

Memorandum

AEC Agenda Item VI.
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To : AEC Members

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Subject : Consideration on Defining Terms and Establishing a Framework for the 20 Units of Accounting Study

This memorandum provides Accounting Education Committee (AEC) members with information intended to assist in the development of the 20 units of accounting study. Staff believe that prior to establishing a framework (i.e. allocation of subject matter) for the 20 units of accounting study it is important for members to first come to a consensus on the definition for terms that will be used when establishing the framework.

Defining Terms

The definition of accounting study, provided in Senate Bill (SB) 819, includes 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. Below staff have broken down the individual terms and provided relevant information including content gathered from the April AEC meeting for consideration of each definition.

Accounting and Business

During discussions at the April AEC meeting, members came to a general consensus that maintaining the existing definitions for academic work in both accounting and business as provided in Section 9.2 of the California Board of Accountancy (CBA) Regulations would be prudent. Section 9.2 identifies acceptable accounting subjects as: accounting, auditing, financial reporting, external or internal reporting, financial statement analysis or taxation. This section identifies acceptable business subjects as accounting, 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.

Ethics

There was also discussion among members at the April AEC meeting to defer defining appropriate ethics subject matter to the Ethics Curriculum Committee (ECC), as the ECC was established by SB 819 for the express purpose of recommending ethics study guidelines to the CBA. Though many appointments to the ECC have yet to be filled, staff is hopeful that the ECC will be meeting in conjunction with the next AEC meeting.

Independent Study or Other Academic Work

In considering a possible starting point for defining the term independent study or other academic work, members may wish to consider how the California Department of Education (CDE) defines independent study. The CDE finds that independent study offers flexibility to meet individual student needs, interests, and styles of learning by providing:

“an alternative instructional strategy where students work independently, according to a written agreement and under the general supervision of a credentialed teacher.”

Independent study and the phrase “other academic work” are not defined in CBA Regulation, therefore if either independent study or other academic work will be included as part of the 20 units of accounting study, members have much to consider. For example, should the terms independent study and other academic work be defined as one or are they mutually exclusive? Should the definition include internships?

Other Academic Work Relevant to Accounting and Business

The phrase “other academic work relevant to accounting and business” is extremely broad and could encompass a multitude of subject matter such as technical writing, risk assessment, or industry-specific business courses, which are included in a number of other states’ education requirements (**Agenda Item V**). Even languages and science courses have the potential to fall under this category.

During discussions on this topic at the April AEC meeting, members expressed an interest in knowing the acceptable subject matter for meeting the continuing education requirements for license renewal. At that time staff indicated that licensees must complete a minimum of 50 percent of the total required hours in technical subject matter including accounting, auditing, fraud, taxation, consulting, financial planning, ethics, regulatory review, computer and information technology,

and specialized industry or government practices. Approved non-technical subject matter, which can account for no more than 50 percent of the total required hours, includes communication skills, word processing, sales, marketing, motivational techniques, negotiation skills, office management, practice management, and personnel management.

As a starting point for discussion, members may wish to consider a public comment received at the CBA office from Professor Robert J. Yetman, Associate Professor of Accounting in the Graduate School of Management at the University of California, Davis (**Agenda Item VIII**). In the letter Professor Yetman recommended that courses providing general business knowledge, communication skills, and an understanding of the technology and sciences used by clients would be beneficial. Any or all of these subjects are open to consideration by members for inclusion in the definition of other academic work relevant to accounting and business.

Establishing a Framework

When it comes to considering how to establish a framework for the 20 units of accounting study, members have an infinite number of possibilities for allocating the units, which can consist of any or all of the subjects identified in SB 819 – accounting, business, ethics, business law, or other academic work relevant to accounting and business. Outlined below are some items members may wish to discuss regarding the framework of the 20 units of accounting study.

- Placing caps and/or setting a minimum number of units for specific subject matter.
- Specifically include independent study or other academic work.
- Remain silent on independent study or other academic work and require units to meet the standards already established in Section 5094 of the Accountancy Act.
- Placing a cap on the number of units a student is able to complete via independent study.
- Specifying the level (lower division, upper division, and/or graduate) at which units must be completed.
- Weighting the 20 units more heavily in accounting-related subjects.
- Weighting the 20 units more heavily in business-related subjects.

- Weighting the 20 units more heavily in other academic work relevant to accounting and business.
- Keeping in mind the original 24/24 requirement does not require a certain number of units to be completed in any specific accounting or business subject area, do members feel that the additional 20 units of accounting study should be more narrowly defined?

To provide a tangible example of how the 20 units of accounting study could be allocated, on page four of Professor Yetman's letter, he recommends the 20 units be in accounting and/or business related topics as currently defined by the CBA. Of the 20 units, Professor Yetman suggests a maximum of 12 units could be in other academic work relevant to the practice of accounting with the additional requirement that the 12 units must be in at least two areas such that no more than six units may be in a single area. In making this recommendation, Professor Yetman expressed his opinion that what is missing from the present education requirements is not more accounting course work but "a better understanding of the business world accountants are called upon to serve."

As members commence discussions on this topic it is important to remember the composition of the 20 units of accounting study should strike a balance between ensuring students obtain the minimum technical skills necessary to competently enter the practice of public accountancy, thus enhancing consumer protection, while also maintaining a level of flexibility in course selection so as to avoid creating barriers into the profession for students.

As members reach agreements on these topics it is important to take formal action so staff can begin drafting potential regulatory language for consideration at future AEC meetings.