

Accounting Education Committee

Report on the Development of and Recommendations for the 20 Units of Accounting Study

July 21, 2011

Purpose Statement

To advise the CBA on accounting study requirements to enhance consumer protection through strengthening the competence of students as practitioners while considering the constraints and needs of stakeholders.

**California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, California 95815**



Accounting Education Committee

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Attachments

- Attachment 1 – [Accounting Education Committee Roster](#)
- Attachment 2 – [Minutes of the April 2010 AEC Meeting](#)
- Attachment 3 – [Minutes of the June 2010 AEC Meeting](#)
- Attachment 4 – [Minutes of the September 2010 AEC Meeting](#)
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- Attachment 6 – [Minutes of the April 2011 AEC Meeting](#)
- Attachment 7 – [Minutes of the May 2011 AEC Meeting](#)
- Attachment 8 – [Minutes of the Joint AEC/ECC Meeting](#)

All attachments are available on the calendar page of the CBA Web site at <http://www.dca.ca.gov/cba/calendar.shtml>.

INTRODUCTION

Presently, the California Board of Accountancy (CBA) maintains two pathways to licensure – Pathway 1 (Business and Professions (B&P) Code Section 5092) and Pathway 2 (B&P Code Section 5093). Applicants for either pathway must pass the Uniform CPA Examination and complete pathway-specific education and experience requirements.

Senate Bill (SB) 819 (Chapter 308, Statutes of 2009), establishes a sunset date of January 1, 2014 for Pathway 1, while at the same time requires refinement of the requirements that comprise Pathway 2. Specifically, SB 819 requires the CBA further define an additional 30 of the 150 units¹ as part of the minimum requirements for licensure under Pathway 2.

Beginning January 2014, SB 819 requires applicants complete an additional 10 units of ethics study and 20 units of accounting study. In the bill, the Legislature outlined the purpose for requiring the need to define an additional 30 units by stating, “that if California is to require an additional 30 units of education of its accountancy students as a substitute for one year of accountancy experience,...the education must be relevant to the practice of accountancy and must include ethical education for the protection of consumers.” Therefore, the purpose of the new educational requirements is to offset the loss of Pathway 1 and its two-year experience requirement.

This report focuses on the development of the 20 units of accounting study, which the Legislature defined as “independent study or other academic work in accounting, business, ethics, business law, or other academic work relevant to accounting and business so as to enhance the competency of students as practitioners.” To assist with the development of the 20 units of accounting study, the Legislature established the Accounting Education Advisory Committee – referred to as the Accounting Education Committee or AEC. The CBA was given the authority to determine the size and make-up of the AEC with the only requirement being that all appointees be experts in accounting education. The CBA elected to set the AEC membership at nine and in December 2009 began soliciting applications from interested members of academia. The CBA took great efforts to appoint members from public and private four-year institutions as well as members from community colleges. The nine AEC members were notified of their appointment in March 2010. The AEC roster is provided in [Attachment #1](#).

The report is composed of four sections including the introduction, directives and goals, deliberations of accounting study guidelines, and a conclusion. The report and its attachments provide a summary and full account of the work undertaken by the AEC. Also included in the attachments are summaries of oral public comments received at AEC meetings and copies of written comments received at the CBA office.

¹ All references to units are college semester units.

The recommendation at the end of the report is offered for CBA consideration. The CBA can make any changes to the recommendations offered for the accounting study, since, in the end; it is the CBA that must establish final guidelines for the 20 units of accounting study.

AEC DIRECTIVES and GOALS

SB 819 established the AEC under the jurisdiction of the CBA for the sole purpose of developing guidelines for the 20 units of accounting study. This section of the report outlines directives for the AEC as determined by the CBA and a set of goals developed by staff that helped guide the work of the AEC.

