully how humans reflect on and practice the process of moral reasoning. We will focus on human behavior in extreme situations: war, life and death conflicts, genocide and mass killing, as well as competing conceptions of human freedom. The course has a distinctive dual purpose. On the one hand, we want to encourage the learning of critical thinking skills. This includes the ability to systematically evaluate information and competing moral claims. Also, it is intended as an exposure to the interdisciplinary approach. That is, how can different perspectives illuminate the same issue? With this in mind the course draws on important work from philosophy and ethics, social psychology, jurisprudential analysis, historical-political accounts, and personal memoirs.

San Diego State University

- Ethical Decision Making in Business
  Theoretical concepts and dimensions of ethics in business decisions. Ethics of decision alternatives using different approaches and philosophies, with application of an integrative ethical decision model to cases from various business subdisciplines.

Organizational Behavior

CSU San Bernardino

- Studies in Organizational Behavior
  Review and presentation of selected areas of behavioral science research and its application to management practices. Selected subjects may include: motivation, communication, change and leadership.

UC Berkeley

- The Information Revolution in Business and Society
  A general descriptive and analytical study of organizations from the behavioral science point of view. Problems of motivation, leadership, morale, social structure, groups, communications, hierarchy, and control in complex organizations are addressed. The interaction among technology, environment, and human behavior are considered. Alternate theoretical models are discussed.

San Diego State University

- Management and Organizational Behavior
  Human behavior at individual, interpersonal, and group levels including effect of organization structure on behavior. Emphasis on managerial roles, historical evolution of management, ethics, and behavior in multicultural contexts.

Human Resources Management

CSU San Bernardino

- Human Resources Management
  Policies related to human resources; human resources planning, employee selection and development, performance appraisal, compensation, relationships with unionized employees, collective bargaining.

UC Berkeley

- The designs of systems of rewards, assessment, and manpower development. The interaction of selection, placement, training, personnel evaluation, and career ladders within an on-going organization. Role of the staff manager. Introduction of change. Implications of behavioral research for management problems and policies.

CSU East Bay

- Human Resource Management
  Fundamentals of strategic human resource management from the perspective of human resources professionals and general managers. Focus on how firms use human resource functions, such as recruitment and selection, training and development, performance management, compensation and benefits, to gain a competitive advantage.

Business, Government & Society

CSU San Bernardino

- Business and Society
  Evaluation of American business systems; legal and social factors influencing business; role of business in alleviating society's problems; problems and issues of

current concern regarding women and minorities in management, business and society in a global context.

UC Berkeley

- The Information Revolution in Business and Society
  In the last decade, information technology (IT) has moved from back-office applications aimed at improving productivity to strategic applications that can radically change the dynamics of companies, industries, and economic sectors. This course will explore the technological, economic, and social conditions that have made such “killer apps” possible. Students will learn how to think strategically and entrepreneurially about IT, whether for personal, business, or nonprofit applications.

CSU East Bay

- Business, Government, and Society
  The relationships between business managers and the social, economic, and political environment within which they operate; business ethics, antitrust policy, social responsibility, and consumer protection.

Business Leadership

UC Berkeley

- Ethics and Responsible Business Leadership
  This course provides students with the ability to anticipate, critically analyze, and appropriately respond to the social, ethical, and political challenges that face managers operating in a global economy.

Professional Responsibilities (Non-Accounting)

UC Davis

- Professional Responsibilities of Engineers
  Organization of the engineering profession; introduction to contracts, specifications, business law, patents, and liability; discussion of professional and ethical issues; oral presentations on the interactions between engineering and society.

- Engineering Design and Professional Responsibilities
  Engineering design including professional responsibilities. Emphasis on project selection, data sources, specifications, human factors, biological materials, safety systems, and professionalism.

Management of Organizations

- Staff was unable to locate any courses with the above title.

Attachment #2

CAP COURSE
CATALOG DESCRIPTIONS

Philosophy

- University of Southern California
  The major in philosophy is designed to acquaint students with the fundamental problems that are debated within western philosophical thought, and to introduce them to the concepts and techniques necessary for independent philosophical thinking. It is equally intended to provide a broadening perspective for the various areas of specialization in the natural and social sciences and in literature and the arts.

  In addition to the regular philosophy major, the School of Philosophy offers a major with an emphasis on Ethics, Law, and Value Theory, as well as a Bachelor of Arts in Philosophy, Politics, and Law. Although these majors differ somewhat in their requirements, each is designed (i) to foster an understanding and appreciation of some of the major milestones in the history of Western thought, (ii) to introduce students to leading approaches to ethical, legal, and political problems, and (iii) to acquaint them with one or more broad area of philosophical thought that bears on these issues – including epistemology, metaphysics, philosophy of language, philosophy of action, and philosophy of mind.

