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DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY

Draft

MINUTES OF THE
April 15, 2011
ACCOUNTING EDUCATION COMMITTEE (AEC) MEETING

Draft

California Board of Accountancy
 2000 Evergreen Street, Suite 250
 Sacramento, CA 95815
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I. Roll Call and Call to Order.

AEC Chair Ruben Davila, called the meeting of the AEC to order at 12:30 p.m. on Friday, April 15, 2011 at the California Board of Accountancy (CBA) office. Mr. Davila stated 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.

AEC Members

| | |
|------------------------------|-------------------------|
| Ruben Davila, Chair | 12:30 p.m. to 2:15 p.m. |
| Donald Driftmier, CBA Member | 12:30 p.m. to 2:15 p.m. |
| Sherry Anderson | 12:30 p.m. to 2:15 p.m. |
| Betty Chavis | 12:30 p.m. to 2:15 p.m. |
| Thomas Dalton | 12:30 p.m. to 2:15 p.m. |
| Michael Moore | 12:30 p.m. to 2:15 p.m. |
| Gary Pieroni | Not Present |
| Sara Seyedin | Not Present |
| Xiaoli "Charlie" Yuan | Not Present |

Staff and Legal Counsel

Rich Andres, Information Technology Staff
 Patti Bowers, Executive Officer
 Dominic Franzella, Manager, Licensing
 Deanne Pearce, Chief, Licensing Division
 Jenny Sheldon, Licensing Coordinator

Other Participants

Jason Fox, CalCPA
 Molly Isbell, KP Public Affairs
 Tiffany Rasmussen, KPMG
 Jeannie Tindel, CalCPA

- I. Approve Minutes of the February 18, 2011 AEC Meeting.

It was moved by Mr. Driftmier, seconded by Ms. Chavis, and unanimously carried by those present to approve the minutes (Attachment #1).

- II. Update on the Ethics Curriculum Committee Activities.

Mr. Franzella provided an oral report for this item. Mr. Franzella reported that the Ethics Curriculum Committee (ECC), which is charged with developing the 10 units of ethics study guidelines, has met three times. At the April 6, 2011 meeting the subcommittee presented a proposal for the ethics study guidelines. The recommendation included the following:

- 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.

The un-capped courses include courses such as business law, human resources management, corporate governance, and courses that have ethics, morals, or fraud in the course title.

The capped courses would come from specific disciplines including Philosophy, Psychology, Sociology, Cultural, Ethnic and Diversity Studies, and Religion. To prevent overuse of a course in a single discipline the subcommittee recommends that no more than 3 units can be completed in one discipline.

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

Based on the discussion and feedback at the meeting the subcommittee will be meeting again with staff to refine the proposal to be brought back at the May 18, 2011 ECC meeting.

Mr. Driftmier added that he believes at the next ECC meeting final decisions will be made on the proposed requirements. He also stated that he believes the ECC proposal is in keeping with the spirit of the legislation and has been accomplished in a way that will be workable for the colleges/universities, students, and the CBA staff. He expressed thanks to the ECC and staff for their work.

- III. Information on the Education Requirements for Certain Master's Degrees that Could be Considered for Meeting the 20 Units of Accounting Study Required for CPA Licensure Beginning January 1, 2014.

Ms. Sheldon presented the memorandum for this agenda item (**Attachment #2**) and reported that over the course of several meetings members considered the acceptance of specified master's degrees to meet the 20 units of accounting study. In response to public comments received at the February 2011 AEC meeting regarding the acceptance of degrees such as a Master of Business Administration (MBA) or Master of Laws (LL.M.), in addition to the already agreed upon Master of Accounting and Master of Taxation, staff researched the various degree requirements.

Specifically, staff compared the degree requirements of an LL.M. in Taxation to a Master of Taxation and the degree requirements for an MBA with an accounting emphasis to Master of Accounting. Staff also provided, in attachments to the memorandum, the academic requirements for degrees such as a Master of Finance, Master of Economics, and MBA programs with up to eleven different areas of concentration.

An additional comment received at the February 2011 AEC meeting was to amend the proposal to include higher degrees such as a Doctorate of Accounting.

Members discussed the educational requirements of each degree and came to a general consensus that a Master of Accounting, Master of Taxation, and LL.M. in Taxation would all be deemed substantially equivalent to meeting the 20 units of accounting study.

Mr. Davila asked for comments regarding the acceptance of a Ph.D. in Accounting. Mr. Moore indicated that there is an administrative problem with transcripts not specifying that the Ph.D. is in accounting but simply a Ph.D. Mr. Davila indicated the same situation occurs for a MBA with a concentration in that the type of concentration is not listed on the transcript. Mr. Moore indicated that the MBA program at the University of California, Riverside does not provide many accounting hours beyond the presently required 24 semester units of accounting so he would not be in favor of an equivalency determination for an MBA program. Mr. Dalton stated that a Ph.D. program is research oriented rather than academic and the student may not complete any specific accounting courses. Members agreed the MBA and Ph.D. should not be included in the list of degrees deemed substantially equivalent to meeting the 20 units of accounting study.