CBA Directives for the AEC

The AEC was established with the express intent to assist the CBA in adopting guidelines for the new 20 units of accounting study required for licensure beginning January 2014. At the November 2009 CBA meeting, the CBA laid out specific directives regarding how the AEC was to work towards assisting in the development of the new 20 units of accounting study. The directives included the following:

- The AEC will meet a minimum of four times per year.
- The AEC will, with the assistance of staff, draft proposed regulations for CBA review and adoption for the new 20 units of accounting study.
- The AEC, in consultation with the Ethics Education Committee (ECC), will ensure the 10 units of ethics required to meet the new ethics requirement cannot be double counted and applied to the 20 units of accounting study.
- The AEC will focus on the new 20 units of accounting study, not the existing requirements of 24 units of accounting and 24 units of business-related subjects.
- The AEC Chair will communicate to the CBA at its meetings on the progress and activities of the AEC.

Goals of the AEC

Based on the CBA's directives and keeping in mind the primary goal of the AEC to assist the CBA in developing the new 20 units of accounting study, staff identified the below six goals to assist this committee in accomplishing its work.

1. Develop a calendar for meetings and the topics the AEC will discuss at each meeting.
2. Establish an AEC purpose statement.
3. Determine an appropriate breakdown of the 20 units of accounting study between accounting and business-related subjects.
4. Deliberate on whether to define "independent study."
5. Deliberate on whether to define "other academic work."

6. Draft proposed regulations, with the assistance of CBA staff, to define the 20 units of accounting study for CBA review and adoption.

AEC DELIBERATIONS OF ACCOUNTING STUDY GUIDELINES

This section of the report provides a roadmap on how the AEC reached the decisions that comprise the final recommendation for the 20 units of accounting study. This is accomplished through summaries of pertinent areas of discussion at each of the AEC's seven meetings. The meeting summaries also highlight aspects of the final proposal that were the topic of much debate illustrated by the high degree of attention from public comments, such as the upper division requirement and a definition for the term "other academic work relevant to accounting and business."

April 2010 AEC Meeting

The AEC held its inaugural meeting on April 8, 2010 in Sacramento, CA. Items on the agenda for this meeting included an overview of the present licensure requirements; AEC directives, goals, and staffing; various administrative topics; and a discussion regarding the composition of the 20 units of accounting study. The minutes of the April 2010 meeting are provided in [Attachment #2](#).

The AEC immediately delved into its work by creating a draft purpose statement and brainstorming issues and topics for further discussion. Among the 15 items identified for further discussion at future meetings was determining the acceptable level of course work, limiting any barriers to entry, looking at other states' education requirements, identifying appropriate subject areas, and discussing independent study and internships.²

Early in the discussions members considered requiring the course work for the 20 units of accounting study be completed at the graduate and/or upper division level. Upon being informed that community colleges offer courses at the upper division level, members agreed that allowing course work to be completed at the upper division level rather than strictly the graduate level would be prudent as it would allow students the additional flexibility of completing courses at community colleges where costs are lower, thereby reducing a potential financial barrier to becoming licensed. Some members, however, indicated they were open to allowing some lower division coursework.

In discussing the appropriate subject matter allocation for the 20 units members expressed varying opinions. Members did not reach a consensus other than a desire to maintain a level of flexibility in how the units are allocated and to use the present definitions of accounting and business-related subjects as outlined in Section 9.2 of the CBA Regulations. Members directed staff to research the education requirements of other states for their consideration.

² The complete list of topics is provided in Attachment #3 to the April 2010 AEC meeting minutes.

Members also discussed, but came to no conclusion regarding, a definition of independent study and whether internships and on-line education would be considered independent study. Public comments received in regard to this matter indicated that limiting independent study could present barriers to students who receive their education out of state or through on-line colleges.

June 2010 AEC Meeting

The AEC met on June 23, 2010 in Irvine, CA. Items on the agenda for this meeting included information regarding SB 819's impact on mobility, finalization of the AEC's purpose statement, information on other states' education requirements, and consideration on defining terms and establishing a framework for the 20 units of accounting study. The minutes of the June 2010 meeting are provided in [Attachment #3](#).

Members voted to approve the AEC purpose statement as follows:

“To advise the CBA on accounting study requirements to enhance consumer protection through strengthening the competence of students as practitioners while considering the constraints and needs of stakeholders.”

