

Senate Bill No. 773

CHAPTER 344

An act to amend Sections 5093, 5094, 5094.5, and 5094.6 of, and to add Section 5094.3 to, the Business and Professions Code, relating to accountants.

[Approved by Governor September 26, 2011. Filed with
Secretary of State September 26, 2011.]

LEGISLATIVE COUNSEL'S DIGEST

SB 773, Negrete McLeod. Accountants.

Existing law provides for the licensure and regulation of accountants by the California Board of Accountancy in the Department of Consumer Affairs. Existing law requires an applicant for an accountancy license to complete a minimum of 24 semester units in accounting subjects and a minimum of 24 semester units in business-related subjects, or as calculated in quarter units. Existing law, on and after January 1, 2014, requires an applicant for an accountancy license to complete an additional 10 units in ethics study and 20 units in accounting study, and establishes an advisory committee to recommend to the board ethics study guidelines, to be adopted by the board by regulation.

This bill would set forth the ethics study requirements that, on and after January 1, 2014, would apply to an applicant for an accountancy license, as specified. The bill would authorize the advisory committee described above to determine that a course or portion of a course satisfies the ethics study requirements. The bill would make conforming changes to related provisions and delete the requirement that the board adopt these provisions by regulation.

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

SECTION 1. Section 5093 of the Business and Professions Code is amended 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), or otherwise prescribed pursuant to this article. 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 degree-granting university, college, or other institution of

learning accredited by a regional or national 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 et seq.), or meeting, at a minimum, the standards described in subdivision (c) of Section 5094. The total educational program shall 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 applied, qualified, and sat for at least two subjects of the examination for the certified public accountant license before May 15, 2002, may provide this evidence at the time of application for licensure.

(2) An applicant for issuance of the certified public accountant license under the provisions 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, 24 semester units in business-related subjects, and, after December 31, 2013, shall also include a minimum of 10 units of ethics study consistent with the requirements set forth in Section 5094.3 and 20 units of accounting study consistent with the regulations promulgated under subdivision (c) of Section 5094.6. This evidence shall be presented at the time of application for the certified public accountant license. Nothing herein shall be deemed inconsistent with Section 5094 or 5094.6. The Advisory Committee on Accounting Ethics Curriculum established under Section 5094.5 may determine that a course or a portion of a course satisfies the ethics study requirement. Nothing herein shall be construed to be inconsistent with prevailing academic practice regarding the completion of units.

(c) An applicant for the certified public accountant license shall pass an examination prescribed by the board.

(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.

(e) Applicants completing education at a college or university located outside of this state, meeting, at a minimum, the standards described in Section 5094, shall be deemed to meet the educational requirements of this section if the board determines that the education is substantially equivalent to the standards of education specified under this chapter.

SEC. 2. Section 5094 of the Business and Professions Code is amended to read:

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

(b) At a minimum, education shall be from a degree-granting university, college, or other institution of learning accredited by a regional or national 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 et seq.).

(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 credential 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. 3. Section 5094.3 is added to the Business and Professions Code, to read:

5094.3. (a) An applicant for licensure as a certified public accountant shall, to the satisfaction of the board, provide documentation of the completion of 10 semester units or 15 quarter units of ethics study, as set forth in paragraph (2) of subdivision (b) of Section 5093, in the manner prescribed in this section.

(b) (1) Between January 1, 2014, and December 31, 2016, inclusive, an applicant shall complete 10 semester units or 15 quarter units in courses described in subdivisions (d), (e), and (f).

(2) Beginning January 1, 2017, an applicant shall complete 10 semester units or 15 quarter units in courses described in subdivisions (c), (d), (e), and (f).

(c) A minimum of three semester units or four quarter units in courses at an upper division level or higher devoted to accounting ethics or accountants' professional responsibilities, unless the course was completed at a community college, in which case it need not be completed at the upper division level or higher.

(d) Between January 1, 2014, and December 31, 2016, inclusive, a maximum of 10 semester units or 15 quarter units, and on and after January 1, 2017, a maximum of 7 semester units or 11 quarter units, in courses containing the following terms in the course title:

- (1) Business, government, and society.
- (2) Business law.
- (3) Corporate governance.
- (4) Corporate social responsibility.
- (5) Ethics.
- (6) Fraud.
- (7) Human resources management.
- (8) Business leadership.
- (9) Legal environment of business.
- (10) Management of organizations.
- (11) Morals.
- (12) Organizational behavior.
- (13) Professional responsibilities.
- (14) Auditing.

