

Assembly Bill No. 585

CHAPTER 704

An act to amend Sections 5081, 5082, 5082.1, 5082.3, 5082.4, 5087, and 5088 of, to amend and repeal Sections 5081.1, 5082.2, 5083, and 5084 of, and to add Sections 5076, 5082.5, 5090, 5091, 5092, 5093, 5094, and 5095 to, the Business and Professions Code, relating to accountants.

[Approved by Governor October 10, 2001. Filed
with Secretary of State October 11, 2001.]

LEGISLATIVE COUNSEL'S DIGEST

AB 585, 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 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 revise these provisions relating to educational and experience requirements.

(2) 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 repeal this requirement on January 1, 2006, when new examination requirements, as specified, would apply.

(3) 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.

(4) 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 to meet specified peer review requirements in order to provide attest services and would require an individual applicant to meet specified criteria to sign reports on attest engagements. The bill would require the board to adopt regulations

implementing and interpreting new application, examination, education, and licensure process requirements.

(5) Existing law provides that a person holding a valid and unrevoked license from any state may practice public accountancy after submitting an application for licensure and showing proof of qualifying continuing education.

This bill would also authorize a qualified applicant to perform attest services.

This bill would make other related changes.

(6) The bill would provide that it would become operative only if SB 133 is enacted and becomes effective on or before January 1, 2002.

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

SECTION 1. It is the intent of the Legislature that the new education and experience requirements for the certified public accountant license established by this legislation not be revised or amended prior to the next review of the California Board of Accountancy required by Division 1.2 (commencing with Section 473).

Further, it is the intent of the Legislature that this review shall be limited to issues related to implementation of the new licensure requirements. In preparation for that review, the California Board of Accountancy shall collect statistical information including information on the number of applicants applying under Sections 5092 and 5093, the number of applicants passing the examination under Sections 5092 and 5093, the number of applicants applying and qualifying for licensure under Sections 5092 and 5093, and the number of applicants and licensees applying and qualifying for an authorization to sign reports on attest engagements under Section 5095. Also, it is the intent of the Legislature that prior to the next review required by Division 1.2, the California Board of Accountancy develop regulations and procedures to implement the peer review requirement mandated by Section 5076.

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

5076. (a) In order to renew its registration, a firm providing attest services, other than a sole proprietor or small firm as defined in Section 5000, shall complete a peer review prior to the first registration expiration date after January 1, 2006, and no less frequently than every three years thereafter.

(b) For purposes of this article, the following definitions apply:

(1) "Peer review" means a study, appraisal, or review conducted in accordance with professional standards of the professional work of a licensee or registered firm by another licensee unaffiliated with the



licensee or registered firm being reviewed. The peer review shall include, but not be limited to, a review of at least one attest engagement representing the highest level of service performed by the firm and may include an evaluation of other factors in accordance with requirements specified by the board in regulations.

(2) “Attest services” include an audit, a review of financial statements, or an examination of prospective financial information, provided, however, “attest services” shall not include the issuance of compiled financial statements.

(c) The board shall adopt regulations as necessary to implement, interpret, and make specific the peer review requirements in this section, including, but not limited to, regulations specifying the requirements for the approval of peer review providers, and regulations establishing a peer review oversight committee.

SEC. 3. Section 5081 of the Business and Professions Code is amended to read:

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

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

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

(c) Meet one of the educational requirements specified in this article.

SEC. 4. Section 5081.1 of the Business and Professions Code is amended to read:

5081.1. Pursuant to subdivision (b) of Section 5090, an applicant for admission to the examination for a certified public accountant certificate may qualify for admission with one of the following:

(a) The applicant shall present satisfactory evidence that the applicant has either of the following:

(1) A baccalaureate degree from a university, college or other four-year institution of learning accredited by a regional institutional accrediting agency included in a list of these agencies published by the United States Secretary of Education under the requirements of the Higher Education Act of 1965 as amended (20 U.S.C. Sec. 1001 and following), with a major in accounting or related subjects requiring a minimum of 45 semester units of instruction in these subjects. If the applicant has received a baccalaureate degree in a nonaccounting major, the applicant shall present satisfactory evidence of study substantially



the equivalent of an accounting major, including courses in related business administration subjects.

