

AMENDED IN ASSEMBLY APRIL 16, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

**ASSEMBLY BILL**

**No. 585**

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**Introduced by Assembly Member Nation  
(Coauthor: Assembly Member John Campbell)**

February 21, 2001

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An act to amend Sections 5000, 5081, ~~5081.1~~, 5082, 5082.1, 5082.2, ~~5083, 5084~~, and 5087 of, ~~and to amend and repeal Sections 5081.1, 5083, and 5084 of~~, to add Sections 5076, 5080.2, 5081.2, 5081.3 and 5083.1 to, ~~and to repeal Section 5023 of~~, the Business and Professions Code, relating to public accountants.

LEGISLATIVE COUNSEL'S DIGEST

AB 585, as amended, Nation. Public accountants.

(1) Existing law provides for the licensing and regulation of the practice of accountancy by the State Board of Accountancy in the Department of Consumer Affairs. Pursuant to existing law, the board may adopt rules and regulations to carry out and facilitate its duties. *Existing law authorizes the board to establish an advisory committee. Provisions for the existence of the board become inoperative on July 1, 2002, and are repealed on January 1, 2003.*

*This bill would delete the power of the board to establish an advisory committee and would revise the membership requirements for the board. The bill would also extend provisions for the existence of the board, making them operative until July 1, 2007, and repealing them on January 1, 2008.*

(2) Existing law requires that an applicant for the certified public accountants' examination meet specified educational requirements *and*

*that an applicant for licensure as a certified public accountant meet certain educational and experience requirements.*

*This bill would repeal revise these provisions relating to educational and experience requirements on January 1, 2005. The bill would also change the existing requirement that an applicant who qualified with an A.A. degree or its equivalent have studied accounting and related business administration subjects for at least 4 years to a requirement of completion of at least 120 semester units in those subjects.*

*This bill would, in the period between January 1, 2002 and December 31, 2004, allow an applicant to meet the educational requirements for admission to the licensing examination by showing that he or she has completed at least 120 semester units of college or higher education at an institution meeting specified standards, and would require that the program include an accounting concentration or its equivalent. After January 1, 2005, the bill would require an applicant to meet this standard in order to qualify for admission to the examination.*

(3) Under existing law, a certified public accountant license candidate is required to pass a written examination. Existing law provides that a candidate who passes 2 or more subjects but fails the examination has the right to be reexamined in only the remaining subjects.

This bill would delete the requirement that the examination be in written form. The bill would also delete the provision allowing a candidate who passes 2 or more subjects to be reexamined only in the remaining subjects. The bill would require the board to adopt regulations specifying the standards for passage of examinations and reexaminations.

*This bill would revise the existing requirements for licensure as a certified public accountant for an applicant who applies between January 1, 2002 and December 31, 2004. The bill, beginning January 1, 2005, would require an applicant to have 150 semester units, including a B.A. or higher degree, from a qualified institution, and one year of experience in order to qualify for a license.*

Existing law requires an applicant for licensure to have either 3 or 4 years of experience depending upon the manner in which he or she qualified to sit for the examination.

*This bill would repeal this requirement on January 1, 2005.*

Existing law provides that a college graduate who has completed a 4-year course of study meeting certain requirements has one year of credit towards public accounting experience requirements.



~~This bill would repeal this provision on January 1, 2005. The bill would also require the board to adopt specific regulations governing the approval of credential evaluating services used to assess educational equivalency.~~

(4) Existing law requires that an applicant for a certified public accountant license be over 18 years of age, and prohibits the board from giving a license to an applicant with a certified public accountant license from another state who is not over 18 years of age.

This bill would delete this age requirement.