The majority of the meeting focused on the AEC's primary responsibility of defining the 20 units. Members again discussed the level at which course work should be completed and agreed that the 20 units of accounting study should be completed at an upper division or higher level in order to ensure the rigor of the coursework. Members also discussed which subject areas should qualify as “other academic work relevant to accounting and business” and agreed that the subject areas should be as inclusive as possible to avoid creating barriers to entry for applicants who were non-accounting majors.

Discussions moved to the allocation of the 20 units of accounting study and members considered various combinations of units, including master's degree programs. Members came to a tentative agreement that applicants that demonstrated conferral of a Master of Accounting or Taxation should be deemed to have met the 20 units of accounting study. Members also tentatively agreed that the 20 units should be comprised of a minimum of six units in accounting subjects³, a maximum of 14 units in business-related subjects⁴ or “other academic work relevant to accounting and business,” and a maximum of four units can be completed via internship or independent study programs in any of the approved subject areas.

³ Accounting subjects are defined in Section 9.2(b) of the CBA Regulations as accounting, auditing, financial reporting, external or internal reporting, financial statement analysis or taxation.

⁴ Business-related subjects are defined in Section 9.2(c) of the CBA Regulations as accounting subjects, business administration, economics, finance, business management, marketing, computer science/information systems, statistics, business communications, mathematics, business law, or business related law courses offered by an accredited law school.

September 2010 AEC Meeting

The AEC met for a third time on September 3, 2010 in Sacramento, CA. Items on the agenda included information regarding the impact on applicants completing education out of state, information on a plan to circulate proposed regulatory language to stakeholders for input and consideration. The minutes of the September 2010 meeting are provided in [Attachment #4](#).

Members considered draft regulatory language, based on agreements previously reached at the June 2010 AEC meeting, which included the below elements.

- The 20 units of accounting study must be completed at an upper division level or higher.
- A minimum of six units must be completed in accounting subjects as defined by Section 9.2(b) of the CBA Regulations.
- A maximum of 14 units can be completed in business-related subjects (as defined by Section 9.2(c) of the CBA Regulations) or other academic work relevant to accounting and business.
- Other academic work relevant to accounting and business is defined as that which provides an applicant with skills and knowledge enhancing his/her ability to practice public accounting and include the following:
 - (1) Courses completed in Communications, Journalism, Psychology, English, Biology, Medicine, Chemistry, Engineering, Architecture, and Real Estate.
 - (2) Courses which emphasize writing, research, critical thinking, negotiations, and logic.
- No more than four units completed in internships or independent study can be counted towards the 20 unit accounting study requirement.
- Applicants documenting completion of a Master of Accounting or Taxation should be deemed to have met the 20 units of accounting study.

The AEC heard public comments questioning the relevance of the present courses that would qualify under the definition of “other academic work relevant to accounting and business.” Members indicated that relevance will differ between the types of practice and that the requirements must strike a balance between being overly broad and overly burdensome.

Members discussed the draft language and determined the use of a subcommittee to work with staff to refine the draft regulatory language would be beneficial. It was determined that Mr. Michael Moore and Mr. Ruben Davila would take on this task.

February 2011 AEC Meeting

The AEC met on February 18, 2011 in Sacramento, CA. Items on the agenda included consideration of recommending to the CBA acceptance of specified master’s degrees, information on the educational documents required for California CPA licensure, and a

report of the recently established subcommittee meetings. The minutes of the February 2011 meeting are provided in [Attachment #5](#).

As discussed in the previous meeting summary, the AEC came to a general consensus that an applicant demonstrating conferral of a Master of Accounting or Taxation should be deemed as meeting the 20 units of accounting study. One of the primary reasons the AEC came to this agreement was that students who complete a specified master's program from an accredited institution have received a quality, well-thought out education that would comply with the spirit and intent of the legislation while providing education that is substantially equivalent to the required additional 20 units of accounting study.

Staff reported that the prior DCA legal counsel believed that the decision to allow for a specified master's degree to meet the 20 units of accounting study would go beyond the scope of the statute. Thus, members considered whether to formally request that the CBA consider sponsoring legislation to specifically allow for this recommendation to occur. Additionally, members received public comments requesting the AEC consider other master's degrees such as a Master of Business Administration (MBA) or Master of Laws (LL.M.) in Taxation.