(2) A degree or degrees from a college, university, or other institution of learning located outside the United States that is approved by the board as the equivalent of the baccalaureate degree described in paragraph (1). The board may require an applicant under this paragraph to submit documentation of his or her education to a credentials evaluation service approved by the board for evaluation and to cause the results of this evaluation to be reported to the board. The board shall adopt regulations specifying the criteria and procedures for approval of credential evaluation services. These regulations shall, at a minimum, require that the credential evaluation service (A) furnish evaluations directly to the board; (B) furnish evaluations written in English; (C) be a member of the American Association of Collegiate Registrars and Admission Officers, the National Association of Foreign Student Affairs, or the National Association of Credential Evaluation Services; (D) be used by accredited colleges and universities; (E) be reevaluated by the board every five years; (F) maintain a complete set of reference materials as specified by the board; (G) base evaluations only upon authentic, original transcripts and degrees and have a written procedure for identifying fraudulent transcripts; (H) include in the evaluation report, for each degree held by the applicant, the equivalent degree offered in the United States, the date the degree was granted, the institution granting the degree, an English translation of the course titles, and the semester unit equivalence for each of the courses; (I) have an appeal procedure for applicants; and (J) furnish the board with information concerning the credential evaluation service that includes biographical information on evaluators and translators, three letters of references from public or private agencies, statistical information on the number of applications processed annually for the past five years, and any additional information the board may require in order to ascertain that the credential evaluation service meets the standards set forth in this paragraph and in any regulations adopted by the board.

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



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

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

(e) This section shall remain in effect only until January 1, 2006, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2006, deletes or extends that date.

SEC. 5. Section 5082 of the Business and Professions Code is amended to read:

5082. An applicant for a certified public accountant license shall have successfully passed examinations in subjects the board deems appropriate.

SEC. 6. Section 5082.1 of the Business and Professions Code is amended to read:

5082.1. All examinations provided for herein shall be held by the board at places as circumstances may warrant, and as often as may be necessary in the opinion of the board. The board may contract with any organization, governmental or private, for examination material or services. Within 90 days after the examination the board shall notify each candidate of his or her score. All examination records shall be preserved for a period of at least six months after the notification of scoring and any candidate shall, upon request to the board, have access to his or her records.

SEC. 7. Section 5082.2 of the Business and Professions Code is amended to read:

5082.2. For candidates seeking to be reexamined pursuant to subdivision (b) of Section 5090, a candidate who fails an examination provided for herein shall have the right to any number of reexaminations at subsequent examinations held by the board. A candidate who passes an examination in two or more subjects shall have the right to be reexamined in the remaining subject or subjects only, at subsequent examinations held by the board, and if he or she passes in the remaining subject or subjects within a period of time specified in the rules of the board, he or she shall be considered to have passed the examination.



This section shall remain in effect only until January 1, 2006, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2006, deletes or extends that date.

SEC. 8. Section 5082.3 of the Business and Professions Code is amended to read:

5082.3. An applicant for a license as a certified public accountant may be deemed by the board to have met the examination requirements of Section 5082, 5092, or 5093 if the applicant satisfies all of the following requirements:

(a) The applicant is licensed or has comparable authority under the laws of any country to engage in the practice of public accountancy.

(b) The International Qualifications Appraisal Board jointly established by the National Association of State Boards of Accountancy and the American Institute of Certified Public Accountants has determined that the standards under which the applicant was licensed or under which the applicant secured comparable authority meet its standards for admission to the International Uniform Certified Public Accountant Qualification Examination.

(c) The applicant has successfully passed the International Uniform Certified Public Accountant Qualification Examination referenced in subdivision (b).

SEC. 9. Section 5082.4 of the Business and Professions Code is amended to read:

5082.4. A Canadian Chartered Accountant in good standing may be deemed by the board to have met the examination requirements of Section 5082, 5092, or 5093, if he or she has successfully passed the Canadian Chartered Accountant Uniform Certified Public Accountant Qualification Examination of the American Institute of Certified Public Accountants or the International Uniform Certified Public Accountant Qualification Examination referenced in subdivision (b) Section 5082.3.

