

AMENDED IN ASSEMBLY APRIL 29, 2002

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 2970

Introduced by Assembly Member Wayne

February 25, 2002

An act to ~~amend Section 5150 of~~ *add Section 5062.2* to the Business and Professions Code, relating to accounting.

LEGISLATIVE COUNSEL'S DIGEST

AB 2970, as amended, Wayne. Accounting: ~~accountancy corporations audits.~~

Existing law establishes the California Board of Accountancy, in the Department of Consumer Affairs, for the purpose of licensing and regulating public accountants. In addition to other requirements, a licensee is required to issue a report conforming to professional standards upon completion of a compilation, review, or audit of financial statements.

This bill would prohibit a licensee from accepting employment with a publicly traded corporation or its affiliate within 24 months of the date of issuance of a financial statement where the licensee had a specified level of participation in the audit engagement and the employment would permit the licensee to exercise significant authority over accounting or financial reporting.

~~Existing law establishes the California Board of Accountancy in the Department of Consumer Affairs for the purpose of regulating public accountants. Existing law defines an accountancy corporation and provides that an accountancy corporation is entitled to practice accountancy.~~

~~This bill would make a nonsubstantive change in these provisions.~~
Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

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

1 ~~SECTION 1.—Section 5150 of the Business and Professions~~
2 *SECTION 1. Section 5062.2 is added to the Business and*
3 *Professions Code, to read:*
4 *5962.2. A licensee shall not accept employment with a*
5 *publicly traded corporation or its affiliate within 24 months of the*
6 *date of issuance of a financial statement report if both of the*
7 *following criteria are met:*
8 *(a) The licensee has participated in an audit engagement for*
9 *the corporation and held responsibility, with respect to the audit*
10 *engagement, requiring the licensee to exercise significant*
11 *judgment in the audit process. Responsibilities meeting the*
12 *requirements of this subdivision include, but are not limited to,*
13 *positions, however titled, where the licensee was the person in*
14 *charge of the fieldwork, up through positions where the licensee*
15 *was a partner on the engagement.*
16 *(b) The employment would permit the licensee to exercise*
17 *significant authority over accounting or financial reporting,*
18 *including authority over the controls related to those functions.*
19 ~~Code is amended to read:~~
20 ~~5150.—An accountancy corporation is a corporation that is~~
21 ~~registered with the California Board of Accountancy and has a~~
22 ~~currently effective certificate of registration from the board~~
23 ~~pursuant to the Moscone-Knox Professional Corporation Act, as~~
24 ~~contained in Part 4 (commencing with Section 13400) of Division~~
25 ~~3 of Title 1 of the Corporations Code, and this article. Subject to~~
26 ~~all applicable statutes, rules, and regulations, an accountancy~~
27 ~~corporation is entitled to practice accountancy. With respect to an~~
28 ~~accountancy corporation, the governmental agency referred to in~~
29 ~~the Moscone-Knox Professional Corporation Act is the California~~
30 ~~Board of Accountancy.~~

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