(5) *Existing law requires an applicant for licensure as a certified public accountant to demonstrate experience in the attest function.*

~~This bill would require a firm or a sole proprietor to meet certain specified peer review requirements in order to provide attest services; and would provide that, under certain circumstances, the board may grant a firm an extension of up to one year to meet peer review requirements for those services.~~ The bill would require the board to adopt regulations implementing, interpreting, and making specific these requirements.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. *This act is intended to enact the licensing*  
2 *provisions of the Uniform Accountancy Act as adopted by the*  
3 *National Association of State Boards of Accountancy and the*  
4 *American Institute of Certified Public Accountants in the interests*  
5 *of supporting California certified public accountant's full*  
6 *participation in the global economy, providing for effective*  
7 *consumer protection and regulation of certified public*  
8 *accountants in this Internet age by substantially conforming*  
9 *California's Certified Public Accountant licensing requirements*  
10 *with the education, examination, and experience requirements*  
11 *already existing in 41 states. California's Accountancy Act already*  
12 *conforms with all other major provisions of the Uniform*  
13 *Accountancy Act, including firm organization, fee restrictions,*  
14 *professional standards, and continuing education requirements.*  
15 SEC. 2. *Section 5000 of the Business and Professions Code is*  
16 *amended to read:*



1 5000. There is in the Department of Consumer Affairs the  
2 California Board of Accountancy, which consists of 10 members,  
3 ~~five of whom shall be certified public accountants, one of whom~~  
4 ~~shall be a public accountant, six of whom shall be licensees of the~~  
5 ~~board,~~ and four of whom shall be public members who shall not  
6 be licentiates of the board or registered by the board. The board has  
7 the powers and duties conferred by this chapter.

8 The Governor shall appoint two of the public members, ~~the five~~  
9 ~~certified public accountant members, and the public accountant~~  
10 ~~member and the six licensee members~~ qualified as provided in this  
11 section. The Senate Rules Committee and the Speaker of the  
12 Assembly shall each appoint a public member. In appointing the  
13 ~~five certified public accountant~~ *six licensee* members, the  
14 Governor shall appoint members representing a cross section of  
15 the accounting profession with at least ~~one member~~ *two members*  
16 representing a small public accounting ~~firm~~ *firms*. For the  
17 purposes of this chapter, a small public accounting firm shall be  
18 defined as a professional firm that employs a total of no more than  
19 four ~~certified public accountants~~ *licensees* as partners, owners, or  
20 full-time employees in the practice of public accountancy within  
21 the State of California.

22 This section shall become operative on July 1, 1997, and shall  
23 become inoperative on July 1, ~~2002~~ *2007*, and as of January 1,  
24 ~~2003~~ *2008*, is repealed, unless a later enacted statute, that becomes  
25 effective on or before January 1, ~~2003~~ *2008*, deletes or extends the  
26 dates on which this section becomes inoperative and is repealed.  
27 The repeal of this section renders the board subject to the review  
28 required by Division 1.2 (commencing with Section 473).

29 *SEC. 3. Section 5023 of the Business and Professions Code is*  
30 *repealed.*

31 ~~5023.—The board may establish an advisory committee of its~~  
32 ~~own certified public accountant members or other certified public~~  
33 ~~accountants of the state in good standing, to perform either of the~~  
34 ~~following advisory duties:~~

35 ~~(a) To examine all applicants for the license of certified public~~  
36 ~~accountant.~~

37 ~~(b) To recommend to the board applicants for the certified~~  
38 ~~public accountant license who fulfill the requirements of this~~  
39 ~~chapter.~~



1 SEC. 4. Section 5076 is added to the Business and Professions  
2 Code, to read:

3 5076. (a) A partnership, corporation, or sole proprietor shall  
4 not provide attest services without meeting one of the following  
5 requirements:

6 ~~(1) The firm is authorized by law to practice public~~  
7 ~~accountancy in California as of December 31, 2001; completes a~~  
8 ~~providing attest services shall complete a peer review prior to the~~  
9 ~~first registration expiration date after January 1, 2003, and no less~~  
10 ~~frequently than every three years thereafter; and complies with the~~  
11 ~~registration requirements of this chapter.~~

12 ~~(2) The firm applies to the board and receives board approval~~  
13 ~~to provide attest services; completes a peer review within one year~~  
14 ~~of approval of its application by the board and no less frequently~~  
15 ~~than every three years thereafter but until completion of that peer~~  
16 ~~review employs at least one certified public accountant or public~~  
17 ~~accountant with qualifying attest experience; and complies with~~  
18 ~~the registration requirements of this chapter.~~