SEC. 10. Section 5082.5 is added to the Business and Professions Code, to read:

5082.5. The board may give credit to a candidate who has passed all or part of the examination in another state or territory, if the members of the board determine that the standards under which the examination was held are as high as the standards established for examination in this chapter.

SEC. 11. Section 5083 of the Business and Professions Code is amended to read:

5083. (a) Pursuant to subdivision (b) of Section 5090, an individual applying for licensure shall meet, to the satisfaction of the board, one of the following requirements:



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

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

(b) In order to be qualifying under this section, experience shall have been performed in accordance with applicable professional standards. Experience in public accounting may be qualifying if completed by, or in the employ of, a person licensed or otherwise having comparable authority under the laws of any state or country to engage in the practice of public accountancy. Experience in private or governmental accounting or auditing employment may be qualifying provided that this work was performed under the direct supervision of an individual licensed by a state to engage in the practice of public accountancy.

(c) Qualifying experience for licensure includes providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills.

(d) The board shall prescribe rules related to the experience requirements set forth in this section, including a requirement that each applicant demonstrate to the board satisfactory experience in the attest function as it relates to financial statements. For purposes of this subdivision, the attest function includes audit and review of financial statements in this section.

(e) This section shall remain in effect only until January 1, 2006, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2006, deletes or extends that date.

SEC. 12. Section 5084 of the Business and Professions Code is amended to read:

5084. For applicants seeking licensure pursuant to subdivision (b) of Section 5090, the board shall grant one year's credit toward fulfillment of its public accounting experience requirement to a graduate of a college who has completed a four-year course with 45 or more semester units or the equivalent thereof in the study of accounting and related business administration subjects, of which at least 20 semester units or the equivalent thereof shall be in the study of accounting.

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

This section shall remain in effect only until January 1, 2006, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2006, deletes or extends that date.



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

5087. (a) The board may issue a certified public accountant license to any applicant who is a holder of a valid and unrevoked certified public accountant license issued under the laws of any state, if the board determines that the standards under which the applicant received the license are substantially equivalent to the standards of education, examination, and experience established under this chapter and the applicant has not committed acts or crimes constituting grounds for denial under Section 480. To be authorized to sign reports on attest engagements, the applicant shall meet the requirements of Section 5095.

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

SEC. 14. Section 5088 of the Business and Professions Code is amended to read:

5088. (a) Any person who is the holder of a valid and unrevoked license as a certified public accountant issued under the laws of any state and who applies to the board for a license as a certified public accountant under the provisions of Section 5087 may, after application for licensure and after providing evidence of qualifying continuing education, perform the same public accounting services in this state as a certified public accountant licensed under Section 5092 or 5093 until the time his or her application for a license is granted or rejected.

(b) An applicant meeting the requirements of subdivision (a) who certifies that he or she has met the requirements of Section 5095 may perform attest services in this state until the time his or her application for a license is granted or rejected.

SEC. 15. Section 5090 is added to the Business and Professions Code, to read:

5090. (a) An applicant for the certified public accountant license shall comply with the education, examination, and experience requirements in either Section 5092 or 5093.

(b) Notwithstanding subdivision (a), an applicant who applied, qualified, and sat for at least two subjects of the examination for the certified public accountant license before May 15, 2002, may complete the examination and qualify for licensure based on the requirements in Sections 5081.1, 5082, 5082.2, 5083, 5084, and applicable regulations adopted by the board that were in effect on December 31, 2001, or comparable examination requirements adopted by the board in the event the form or format of the examination changes, provided the applicant qualifies and applies for licensure before January 1, 2006.



SEC. 16. Section 5091 is added to the Business and Professions Code, to read:

5091. At the time of application for the examination, the applicant shall choose whether he or she is making an application under Section 5092 or 5093. An applicant making an application under Section 5093 may change and apply under Section 5092 without having to retake sections of the examination already passed provided those sections were passed in accordance with the requirements of Section 5092.