At members' request, staff provided the AEC with information on the CBA's transcript review process and identified areas for member consideration including the inability to identify upper division course work on community college transcripts, courses categorized as "other professional courses," and the ability to identify qualifying courses based on the regulatory language as proposed by the subcommittee. The AEC directed staff to perform further research regarding the identification of upper division courses completed at community colleges to include contacting the Board of Governors of the California Community Colleges.

The remainder of the meeting focused on reviewing the subcommittee's report on its September 24, 2010 and December 21, 2010 meetings, as well as its proposal for the 20 units of accounting study⁵. The proposal provided an overall breakdown for the 20 units of accounting study, with the majority of the proposal focusing on defining the term "other academic work relevant to accounting and business." For this area, the subcommittee offered a definition based on four broad educational areas (skills-based, language, knowledge-based, and industry-based). The educational areas were defined to highlight the knowledge, skills, and abilities applicants would gain through completion of courses in these areas.

Members did not vote but came to a general consensus to accept the subcommittee's proposal with the caveat that courses in cultural and ethnic studies be added to the area of language and continued to discuss the definition of "other academic work relevant to accounting and business."

⁵ The subcommittee's proposal is provided in Attachment #3 to the February 2011 AEC meeting minutes.

April 2011 AEC Meeting

The AEC met on April 15, 2011 in Sacramento, CA. Items on the agenda included information on the education requirements for certain master's degrees, further consideration of draft regulatory language, and the timeline for AEC activities. Staff also provided members with an overview of the proposal for 10 units of ethics study as discussed at the April 6, 2011 ECC meeting. The minutes of the April 2011 meeting are provided in [Attachment #6](#).

Members reviewed information comparing 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 a Master of Accounting, as well as 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. 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 should be deemed substantially equivalent to meeting the 20 units of accounting study.

At the request of the Chair staff used the subcommittee's proposal as discussed at the February 2011 AEC meeting 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. Staff 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 proposed definition of "other academic work relevant to accounting and business." Staff also reiterated the previously identified inability to identify upper division courses on community college transcripts.

Members discussed reconsidering their previous definition for "other academic work relevant to accounting and business," which relied more on the subject area and course title rather than the knowledge, skills, and abilities students are expected to gain. 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 because it is simple, straightforward, and reads like a college catalog that students would find familiar.

Finally, members were advised of the timeline for future AEC activities, which emphasized the legislatively-mandated deadline for the CBA to adopt regulations for the 20 units of accounting study and the need for the AEC to present a final recommendation to the CBA at the July 2011 CBA meeting to allow sufficient time for the regulatory process.

May 2011 AEC Meeting

The AEC met on May 9, 2011 in Sacramento, CA. Agenda items included an update on contact with the Board of Governors of the California Community Colleges regarding documentation of upper division courses and the AEC's recommendation for the 20

units of accounting study. The minutes of the May 2011 meeting are provided in [Attachment #7](#).

Staff reported that a letter had been sent to the president of the Board of Governors of the California Community Colleges requesting information on how students enrolled at various California Community Colleges distinguish between upper and lower division courses in the college catalog and whether this information could somehow be reflected on the official college transcript.

Members considered draft regulatory language based on the final agreements reached at the April 2011 meeting. The proposal, outlined below, is quite consistent with previous proposals with the main difference being the definition for the term “other academic work relevant to accounting and business.”

- All 20 units of accounting study shall be completed at an upper division level or higher.
- A minimum of six units shall be completed in accounting subjects as defined by Section 9.2(b) of the CBA Regulations.
- A maximum of 14 units may be completed in business-related subjects, as defined by Section 9.2(c) of the CBA Regulations.
- A maximum of nine units may be completed in other academic work relevant to accounting and business as outlined below.
 - (1) A maximum of three semester units in Skills-based courses, which includes courses completed in the following disciplines: English, Communications, Journalism, and the Physical, Life, Natural, and Social Sciences.
 - (2) A maximum of three semester units in courses in foreign language, to include sign language, or courses with the terms culture, cultural, or ethnic in the title.
 - (3) A maximum of three semester units in Industry-based courses, which includes courses with the word “industry” in the course title or courses completed in the following disciplines: Engineering, Architecture, and Real Estate.
- A maximum of four units may be completed in internships or independent studies.
- Completion of a Master of Accounting, Master of Taxation, or Master of Laws in Taxation shall be deemed equivalent to the completion of the 20 units of accounting study.