19 ~~(b) The board may for good cause grant an extension of up to~~  
20 ~~one year to a firm that applies to be a provider of attest services~~  
21 ~~under paragraph (2) of subdivision (a) and is unable to complete~~  
22 ~~a peer review within one year of approval of its application.~~

23 ~~(e) .~~

24 (b) For purposes of this section, the following definitions  
25 apply:

26 (1) "Peer review" means a study, appraisal, or review  
27 conducted in accordance with professional standards of the  
28 professional work of a licensee or registered firm by another  
29 licensee unaffiliated with the licensee or registered firm being  
30 reviewed. The peer review shall include, but not be limited to, a  
31 review of at least one attest engagement representing the highest  
32 level of service performed by the firm and may include an  
33 evaluation of other factors in accordance with requirements  
34 specified by the board in regulations.

35 (2) "Attest" includes an audit, a review of financial  
36 statements, an examination of prospective financial information,  
37 and other services as the board may specify by regulation.

38 ~~(d)~~

39 (c) The board shall adopt regulations as necessary to  
40 implement, interpret, and make specific this section, including,



1 but not limited to, regulations specifying the ~~qualifications and~~  
2 ~~responsibilities of the individual with qualifying attest experience~~  
3 ~~for purposes of paragraph (2) of subdivision (a), regulations~~  
4 ~~specifying the requirements for the approval of peer review~~  
5 ~~providers, and regulations establishing a peer review oversight~~  
6 ~~committee.~~

7 ~~SEC. 2.~~

8 SEC. 5. Section 5080.2 is added to the Business and  
9 Professions Code, to read:

10 5080.2. (a) During the period January 1, 2002, through  
11 December 31, 2004, applicants for the certified public accountant  
12 license, in addition to meeting the examination requirements of  
13 this article, shall do either of the following:

14 (1) Meet the educational requirements of Section 5081.1 and  
15 the experience requirements of Section 5083.

16 (2) Meet the educational requirements of Section 5081.3 and  
17 the experience requirements of Section 5083.1.

18 (b) Commencing January 1, 2005, all applicants for the  
19 certified public accountant license, in addition to meeting the  
20 examination requirements of this article, shall meet the  
21 educational requirements of Section 5081.3 and the experience  
22 requirements of Section 5083.1.

23 ~~SEC. 3.~~

24 SEC. 6. Section 5081 of the Business and Professions Code is  
25 amended to read:

26 5081. An applicant for admission to the examination for a  
27 certified public accountant license shall:

28 (a) Not have committed acts or crimes constituting grounds for  
29 denial of a license under Section 480.

30 (b) File the application for the examination. An application for  
31 the examination shall not be considered filed unless all required  
32 supporting documents, fees, and the fully completed  
33 board-approved application form are received in the board office  
34 or filed by mail in accordance with Section 11003 of the  
35 Government Code on or before the specified final filing date.

36 (c) Meet one of the requirements specified in Section 5081.1 or  
37 Section 5081.2.

38 ~~SEC. 4.~~

39 SEC. 7. Section 5081.1 of the Business and Professions Code  
40 is amended to read:



1 5081.1. An applicant for admission to the examination for a  
2 certified public accountant license during the period January 1,  
3 2002, through December 31, 2004, shall comply with one of the  
4 following requirements or shall meet the requirements of Section  
5 5081.2:

6 (a) The applicant shall present satisfactory evidence that he or  
7 she has either of the following:

8 (1) A baccalaureate degree from a university, college or other  
9 four-year institution of learning accredited by a regional or  
10 institutional accrediting agency included in a list of these agencies  
11 or associations published by the United States Secretary of  
12 Education under the requirements of the Higher Education Act of  
13 1965 as amended, with a major in accounting or related subjects  
14 requiring a minimum of 45 semester units of instruction in these  
15 subjects. If the applicant has received a baccalaureate degree in a  
16 nonaccounting major, the applicant shall present satisfactory  
17 evidence of study substantially the equivalent of an accounting  
18 major, including courses in related business administration  
19 subjects.

