

Framework for Revision – Rules 5-1 and 5-2  
NASBA Education Task Force – January 16, 2006

The National Association of State Boards of Accountancy (NASBA) is comprised of the boards of accountancy in the 50 states and the District of Columbia, Guam, Puerto Rico, the Virgin Islands and the Commonwealth of Northern Mariana Islands. As with other professions, public accounting is built upon a statutory foundation providing for the examination and licensing of members of the profession, and for the regulation of their professional conduct. All CPAs are examined, licensed, and regulated under state accountancy laws and regulations, and every American jurisdiction includes such laws and regulations. While these laws and regulations are state based, consistency across the various jurisdictions is enhanced through the Uniform Accountancy Act (UAA), first introduced by NASBA and the AICPA in 1984.

An Exposure Draft (ED) of revisions to Rules 5-1 and 5-2 of the UAA was issued in February 2005 to which numerous comments were received and, as a result, the ED was tabled for further review. As a part of that review, this document was developed specifically to address concerns expressed by interested parties. Key provisions within the ED have been identified, and potential revisions are presented as a framework for discussion.

Fundamental to the development of this document is the reliance on accreditation for assurance of quality control of the courses. This concept allows the UAA to focus on defining appropriate educational subjects which contribute to preparedness for the CPA exam and entrance into the profession. The requirements are intended to be both specific and practical. Specificity is needed to support substantial equivalency across the different jurisdictions and practicality is needed for ease of administration.

**1. Overarching need for ease of administration for Regulatory Boards and flexibility for universities.**

Requirements must reflect the Boards' primary responsibility to protect the public interest. Additionally, regulatory bodies need requirements to be readily determinable and measurable due to limited resources. Any requirement that is "integrated across the curriculum" creates problems of measurement for effective regulation by the Boards. At the same time, flexibility is needed by the universities to design programs that meet their needs, and the CPA profession needs well-educated accounting graduates.

**2. Role of Accreditation – (original ED relied on levels of accreditation)**

*Revision* - Retain the reliance on accreditation for quality assurance including the 3 accreditation levels, but lessen the work required by the Boards in evaluating transcripts. Expand to include both national accreditation bodies – AACSB and ACBSP.

A summary of the levels is as follows:

Level 1 – the accounting program or department is accredited by a national accreditation agency such as AACSB.

Level 2 – the accounting program or department is not accredited, but the business school or program is accredited by a national accreditation agency such as AACSB or ACBSP.

Level 3 – neither the business school or program nor the accounting program or department are accredited, but the educational institution is accredited by one or more recognized regional accrediting agencies (see current rules for list).

Level 4 – no accreditation or an accreditation not recognized by the Board.

Option A –

Degrees from Levels 1, 2 & 3 institutions would be accepted by the Board. Transcripts from Levels 1 and 2 universities should require little scrutiny. Transcripts from a Level 3 university require more detailed review by the Board for compliance with the accounting and business subject matter requirements. Degrees from Level 4 institutions would generally not be acceptable.

Option B –

Degrees from Levels 1, 2 & 3 institutions would be accepted by the Board and transcripts should require similar scrutiny. Degrees from Level 4 institutions would generally not be acceptable.

3. **Accounting course component** – (original ED specified numbers of hours and specific courses)

*Revision* - Lessen specificity and increase flexibility by adopting a course subject approach such as the following:

Option A

A minimum of 30 semester hours including: not fewer than 27 semester hours of upper division undergraduate and/or graduate accounting courses (or the equivalent) covering some or all of the following plus an additional 3 hours which may cover accounting subjects not included in the list. Additional courses must have substantial merit in the context of a career in public accounting and require approval by the Board.

- (1) Financial accounting and reporting for business organizations, including Intermediate Accounting, Advanced Accounting and Accounting Theory
- (2) Financial accounting and reporting for government and not-for-profit entities.
- (3) Auditing and attestation services
- (4) Managerial or cost accounting
- (5) Taxation
- (6) Fraud examination
- (7) Internal controls
- (8) Financial statement analysis
- (9) Accounting research and analysis
- (10) Tax research and analysis
- (11) Accounting information systems, including management information systems provided they are listed or cross-listed as accounting courses, and the university accepts these courses as satisfying the accounting course requirements for graduation with a degree in accounting

Option B

A minimum of 30 semester hours including: 24 hours including all of the following courses of upper division undergraduate and/or graduate accounting courses (or the equivalent) plus an additional 6 upper division hours (9 if Research and Analysis is integrated) which may come from courses not on the list. Additional courses must have substantial merit in the context of a career in public accounting and require approval by the Board.