Members voted to approve the draft regulatory language with the addition of the word “administration” to the area of Industry-based courses.

June 2011 Joint AEC/ECC Meeting

The AEC and ECC held a joint meeting on June 7, 2011 in Sacramento, CA. The purpose of the joint meeting was to expose stakeholders to the proposed increase in ethics and accounting study education requirements for CPA licensure designed to enhance consumer protection by strengthening the competence of applicants as

practitioners. The meeting was widely publicized through e-mail, press releases, the CBA's social media sites, flyers, and formal invitations. The minutes of the joint meeting are provided in [Attachment #8](#).

The meeting represented only one of many steps the CBA will take to get the message out regarding the new educational requirements and provided several opportunities for stakeholders to offer testimony on the new changes and ask questions of committee members regarding the development of the proposals. The second half of the meeting was dedicated to the business items of approving previous committee meeting minutes and discussing any modifications to the proposals.

At the meeting staff informed members that a response had been received from the Board of Governors of the California Community Colleges. The response stated that Section 66010.4 of the California Education Code prohibits California Community Colleges from offering courses at the upper division level. Members discussed and heard many public comments regarding the ramifications of continuing to recommend that all 20 units of accounting study be completed at the upper division level if students are not able to complete courses at a community college.

After considerable discussion, members voted to amend the proposal to require a minimum of six units be completed at the upper division level thus allowing a full 14 of the 20 units to be completed at the lower division level.

CONCLUSION

Since the first AEC meeting in April 2010, members worked diligently to define the 20 units of accounting study. By the February 2011 meeting, members had reached general agreements on most aspects of the proposal. Throughout discussions members stayed true to the AEC purpose statement and worked hard to strike a balance between the need for consumer protection and the desire to ensure that the education necessary for entry into the profession is as accessible as possible.

The Legislature's broad definition of accounting study provided the AEC with considerable latitude to determine the specific course work that will fulfill the 20 units of accounting study. Knowing that accountants do not work in a vacuum, members took this opportunity to look at the totality of the educational experience and discussed areas of education that may not historically have been considered accounting or business-related. By keeping the focus broad members opened up the opportunity for students to obtain education that is more tailored to the industry the student plans to service as a licensed CPA.

The AEC's final recommendation to the CBA for the 20 units of accounting study is provided on the following page. In establishing the final guidelines for the 20 units of accounting study, the CBA will need to take the AEC's recommendation into consideration; however, the final guidelines are left to the CBA for final determination.

Final Recommendation

ACCOUNTING EDUCATION COMMITTEE PROPOSAL FOR THE 20 UNITS OF ACCOUNTING STUDY

RECOMMENDATION #1

- A minimum of six of 20 semester units of accounting study shall be completed at an upper division level or higher.

RECOMMENDATION #2

- A minimum of six semester units shall be completed in accounting subjects as defined by Section 9.2(b) of the CBA Regulations.
- A maximum of 14 semester units may be completed in business-related subjects, as defined by Section 9.2(c) of the CBA Regulations.
- A maximum of nine semester units may be completed in other academic work relevant to accounting and business as outlined below.
 - A maximum of three semester units in skills-based courses, which includes courses completed in the following disciplines: English, Communications, Journalism, and the Physical, Life, Natural, and Social Sciences.
 - A maximum of three semester units in courses in foreign language, to include sign language, or courses with the terms culture, cultural, or ethnic in the title.
 - A maximum of three semester units in industry-based courses, which includes courses with the words “industry” or “administration” in the course title or courses completed in the following disciplines: Engineering, Architecture, and Real Estate.
- A maximum of four semester units may be completed in internships or independent studies.

RECOMMENDATION #3

- Completion of a Master of Accounting, Master of Taxation, or Master of Laws (LL.M.) in Taxation shall be deemed equivalent to the completion of the 20 units of accounting study.