20 (2) A degree or degrees from a college, university, or other  
21 institution of learning located outside the United States that is  
22 approved by the board as the equivalent of the baccalaureate  
23 degree described in paragraph (1). The board may require an  
24 applicant under this paragraph to submit documentation of his or  
25 her education to a credentials evaluation service approved by the  
26 board for evaluation and to cause the results of this evaluation to  
27 be reported to the board. The board shall adopt regulations  
28 specifying the criteria and procedures for approval of credential  
29 evaluation services. These regulations shall, at a minimum,  
30 require that the credential evaluation service (A) furnish  
31 evaluations directly to the board; (B) furnish evaluations written  
32 in English; (C) be a member of the American Association of  
33 Collegiate Registrars and Admission Officers, the National  
34 Association of Foreign Student Affairs, or the National  
35 Association of Credential Evaluation Services; (D) be used by  
36 accredited colleges and universities; (E) be reevaluated by the  
37 board every five years; (F) maintain a complete set of reference  
38 materials as specified by the board; (G) base evaluations only upon  
39 authentic, original transcripts and degrees and have a written  
40 procedure for identifying fraudulent transcripts; (H) include in the



1 evaluation report, for each degree held by the applicant, the  
2 equivalent degree offered in the United States, the date the degree  
3 was granted, the institution granting the degree, an English  
4 translation of the course titles, and the semester unit equivalence  
5 for each of the courses; (I) have an appeal procedure for applicants;  
6 and (J) furnish the board with information concerning the  
7 credential evaluation service that includes biographical  
8 information on evaluators and translators, three letters of  
9 references from public or private agencies, statistical information  
10 on the number of applications processed annually for the past five  
11 years, and any additional information the board may require in  
12 order to ascertain that the credential evaluation service meets the  
13 standards set forth in this paragraph and in any regulations adopted  
14 by the board.

15 (b) The applicant shall present satisfactory evidence that he or  
16 she has successfully completed a two-year course of college level  
17 study or received an associate in arts degree from a community  
18 college, either institution accredited by a regional or national  
19 accrediting agency or association that is included in a list published  
20 by the United States Commissioner of Education under the  
21 provisions of federal law specified in paragraph (1) of subdivision  
22 (a), and that he or she has completed a minimum of 120 semester  
23 units which includes the study of accounting and related business  
24 administration subjects.

25 (c) The applicant shall show to the satisfaction of the board that  
26 he or she has had the equivalent of the educational qualifications  
27 required by subdivision (b), or shall pass a preliminary written  
28 examination approved and administered by an agency approved  
29 by the California State Department of Education and shall have  
30 completed a minimum of 10 semester units or the equivalent in  
31 accounting subjects. The 10 semester units in accounting subjects  
32 shall be completed at a college, university, or other institution of  
33 higher learning accredited at the college level by an agency or  
34 association that is included in a list published by the United States  
35 Commissioner of Education under the federal law specified in  
36 paragraph (1) of subdivision (a).

37 (d) The applicant shall be a public accountant registered under  
38 this chapter.



1 (e) This section shall remain in effect only until January 1,  
2 2005, and as of that date is repealed, unless a later enacted statute,  
3 that is enacted before January 1, 2005, deletes or extends that date.

4 ~~SEC. 5.~~

5 *SEC. 8.* Section 5081.2 is added to the Business and  
6 Professions Code, to read:

7 5081.2. Except as provided by Section 5081.1, an applicant  
8 for admission to the examination for a certified public accountant  
9 license shall present satisfactory evidence that the applicant has  
10 completed at least 120 semester units of college education  
11 including a baccalaureate or higher degree conferred by a college  
12 or university, meeting at a minimum the standards described in  
13 subdivision (b) of Section 5081.3, the total educational program  
14 to include an accounting concentration or equivalent as specified  
15 by the board in regulations.