- CSU Pomona
  The Major fosters the critical thinking skills involved in careful analysis and reasoning, as well as the synthetic skills involved in attempting to achieve the best broad view possible within a distinct area of inquiry (for example, in the natural sciences or in cognitive science) or in general. Such skills in reasoning and synthesis are crucial in a wide range of professions; in fact, such high level cognitive skills are often precisely what employers value most.

  The Law and Society Option, in addition to providing a solid background in philosophy, includes courses which apply critical thinking skills to moral, social, and political issues in the law, medicine, the environment, and education. The study of moral and political philosophy, especially, equips students with the tools needed to analyze legal or moral concepts and arguments, and to work toward reasonable solutions to societal problems. This Option offers excellent preparation for those planning careers in law, business, urban planning, and human services.

Religion

- University of Southern California
  The course requirements for majors introduce students to the history of the discipline as a whole, as well as making students familiar with a number of key concepts in Religious Studies (such as “comparison” or “experience”). Students are also encouraged to apply their critical skills to current controversies, such as the important role of religions in international relations and global politics. In this way Religion Majors develop a greater understanding of contemporary issues and historical developments through the study of religion.

  Through coursework in the Religion major students develop the ability to engage in analysis of religious phenomena using appropriate interpretive approaches. Students learn to formulate a research question relevant to their area of religious inquiry, to understand the application of a theoretical approach to the question, to gather and interpret relevant evidence, and to write a substantive research paper in which the students articulates a clear argument based on that evidence. Thus students in the Religion Major gain greater skills in the confident, persuasive articulation of their insights.

- UC Riverside
  Religious Studies at the University of California, Riverside encourages students to become well-informed and independent thinkers prepared to learn and engage in scholarly research techniques, including collection of information and distillation and analysis of data with the help of critical skills and methods. The major requires students to: pay close attention to the facts through careful and unprejudicial reading of texts, have an open attitude toward sources, and make close observation of individual and group behavior. Students also apply critical analysis and interpretation of the data, based on appropriate theoretical and methodological tools, and communicate findings and conclusions clearly and effectively through expository and analytical writing and oral presentation. Religious Studies at UCR develops in students a variety of valuable and transferable skills. These include disciplined attention to the facts (texts, ideas, history, behavior); critical reflection and analysis about claims of meaning and value and about assumptions and methods used in the study of religion; and descriptive and analytical writing about religious history, ideas, motivations, practices, and ethical concerns.

Sociology

- UC Berkeley
  Students learn to understand and apply key sociological concepts and social theories, be prepared to use a sociological lens and skills in future endeavors, in the workplace or community, and achieve an understanding of professional, civic, and ethical responsibility.

- San Diego State University
  We train our students to develop a deep understanding and appreciation of complex social issues such as inequalities in the distribution of wealth and social resources, poverty and transnational migration, social change and political movements, and crime and community reintegration. Sociology majors are well grounded in both classical and contemporary theoretical frameworks, and required to master the basics in both qualitative and quantitative research methods. Our rigorous and theory-driven curriculum is designed to teach our students three things: (1) to think analytically and critically about social structures and processes in an increasingly globalized environment, (2) to formulate sociological inquiries and search for solutions to society's persistent problems, and (3) to articulate a course of action.

- CSU Pomona
  The Sociology major is designed to provide a substantial foundation in theoretical, methodological, and content areas of sociology, leading to the Bachelor of Arts (B.A.) degree.

  Sociology is concerned with the study of human societies and as such touches on most spheres of human behavior. At Cal Poly, Sociology majors study a variety of subject areas including criminology and juvenile delinquency, the family and religious and political institutions, ethnic relations and minority communities, social organization and stratification, population dynamics and gerontology.

  The Sociology major is designed to provide a substantial foundation in theoretical and methodological applications to the above content areas. In addition to a solid introduction to these areas, students receive specific training in survey research and statistical analysis, and in the many practical applications of sociological theory.

Psychology

- CSU Pomona
  The study of Psychology involves a search for knowledge about human and animal behavior as well as the application of this knowledge for the promotion of human welfare. The subject matter of Psychology includes how humans and other organisms perceive, learn, think, develop, and relate to one another at the social level. Students interested in learning about these processes and/or the application of this knowledge to the treatment of the various mental and emotional problems that can develop, should consider majoring in Psychology.

  Students majoring in Psychology receive a broad exposure to developmental, social, cognitive, clinical and physiological areas of Psychology, as well as specific training in research methodology and statistics.

