

RULES 5-1 and 5-2 EXPOSURE DRAFT
August 24, 2007

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ARTICLE 5--CERTIFIED PUBLIC ACCOUNTANTS

Rule 5-1 - Education Requirements – Definitions.

- a) “Semester credit hour” (SCH) means the conventional college semester credit hour. “Quarter credit hours” may be converted to semester credit hours by multiplying them by two-thirds; i.e., one quarter credit hour equals two-thirds of a semester credit hour.
- b) “College(s) or university(s)” means board-recognized institution(s) of higher education accredited by generally recognized accrediting organizations.
- c) “Accreditation” means the quality control of the education process provided by generally recognized regional and/or national accreditation organizations. These Rules refer to three levels of accreditation. Level 1 represents the most comprehensive review at the accounting program level and Level 3 is the least comprehensive review at the college or university level. Colleges or universities without accreditation, as defined below, would generally lack any level of accreditation including the college or university, the business school or program (“business school”), and/or the accounting department or program (“accounting program”).
1. **Level 1 accreditation** – the accounting program. In a Level 1 accreditation, the college or university; business school; and the accounting program are separately accredited. This level applies to an accounting program that is accredited by an organization recognized by the Council of Higher Education Accreditation (CHEA) as a specialized or professional accrediting organization, such as the Association to Advance Collegiate Schools of Business-International (AACSB). Accredited accounting programs have met standards substantially higher and much more specific than those required for Level 2 or Level 3 accreditation.
 2. **Level 2 accreditation** – the business school. In a Level 2 accreditation, the college or university and the business school are accredited, but the accounting program is not separately accredited. This level applies to a business school that is accredited by an organization recognized by the Council of Higher Education Accreditation (CHEA) as a specialized or professional accrediting organization, such as the AACSB or the Association of Collegiate Business Schools and Programs (ACBSP).
 3. **Level 3 accreditation** – the college or university. In a Level 3 accreditation, the college or university is accredited, but neither the business school nor the accounting program meet Level 1 or Level 2 requirements. This level applies to a degree-granting college or university that is not accredited at Level 1 or Level 2, but is accredited by an organization currently recognized by the Council of Higher Education Accreditation as a regional accrediting organization, such as Middle States Association of Colleges and Schools, New England Association of Schools and Colleges Commission on Colleges or Universities of Higher Education, North Central Association of Colleges and Schools, The Higher Learning Commission, Northwest Commission on Colleges and Universities, Southern Association of Colleges and Schools Commission on Colleges,

RULES 5-1 and 5-2 EXPOSURE DRAFT
August 24, 2007

1 **and Western Association of Schools and Colleges Accrediting Commission for Senior**
2 **Colleges and Universities.**

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4 **4. College or university without accreditation – an educational institution or entity that**
5 **does not have an accreditation of either the college or university, business school, or**
6 **accounting program; or a college or university accredited by organizations not**
7 **recognized by the Board.**

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9 **c) “Integration of subject matter” means a program of learning where certain subjects, which**
10 **may be discrete courses in some colleges or universities, are integrated or embedded within**
11 **related courses. Colleges or universities that use an integrated approach to cover such**
12 **multiple course subjects should provide evidence of the required coverage pursuant to Rule**
13 **5-2(d). Acceptance of integration of any subject matter requires Board approval.**

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15 **d) “Ethics” means a program of learning that provides students with a framework of ethical**
16 **reasoning, professional values and attitudes for exercising professional skepticism and other**
17 **behavior that is in the best interest of the public and profession. At a minimum, an ethics**
18 **program should provide a foundation for ethical reasoning and the core values of integrity,**
19 **objectivity and independence.**

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21 **e) “Internship” means short-term faculty supervised work experience usually related to a**
22 **student’s major field of study, for which the student earns academic credit.**

23
24 **f) “Independent study” means academic work selected or designed by the student with the**
25 **approval of the appropriate department of a college or university under faculty supervision.**
26 **This work typically occurs outside of the regular classroom structure.**
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RULES 5-1 and 5-2 EXPOSURE DRAFT
August 24, 2007

Rule 5-2 - Education Requirements - Determining Compliance of the Applicant's Education.