(e) (1) A maximum of three semester units or four quarter units in courses taken in the following disciplines:

- (A) Philosophy.
- (B) Religion.
- (C) Theology.

(2) To qualify under this subdivision, the course title shall contain one or more of the terms "introduction," "introductory," "general," "fundamentals of," "principles," "foundation of," or "survey of," or have the name of the discipline as the sole name of the course title.

(f) A maximum of one semester unit of ethics study for completion of a course specific to financial statement audits.

SEC. 4. Section 5094.5 of the Business and Professions Code is amended to read:

5094.5. (a) There is hereby created within the jurisdiction of the board the Advisory Committee on Accounting Ethics Curriculum. For purposes of this section, "committee" means the advisory committee established under this section.

(b) The committee shall consist of the following 11 members:

(1) One member appointed by the California Public Employees Retirement System.

(2) Two members appointed by the Regents of the University of California. These members shall be professors of business ethics or accounting who have published works on the desirability and potential contents of accounting ethics education.

(3) Two members appointed by the California State University Board of Trustees. These members shall be professors of business ethics or accounting who have published works on the desirability and potential contents of accounting ethics education.

(4) Two members representing the California Community Colleges appointed by the Board of Governors of the California Community Colleges. These members shall be instructors of business ethics or accounting.

(5) The Senate Committee on Rules, the Speaker of the Assembly, and the board shall each appoint one member. The members appointed by the Senate Committee on Rules and the Speaker of the Assembly shall be from organized labor or consumer advocacy organizations.

(6) The Governor shall appoint one California certified public accountant in public practice from a list provided by the California Society of Certified Public Accountants.

(c) The term of a member of the committee shall be at the pleasure of the appointing authority.

(d) The committee shall be subject to the Bagley-Keene Open Meeting Act (Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code).

(e) This section shall remain in effect only until January 1, 2014, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2014, deletes or extends that date.

SEC. 5. Section 5094.6 of the Business and Professions Code is amended to read:

5094.6. (a) No later than June 1, 2012, the committee shall recommend to the board ethics study guidelines consisting of no less than 10 semester units to be included as a part of the education required under Section 5093. Ethics study may consist of academic courses, portions of courses, or independent study offered by degree-granting universities, colleges, or other institutions of learning accredited by a regional or national accrediting agency. Nothing herein shall be deemed inconsistent with prevailing academic practice regarding completion of units.

(b) The board shall, no later than January 1, 2012, by regulation, adopt guidelines for accounting study to be included as part of the education required under Section 5093. In promulgating these regulations, the board shall consider the views of the Accounting Education Advisory Committee established under Section 5094.7.

(c) No later than six months following the issuance of the report by the California Research Bureau regarding the Uniform Accountancy Act's 150-hour rule, the board shall hold a hearing on the report. At the hearing, the board shall make recommendations, based on that report, to the National

Association of State Boards of Accountancy and the American Institute of Certified Public Accountants for ensuring the relevancy of accountancy education to the modern practice of accounting and shall approve a plan for the board to seek the adoption of those recommendations and any others the board may recommend related to enforcement and Internet disclosure.

(d) For purposes of this section, the following definitions shall apply:

(1) Except as provided in subdivision (c), “committee” means the Advisory Committee on Accounting Ethics Curriculum established under Section 5094.5.

(2) “Ethics study guidelines” means the guidelines for the study of ethics adopted for California by the committee and the board consisting of a program of learning that provides students with a framework of ethical reasoning, professional values, and attitudes for exercising professional skepticism and other behavior that is in the best interest of the investing and consuming public and the profession. At minimum, it includes academic work or independent study and shall include a foundation for ethical reasoning and the core values of integrity, objectivity, and independence consistent with the International Education Standards-4 of the International Accountants Education Standards Board, the International Federation of Accountants Code of Ethics, and the American Institute of Certified Public Accountants Code of Professional Conduct.

(3) “Accounting study” means 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.