

Memorandum

AEC Agenda Item V.
September 3, 2010

To : AEC Members

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Subject : Discussion Regarding the Impact on Applicants Completing Education at Universities or Colleges Outside California

At the June 23, 2010 Accounting Education Committee (AEC) meeting members expressed concern over whether the proposed accounting study requirements (**Agenda Item IV**) would present barriers to licensure for students completing their education in another state. When considering this topic it is important to distinguish two categories of individuals who may seek licensure in California - out-of-state licensees licensed for a minimum of four years, and unlicensed applicants or out-of-state licensees licensed for less than four years.

The education requirements considered in this memorandum are the existing 24/24 requirement and the new 20 units of accounting study. As the Ethics Curriculum Committee has yet to meet and begin discussion of the additional 10 units of ethics education, it would be premature to discuss the impact of those units on applicants at this time.

Out-of-State Licensees Licensed For a Minimum of Four Years

Individuals holding a certified public accountant (CPA) license in another state will not necessarily be required to have completed the specified education requirements. Section 5087 of the Accountancy Act provides the CBA with the authority to issue a CPA license to any applicant who is a holder of a valid and unrevoked CPA license under the laws of any state, if the CBA determines that the standards under which the applicant received the license are substantially equivalent to the standards of education, examination, and experience in California.

Based on this statutory authority Section 21 of the CBA Regulations states that an applicant may be considered to have met the education requirements for issuance of a California license if the applicant has engaged in the practice of public accounting as a licensed CPA in another state for four of the ten years preceding the date of application for a California license. Consequently, individuals with the requisite years of experience would not be required to document completion of the

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specified college coursework and would not be affected by the additional education requirements for licensure in California.

Unlicensed Applicants and Out-of-State Licensees Licensed Less Than Four Years

Applicants who obtained their education in another state and have never been licensed or have been licensed less than four years, and wish to apply for licensure in California will be required to document completion of California's education requirements.

States where it does not appear that meeting the California education requirements will present a significant problem for applicants include Alabama, Arizona, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Kansas, Michigan, Missouri, Nebraska, Nevada, New Jersey, Ohio, Rhode Island, South Carolina, Texas, Utah, Virginia, West Virginia, and Wisconsin.

The above list includes 22 states in which applicants will likely meet the education requirements for licensure in California by fulfilling the education requirements for licensure in the state where the applicant completed the education. In making this determination staff used the resource material provided at the June 23, 2010 AEC meeting to identify states that require either a minimum of 54 units of accounting and business-related subjects or accept a graduate degree in accounting in place of the specific unit requirements. Due to the wide range of courses available under the present proposal of allowing 14 units of coursework in "other coursework relevant to accounting and business," it is expected applicants in these states will be able to find sufficient courses to fulfill the education requirements.

For the remaining 27 states not identified above, staff anticipate exposing draft regulatory language to include a sampling of colleges and universities from these states, thus making them aware of the upcoming educational changes for California and hope the information will be shared with students.

While it is clear that neither the CBA nor AEC members wish to create barriers to entry for applicants from out-of-state, this desire must be balanced with the purpose of enhancing consumer protection and strengthening the competence of applicants as practitioners. In the end, it will be incumbent on the individual college student to ensure he/she completes the courses required for licensure in California if it is his/her intent to apply for licensure in this state after obtaining education from an out-of-state college or university.