- (1) 6 hours of Financial Accounting and Reporting for Business Organizations including Intermediate Accounting
- (2) 3 hours of Advanced Accounting
- (2) 3 hours of Financial Accounting and Reporting for Government and Not-for-Profit Organizations

- (3) 3 hours of Auditing and Attestation Services
- (4) 3 hours of Taxation
- (5) 3 hours of Managerial or Cost Accounting
- (7) 3 hours of Research and Analysis in Accounting (not required if integration option is chosen for Research and Analysis in Accounting)

4. **Business course component** – (original ED specified numbers of hours and specific courses)

*Revision* - Lessen specificity and increase flexibility by adopting a course subject approach such as the following:

Option A

Not fewer than 30 semester hours of upper division undergraduate and/or graduate accounting related business courses (or the equivalent) covering some or all of the following:

- (1) Business law
- (2) Economics
- (3) Management
- (4) Marketing
- (5) Finance
- (6) Business communications
- (7) Statistics
- (8) Quantitative methods
- (9) Technical writing
- (10) Information systems or technology, and
- (11) Other areas related to accounting

Option B

Not fewer than 30 semester hours of upper division undergraduate and/or graduate accounting related business courses (or the equivalent) including: all of the following courses plus 6 upper division hours (9 if Business Communications course is integrated) which may come from courses not on the list. Additional courses must have substantial merit in the context of a career in public accounting and require approval by the Board.

- (1) 3 hours in Business Law
- (2) 3 hours in Economics
- (3) 3 hours in Management
- (4) 3 hours in Marketing
- (5) 3 hours in Finance
- (6) 3 hours in Quantitative Methods
- (7) 3 hours in Information Systems or Technology
- (8) 3 hours in Business Communications (not required if integration option is chosen for communications requirement).

5. **Communications in accounting** – (original ED integrated across the curriculum)

*Revision* – Restate as a business communications requirement.

Option A

Remove as integrated requirement and include in business course component list.

Option B

Retain as optional integrated requirement equivalent to 3 semester hours. Universities are responsible for providing evidence of coverage under integration option and are subject to Board approval.

**6. Research and analysis in accounting** – (original ED integrated across the curriculum)

Option A

Remove as integrated requirement and Include in accounting course component list.

Option B

Retain as optional integrated requirement equivalent to 3 semester hours. Universities are responsible for providing evidence of coverage under integration option and are subject to Board approval.

**7. Independent study**

*Revision* – Retain basic structure. A maximum of 6 hours may count towards meeting the accounting and/or business component requirements.

**8. Internships –**

*Revision* - Retain the number of allowable hours. Consider including guidelines.

Option A –

Limited guidelines such as:

- (1) Maximum of 6 hours ( 3 hours for accounting component and 3 hours for business course component)
- (2) The accounting knowledge gained is equal to or greater than the knowledge gained in a traditional accounting classroom setting.
- (3) The student demonstrates the knowledge gained through a paper or other deliverable suitable to the internship.
- (4) The student and/or faculty coordinator provides evidence of the deliverable upon request by the Board.

Option B –

Maximum of 6 hours (3 hours for accounting component and 3 hours for business course component). No additional guidelines.

**9. Ethics -**

*Revision* - Substantial support exists for inclusion of an ethics requirement. While the ideal requirement recommended was 9 hours including a 3 hour foundational class, 3 hours integrated, and 3 hours accounting specific, limited resource suggest a less aggressive approach. There is also a valid need for flexibility for universities to design the course(s) in the department(s) best suited for that university. In Texas a 3 hour ethics requirement has been in existence for several years. Experience has shown that the larger universities have tended to adopt an accounting ethics class and smaller universities have tended to adopt a business ethics class which includes accounting ethics.

Option A – (original ED required 6 hours ethics)

Limited guidelines for a 3 hour course (not integrated) such as:

In addition to the accounting and business components, an additional 3 semester hours would be earned through a course in ethics. The course must include core values such as ethical reasoning, integrity, objectivity, and independence.

Option B

Remove the prohibition of including integrated portion in Business Law class. Retain original ED requirement of 6 hours with more flexible content definition, such as:

In addition to the accounting and business components, an additional 6 semester hours would be earned through the study of ethics. 3 hours of this could be integrated across the curriculum and 3 hours must be earned through a course in ethics. The course must include ethical reasoning, integrity, objectivity, independence and other core values. Institutions will be responsible for demonstrating the integrated coverage is equivalent to 3 semester hours.

**Please e-mail comments by April 28, 2006 to:**

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