16 ~~SEC. 6.~~

17 *SEC. 9.* Section 5081.3 is added to the Business and  
18 Professions Code, to read:

19 5081.3. (a) Except as provided in Section 5080.2, an  
20 applicant for a certified public accountant license shall present  
21 satisfactory evidence that the applicant has completed at least 150  
22 semester units of college education including a baccalaureate or  
23 higher degree conferred by a college or university, meeting at a  
24 minimum the standards described in subdivision (b), the total  
25 educational program to include an accounting concentration or  
26 equivalent as specified by the board in regulations.

27 (b) (1) In order for education to be qualifying, it shall meet the  
28 standards described in subparagraph (A) or subparagraph (B).

29 (A) At a minimum, the education shall be from a university,  
30 college, or other institution of these agencies published by the  
31 United States Secretary of Education under the requirements of the  
32 Higher Education Act of 1965 as amended.

33 (B) Education from a college, university, or other institution of  
34 learning located outside the United States may be qualifying  
35 provided it is deemed by the board to be equivalent to education  
36 obtained under subparagraph (A) of this paragraph. The board  
37 may require an applicant to submit documentation of his or her  
38 education to a credentials evaluation to be reported to the board in  
39 order to assess educational equivalency.



1 (2) The board shall adopt regulations specifying the criteria and  
2 procedures for approval of credential evaluation services that  
3 require services to do the following:

4 (A) Furnish evaluations directly to the board.

5 (B) Furnish evaluations written in English.

6 (C) Be a member of the American Association of Collegiate  
7 Registrars and Admission Officers, the National Association of  
8 Foreign Student Affairs, or the National Association of Credential  
9 Evaluation Services.

10 (D) Be used by accredited colleges and universities.

11 (E) Be reevaluated by the board every five years.

12 (F) Maintain a complete set of reference materials as specified  
13 by the board.

14 (G) Base evaluations only upon authentic, original transcripts  
15 and degrees and have a written procedure for identifying  
16 fraudulent transcripts.

17 (H) Include in the evaluation report for each degree evaluated  
18 the date the degree was granted, the institution granting the degree,  
19 an English translation of the course titles, the semester unit  
20 equivalents for each of the courses, and the equivalent degree  
21 offered in the United States.

22 (I) Have an appeal procedure for applicants.

23 (J) Furnish the board with information concerning the  
24 credential evaluation service, three letters of reference from public  
25 or private agencies, statistical information on the number of  
26 applications processed annually for the past five years, and any  
27 additional information the board may require in order to ascertain  
28 that the credential evaluation service meets the standards set forth  
29 in this paragraph and in any regulations adopted by the board.

30 ~~SEC. 7.~~

31 *SEC. 10.* Section 5082 of the Business and Professions Code  
32 is amended to read:

33 5082. An applicant for a certified public accountant license  
34 shall have successfully passed examinations in ~~such~~ subjects as the  
35 board deems appropriate.

36 ~~SEC. 8.~~

37 *SEC. 11.* Section 5082.1 of the Business and Professions Code  
38 is amended to read:

39 5082.1. All examinations provided for herein shall be held by  
40 the board at ~~such~~ places as *that* circumstances may warrant, and as



1 often as may be necessary in the opinion of the board. The board  
2 may contract with any organization, governmental or private, for  
3 examination material or services. Within 90 days after the  
4 examination the board shall notify each candidate of his or her  
5 grade. All examination records shall be preserved for a period of  
6 at least six months after the notification of grading and any  
7 candidate shall, upon request to the board, have access to his or her  
8 records.

9 ~~SEC. 9.~~

10 *SEC. 12.* Section 5082.2 of the Business and Professions  
11 Code is amended to read:

12 5082.2. A candidate who fails an examination provided for  
13 herein shall have the right to any number of reexaminations at  
14 subsequent examinations held by the board. The board shall adopt  
15 regulations specifying the standards for passage of the  
16 examination and for reexamination.

17 The board may give credit to a candidate who has passed all or  
18 part of the examination in another state or territory if the members  
19 of the board determine that the standards under which the  
20 examination was held are as high as the standards established for  
21 the examination in this chapter.