SEC. 17. Section 5092 is added to the Business and Professions Code, to read:

5092. (a) To qualify for the certified public accountant license, an applicant who is applying under this section shall meet the education, examination, and experience requirements in subdivisions (b), (c), and (d) of this section. The board may adopt regulations as necessary to implement this section.

(b) An applicant for the certified public accountant license shall present satisfactory evidence that the applicant has completed a baccalaureate or higher degree conferred by a college or university, meeting, at a minimum, the standards described in Section 5094, the total educational program to include a minimum of 24 semester units in accounting subjects and 24 semester units in business related subjects. This evidence shall be provided prior to admission to the examination for the certified public accountant license, except that an applicant who passed the examination before December 31, 2001, may provide this evidence at the time of application for licensure provided the applicant applies and qualifies for licensure before January 1, 2006.

(c) An applicant for the certified public accountant license shall pass an examination in accounting, auditing, and other subjects the board deems appropriate. An applicant who fails this examination has the right to reexamination. During the time this examination is a written, paper and pencil examination, an applicant who passes two or more subjects at any examination shall receive a conditional credit for those subjects and does not need to sit for reexamination in those subjects. The applicant shall have the right to be reexamined in the remaining subject or subjects only at the six subsequent consecutive examinations immediately following receipt of the conditional credit. If the remaining subject or subjects are passed during the six subsequent examinations, the candidate shall be considered to have passed the examination.

The conditional credit period provided in this section may be extended by the board upon a showing of extraordinary extenuating circumstances that prevented the applicant from retaking the examination during this period.



(d) The applicant shall show, to the satisfaction of the board, that the applicant has had two years of qualifying experience. This experience may include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills. To be qualifying under this section, experience shall have been performed in accordance with applicable professional standards. Experience in public accounting shall be completed under the supervision or in the employ of a person licensed or otherwise having comparable authority under the laws of any state or country to engage in the practice of public accountancy. Experience in private or governmental accounting or auditing shall be completed under the supervision of an individual licensed by a state to engage in the practice of public accountancy.

SEC. 18. Section 5093 is added to the Business and Professions Code, to read:

5093. (a) To qualify for the certified public accountant license, an applicant who is applying under this section shall meet the education, examination, and experience requirements specified in subdivisions (b), (c), and (d) of this section. The board may adopt regulations as necessary to implement this section.

(b) (1) An applicant for admission to the certified public accountant examination under the provisions of this section shall present satisfactory evidence that the applicant has completed a baccalaureate or higher degree conferred by a college or university, meeting, at a minimum, the standards described in Section 5094, the total educational program to include a minimum of 24 semester units in accounting subjects and 24 semester units in business related subjects. This evidence shall be provided at the time of application for admission to the examination, except that an applicant who passed the examination before December 31, 2001, may provide this evidence at the time of application for licensure provided the applicant applies and qualifies for licensure before January 1, 2006.

(2) An applicant for issuance of the certified public accountant license under the provision of this section shall present satisfactory evidence that the applicant has completed at least 150 semester units of college education including a baccalaureate or higher degree conferred by a college or university, meeting, at a minimum, the standards described in Section 5094, the total educational program to include a minimum of 24 semester units in accounting subjects and 24 semester units in business related subjects. This evidence shall be presented at the time of application for the certified public accountant license.

(c) An applicant for the certified public accountant license shall pass an examination in accounting, auditing, and other subjects the board



deems appropriate. An applicant who fails this examination has the right to reexamination. During the time this examination is a written, paper and pencil examination, the applicant shall pass the examination in accordance with the requirements of paragraphs (1) and (2) of this subdivision.

(1) If at a given sitting of the examination an applicant passes two or more subjects, but does not pass all subjects, the applicant shall be given conditional credit for those subjects and the applicant does not need to sit for reexamination in those subjects, provided that:

(A) At that sitting the applicant sat for all subjects for which the applicant does not have credit.

(B) The applicant attained a minimum standardized score of 50 as determined by the board on each subject taken at that sitting.

(2) In order to pass the examination pursuant to the conditional credit described in paragraph (1), the applicant shall pass the remaining subjects within six subsequent consecutive examinations given after the one at which the first subjects were passed.