IV. Information on College and University Course Offerings in the Subject Area of Cultural Awareness.

Ms. Sheldon presented the memorandum for this agenda item (**Attachment #3**). Ms. Sheldon reported that at the February 2011 AEC meeting, while discussing the subcommittee's proposal to allow a maximum of three semester units in Language under the subject area of "other academic work relevant to accounting

and business,” members suggested the addition of courses in cultural awareness. At members’ request staff reviewed the cultural and ethnic course offerings at several colleges and universities.

Ms. Sheldon provided members with information on two different approaches for determining courses that would qualify under cultural awareness. The first approach would be to identify a list of acceptable departments in which the three units can be completed such as Sociology, Gender Studies, and Religion. The alternate approach would be to simply state three units in Cultural or Ethnic studies and remain silent on the department.

Mr. Davila stated that he prefers the course title approach rather than the departmental approach due to flexibility. Mr. Driftmier indicated the purpose is to broaden students’ horizon and that with a three unit limit the risk of unrelated courses is mitigated. Mr. Dalton and Mr. Moore agreed with the broad approach and that it is best to leave it up to the candidate to determine which course would be most beneficial in their career.

Ms. Chavis questioned whether cultural courses need to be addressed as it seems to be a general education requirement. Mr. Davila clarified that the course would not be a requirement but rather an allowance.

V. Consideration of Draft Regulatory Language to Clarify the 20 Units of Accounting Study Required for CPA Licensure Beginning January 1, 2014.

Mr. Franzella presented the memorandum for this agenda item (**Attachment #4**) and reported that at the February 2011 AEC meeting, members concurred with the majority of the subcommittee’s proposal for the 20 units of accounting study with a minor expansion to include cultural awareness and ethnic studies in the broad educational area of Language. Mr. Franzella provided a review of the subcommittee’s proposal focusing on the four broad educational areas used to define the term “other academic work relevant to accounting and business.”

At the request of the Chair staff used the draft regulatory language to test against a sample of licensees recently approved for licensure to determine if they would have met the requirements presently being considered for the 20 units of accounting study. Mr. Franzella reported that many applicants did not have the proposed minimum six units of upper division accounting study and staff found it difficult to identify any courses that would qualify under the definition of knowledge-based and industry-based education areas.

Ms. Chavis questioned if staff had received any information regarding the identification and availability of upper division courses at community colleges. Ms. Pearce indicated that staff is still in the process of reaching out to the Board of Governors of the California Community Colleges to obtain official information on this topic.

Mr. Moore indicated that he was not surprised by staff's findings because the purpose of the legislation and the committee is to put structure into the 20 units and once the structure is in place students will have a roadmap for completing relevant courses.

Mr. Davila asked members if they wanted to reconsider the proposal to require all 20 units be completed at the upper division level, specifically in the area of skills-based courses.

Mr. Dalton stated that he has no opposition to allowing lower division coursework but if members agree to continue recommending upper division coursework he would like the language to remain as presently drafted. Ms. Pearce commented that the present language could potentially preclude community college courses from qualifying if it is determined that upper division courses cannot be identified on community college transcripts. Mr. Moore stated his belief that community colleges will respond appropriately if the proposed requirement is implemented. Mr. Driftmier indicated that community colleges are very inclusive in that they play an important role in students obtaining the present 24/24 requirement and the additional 20 units of accounting study is simply another layer to the education requirements.

Mr. Davila returned the discussions to the proposed regulatory language and questioned what staff needed from members to make the four board educational areas workable for identifying courses. Mr. Dalton suggested members look at the second option for regulatory language provided in the memorandum.

Mr. Dalton stated that he liked the alternate language because it is simple, straightforward, and reads like a college catalog that students would find familiar. Mr. Moore stated that he would like the list of acceptable courses or departments to include all physical and life sciences. Mr. Davila agreed with including all physical and life sciences in the area of industry-based education.

For defining the term "other academic work relevant to accounting and business," members came to a general consensus to permit three semester units in languages and/or cultural awareness, three semester units in industry-related education, and three semester units in skills-based education. After further discussion on the benefits of using either departmental/subject area designators or key terms in a course title to identify acceptable skills-based and industry-based courses, members came to a general agreement to move toward the departmental approach.

VI. AEC Timeline, Future Agenda Items and Meeting Dates.

Mr. Franzella explained that the legislatively-mandated deadline for the CBA to adopt regulations for the 20 units of accounting study by January 1, 2012 is fast

approaching. As a result the CBA will need to have the AEC's final recommendation by the July 2011 CBA meeting to allow for a regulatory hearing to be held in November 2011, the last CBA meeting before the January 1, 2012 due date.

The next AEC meeting will be held May 9, 2011. There will also be a joint meeting of the AEC and ECC in June 2011 to expose the proposal to stakeholders.

VII. Public Comments

Ms. Rasmussen questioned if a document would be put together showing all education requirements – the 24/24, 20 units of accounting study, and 10 units of ethics education – and how they fit together.

Ms. Pearce responded in the affirmative.

No further public comments were received.

ADJOURNMENT.

There being no further business to be conducted, the meeting was adjourned at 2:15 p.m. on Friday, April 15, 2011.

Ruben Davila, Chair

Prepared by Jenny Sheldon, Licensing Coordinator.