- UC Davis
  The psychology program at UCD is broad and includes students and faculty with a variety of interests. The department has developed five major areas of emphasis:

Perception Cognitive Neuroscience Psychology, which involves the study of awareness and thought, and includes such topics as perception, learning, memory, and consciousness; Psychobiology**,** which involves the study of the biological correlates of behavior and includes such topics as physiological psychology, sensory processes, health psychology, and animal behavior; Social-Personality Psychology**,** which involves the study of the individual in his or her social environment and includes such topics as personality theory, abnormal psychology, individual differences, developmental psychology, and social psychology; Developmental**,** which includes imaging the developing brain, children's psychological understanding or theory of mind (e.g., knowledge about people's thoughts, beliefs, desires, and emotions), children's language development, children's social development; and Quantitative**,** which includes experimental design and the analysis of variance, regression analysis, and multivariate analysis.

Cultural, Diversity & Ethnic Studies

- UC Riverside
  Ethnic Studies is the systematic and comparative study of the social construction of race, racism, and racial or ethnic subordination, and the history, culture, and contemporary experiences of the four major racial/ ethnic groups in the United States. Ethnic studies students examine inter- and intra-group differences and commonalities in history, culture, racism, the impact of law, and social inequality in contemporary society on the various groups. Also examined are conflicts, tensions, and the building of effective inter-group coalitions and alliances among racially subordinated groups.
  Our focus is on social justice: on the histories of slavery, colonialism, segregation, economic exploitation and the continual forms of resistance people of color have developed in the struggle for civil, legal, and human rights. As an interdisciplinary field, students are trained in the research skills needed in traditional disciplines: history, literature, politics, sociology, psychology, law, and to develop their own independent analytic abilities of investigation. The major enables students to study race and ethnicity in comparative perspective and in a global context, to gain greater multicultural insight and understanding, and to prepare them to enter the workforce and function effectively and critically as informed citizens in a diverse multicultural society.

- University of Southern California
  The Department of American Studies and Ethnicity (ASE) integrates humanistic and social scientific perspectives and brings them to bear on an examination of the United States with a particular emphasis on comparative study of the peoples, cultures, history, and social issues of the Western United States. ASE includes multiple academic disciplines in both the humanities and social sciences to critically examine American culture and racial, ethnic, and gender inequalities towards social change and social justice. Learning objectives include: knowledge of the changing theoretical and empirical debates in the study of such central areas of society as race, class, gender, sexuality, and religion and how such scholarly debates impact

the study and analysis of social issues; an understanding of the diverse peoples and cultures that have composed the United States and critical perspectives on the cultural and material practices that have shaped this country in it regional, ethnic, class, and gender diversity; knowledge of a range of theoretical frameworks in the field and the ability to evaluate empirical evidence to provide the skills to analyze social issues in society and to be a critical reader of published research.

CALIFORNIA BOARD OF ACCOUNTANCY

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Attachment #3

DRAFT REGULATORY LANGUAGE FOR THE 10 UNITS OF ETHICS STUDY

Section __ Education Required Under Business and Professions Code Section 5093 to Apply for Certified Public Accountant License. (Effective January 1, 2014)

(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 Section __, __, and __, one quarter unit is equivalent to two-thirds of one semester unit.

Section __ Ethics Study Required Under Business and Professions Code Section 5094. (Effective January 1, 2014)

(a) In order for an applicant to satisfy the 10 semester units of ethics study, he/she must meet the requirements described below.

(b) Completion of a minimum of three semester units or four quarter units in a course or courses at an upper division level or higher solely devoted to accounting ethics, accounting fraud, or accountants' professional responsibilities.

(1) This requirement must be met by applicants submitting an application after December 31, 2015. Applicants submitting an application after December 31, 2013 but no later than December 31, 2015, must complete the 10 units of ethics study in courses or subjects outlined in subsection (c) below.

(c) The remaining semester units may be completed in any of the below courses or subjects.

(1) Courses in the following: business law; corporate governance; ethics, morals, or fraud; organizational behavior; human resources management; management of

organizations; business, government and society; business leadership; and non-accounting courses specific to professional responsibilities.

(2) Courses in the following subjects that provide applicants with a framework of ethical reasoning, professional skepticism, and other behavior that is in the best interest of the investing and consuming public, and the profession: Philosophy; Religion; Sociology; Psychology; and Cultural, Ethnic, or Diversity Studies. No more than three semester units can be applied from one single subject.

(3) Applicants may obtain credit for a maximum of one semester unit of ethics study for completion of a course specific to financial statement audits. This one semester unit may not be claimed in conjunction with the 20 semester units of accounting study as described in Section __.