(A) At each subsequent sitting at which the applicant seeks to pass in any additional subjects, the applicant sits for all subjects for which the applicant does not have credit.

(B) In order to receive credit for passing additional subjects in any subsequent sitting, the applicant attains a minimum standardized score of 50 as determined by the board on the subjects taken at that sitting.

The conditional credit period provided in this section may be extended by the board upon a showing of extraordinary extenuating circumstances that prevented the applicant from retaking the examination during this period.

(d) The applicant shall show, to the satisfaction of the board, that the applicant has had one year of qualifying experience. This experience may include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills. To be qualifying under this section, experience shall have been performed in accordance with applicable professional standards. Experience in public accounting shall be completed under the supervision or in the employ of a person licensed or otherwise having comparable authority under the laws of any state or country to engage in the practice of public accountancy. Experience in private or governmental accounting or auditing shall be completed under the supervision of an individual licensed by a state to engage in the practice of public accountancy.

SEC. 19. Section 5094 is added to the Business and Professions Code, to read:



5094. (a) In order for education to be qualifying, education shall meet the standards described in subdivision (b) or (c) of this section.

(b) At a minimum, education must be from a university, college, or other institution of learning accredited by a regional institutional accrediting agency included in a list of these agencies published by the United States Secretary of Education under the requirements of the Higher Education Act of 1965 as amended (20 U.S.C. Sec. 1001 and following).

(c) Education from a college, university, or other institution of learning located outside the United States may be qualifying provided it is deemed by the board to be equivalent to education obtained under subdivision (b). The board may require an applicant to submit documentation of his or her education to a credentials evaluation service approved by the board for evaluation and to cause the results of this evaluation to be reported to the board in order to assess educational equivalency.

(d) The board shall adopt regulations specifying the criteria and procedures for approval of credential evaluation services. These regulations shall, at a minimum, require that the credential evaluation service (1) furnish evaluations directly to the board, (2) furnish evaluations written in English, (3) be a member of the American Association of Collegiate Registrars and Admission Officers, the National Association of Foreign Student Affairs, or the National Association of Credential Evaluation Services, (4) be used by accredited colleges and universities, (5) be reevaluated by the board every five years, (6) maintain a complete set of reference materials as specified by the board, (7) base evaluations only upon authentic, original transcripts and degrees and have a written procedure for identifying fraudulent transcripts, (8) include in the evaluation report, for each degree held by the applicant, the equivalent degree offered in the United States, the date the degree was granted, the institution granting the degree, an English translation of the course titles, and the semester unit equivalence for each of the courses, (9) have an appeal procedure for applicants, and (10) furnish the board with information concerning the credential evaluation service that includes biographical information on evaluators and translators, three letters of references from public or private agencies, statistical information on the number of applications processed annually for the past five years, and any additional information the board may require in order to ascertain that the credential evaluation service meets the standards set forth in this subdivision and in any regulations adopted by the board.

SEC. 20. Section 5095 is added to the Business and Professions Code, to read:



5095. (a) To be authorized to sign reports on attest engagements, a licensee shall complete a minimum of 500 hours of experience, satisfactory to the board, in attest services.

(b) To be qualifying under this section, attest experience shall have been performed in accordance with applicable professional standards. Experience in public accounting shall be completed under the supervision or in the employ of a person licensed or otherwise having comparable authority under the laws of any state or country to engage in the practice of public accountancy and provide attest services, and this experience shall be verified. Experience in private or governmental accounting or auditing shall be completed under the supervision of an individual licensed by a state to engage in the practice of public accountancy and perform attest services, and this experience shall be verified. An applicant may be required to present work papers or other evidence substantiating that the applicant has met the requirements of this section and applicable regulations.

(c) An individual who qualified for licensure by meeting the requirements of Section 5083 shall be deemed to have satisfied the requirements of this section.

(d) The board shall adopt regulations to implement this section, including, but not limited to, a procedure for applicants under Section 5092 or Section 5093 to qualify under this section.

SEC. 21. This act shall become operative only if Senate Bill No. 133 of the 2001–02 Regular Session is enacted and becomes effective on or before January 1, 2002.