22 ~~SEC. 10.~~

23 *SEC. 13.* Section 5083 of the Business and Professions Code  
24 is amended to read:

25 5083. (a) An individual applying for licensure who meets the  
26 educational requirements of Section 5081.1 shall meet, to the  
27 satisfaction of the board, one of the following experience  
28 requirements:

29 (1) Four years of experience if the applicant qualified to sit for  
30 the exam by meeting the requirements of subdivision (b) or (c) of  
31 Section 5081.1.

32 (2) Three years of experience if the applicant qualified to sit for  
33 the exam by meeting the requirements of subdivision (a) or (d) of  
34 Section 5081.1 or meets the requirements of Section 5082.3.

35 (b) In order to be qualifying under this section, experience shall  
36 have been performed in accordance with applicable professional  
37 standards. Experience in public accounting may be qualifying if  
38 completed by, or in the employ of, a person licensed or otherwise  
39 having comparable authority under the laws of any state or country  
40 to engage in the practice of public accountancy. Experience in



1 private or governmental accounting or auditing employment may  
2 be qualifying provided that this work was performed under the  
3 direct supervision of an individual licensed by a state to engage in  
4 the practice of public accountancy.

5 (c) The board shall prescribe rules establishing the character  
6 and variety of experience necessary to fulfill the experience  
7 requirements set forth in this section, including a requirement that  
8 each applicant demonstrate to the board satisfactory experience in  
9 the attest function as it relates to financial statements. For purposes  
10 of this subdivision, the attest function includes audit and review of  
11 financial statements.

12 (d) This section shall remain in effect only until January 1,  
13 2005, and as of that date is repealed, unless a later enacted statute,  
14 that is enacted before January 1, 2005, deletes or extends that date.

15 ~~SEC. 11.~~

16 *SEC. 14.* Section 5083.1 is added to the Business and  
17 Professions Code, to read:

18 5083.1. An applicant applying for initial issuance of a license  
19 by meeting the educational requirements of Section 5081.3 shall  
20 show to the satisfaction of the board that the applicant has had one  
21 year of qualifying experience. This experience may include  
22 providing any type of service or advice involving the use of  
23 accounting, attest, compilation, management, advisory, tax,  
24 financial advisory tax or consulting skills all of which meet  
25 requirements prescribed by the board in regulations. In order to be  
26 qualifying under this section, experience shall have been  
27 performed in accordance with applicable professional standards  
28 and shall have been supervised and verified by a licensee of the  
29 California Board of Accountancy or licensee of an accountancy  
30 board of another state. Acceptable experience may be gained  
31 through employment in government, industry, or public practice.

32 ~~SEC. 12.~~

33 *SEC. 15.* Section 5084 of the Business and Professions Code  
34 is amended to read:

35 5084. The board shall grant one year's credit toward  
36 fulfillment of its public accounting experience requirement to a  
37 graduate of a college who has completed a four-year course with  
38 45 or more semester units or the equivalent thereof in the study of  
39 accounting and related business administration subjects, of which



1 at least 20 semester units or the equivalent thereof shall be in the  
2 study of accounting.

3 The members of the board shall prescribe rules establishing the  
4 character and variety of experience necessary to fulfill the  
5 experience requirements set forth in this section.

6 *This section shall only apply to applicants qualifying under*  
7 *Section 5083.*

8 This section shall remain in effect only until January 1, 2005,  
9 and as of that date is repealed, unless a later enacted statute, that  
10 is enacted before January 1, 2005, deletes or extends that date.

11 ~~SEC. 13.~~

12 *SEC. 16.* Section 5087 of the Business and Professions Code  
13 is amended to read:

14 5087. (a) The board may issue a certified public accountant  
15 license to any applicant who is a holder of a valid and unrevoked  
16 certified public accountant license issued under the laws of any  
17 state, if the board determines that the standards under which the  
18 applicant received the license are substantially equivalent to the  
19 standards of education, examination, and experience established  
20 under this chapter and the applicant has not committed acts or  
21 crimes constituting grounds for denial under Section 480.

22 (b) The board may in particular cases waive any of the  
23 requirements regarding the circumstances in which the various  
24 parts of the examination were to be passed for an applicant from  
25 another state.