These requirements are intended to provide a foundation in accounting and business course subjects. The program should:

1. Develop the skills required to apply the knowledge attained (including skills in communications, research, judgment and analysis).
2. Include and emphasize ethical behavior and professional responsibility.
3. Provide the highest quality instruction in subjects that clearly contribute to the knowledge, skills and abilities necessary to meet the public's expectations of a CPA.

a) For purposes of Section 5(c) of the Uniform Accountancy Act, an applicant will be deemed to have met the education requirement(s) if the Board has determined the applicant has met the requirements of Rule 5-2(c) and Rule 5-2(d), together with appropriate consideration of Rule 5-2(b).

b) Determining compliance of the applicant's education shall be accomplished through the Board's use of the following procedures:

- 1) Reliance on accreditation, as defined in Rule 5-1(b), of the college or university, from which the candidate has obtained the necessary degree and hours as defined in Rule 5-2(c) for purposes of determining the acceptability of the degree and the amount of detailed review required for compliance with the accounting and business content.

State Boards may place significant reliance on the quality and content of accounting and business courses included in accounting degrees from Level 1 colleges or universities and as such, transcripts from such colleges or universities would require minimal or no Board review. Colleges or universities with Level 2 accreditation would require little or no Board review of transcripts in terms of the business content, but the accounting content would require more review than Level 1. Transcripts from a Level 3 college or university would require more detailed review by the Board for compliance with the accounting and business content. Degrees from colleges or universities without accreditation or with accreditation by an organization not recognized by the Board would generally not be acceptable.

- 2) Reliance on other procedures and information where the degree and/or courses were obtained from a college or university(s) not meeting the accreditation requirements of Rule 5-2(b) (1). Accepting degrees or courses under Rule 5-2(c) from an unaccredited college or university should only be based on evidence of acceptable course content, instruction and quality as would be expected by accreditation and as approved by the Board.
- 3) Reliance on other procedures and information where the requirements of Rule 5-2(c) are met by integration of subject matter. The requirements set forth in Rule 5-2(d) should be used to determine compliance.

RULES 5-1 and 5-2 EXPOSURE DRAFT
August 24, 2007

1 **c) An applicant shall be deemed to have satisfied the education requirements if the following**
2 **conditions are met:**

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4 **1) Earned a graduate degree and/or a baccalaureate degree at a college or university that is**
5 **accredited, as described in Rule 5-1(b);**
6
7 **2) Earned a minimum of 24 SCH (or the equivalent) of accounting courses at the**
8 **undergraduate or graduate level, excluding principles or introductory accounting courses,**
9 **covering some or all of the following subjects, which are to be contemporaneously derived**
10 **from the Uniform CPA Examination Content Specification Outline (CSO):**

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12 **i) Financial accounting and reporting for business organizations**
13 **ii) Financial accounting and reporting for government and not-for-profit entities**
14 **iii) Auditing and attestation services**
15 **iv) Managerial or cost accounting**
16 **v) Taxation**
17 **vi) Fraud examination**
18 **vii) Internal controls and risk assessment**
19 **viii) Financial statement analysis**
20 **ix) Accounting research and analysis**
21 **x) Tax research and analysis**
22 **xi) Accounting information systems, and**
23 **xii) Ethics (accounting course), as described in Rule 5-2 (c) (6)**
24 **xiii) Other areas included in the CSO or as may be approved by the Board.**

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26 **3) Earned a minimum of two SCH in research and analysis in accounting through a discrete**
27 **undergraduate and/or graduate accounting course or two SCH integrated through the**
28 **undergraduate and/or graduate accounting curriculum. Colleges or universities must**
29 **provide evidence of coverage under integration as specified in Rule 5-2(d). The SCH**
30 **earned through a discrete course in research and analysis in accounting may fulfill the**
31 **accounting subject matter requirements in Rule 5-2(c)(2).**

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33 **4) Earned a minimum of 24 SCH (or the equivalent) of business courses, other than**
34 **accounting, at the undergraduate and/or graduate level, covering some or all of the**
35 **following subjects:**

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37 **i) Business law**
38 **ii) Economics**
39 **iii) Management**
40 **iv) Marketing**
41 **v) Finance**
42 **vi) Business communications**
43 **vii) Statistics**
44 **viii) Quantitative methods**
45 **ix) Technical writing**
46 **x) Information systems or technology, and**
47 **xi) Ethics (business course), as described in Rule 5-2 (c) (6)**
48 **xii) Other areas as may be approved by the Board.**

RULES 5-1 and 5-2 EXPOSURE DRAFT
August 24, 2007

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- 5) **Earned a minimum of two SCH in communications in business or accounting in an undergraduate and/or a graduate accounting or business course or two SCH integrated through the undergraduate or graduate accounting or business curriculum. Colleges or universities must provide evidence of coverage under integration as specified in 5-2(d). The SCH earned through a discrete course in communications may fulfill the subject matter requirements of Rule 5-2(c)(4).**

- 6) **Earned a minimum of three SCH in an undergraduate and/or a graduate accounting or business course in ethics as defined in Rule 5-1(d). A discrete three SCH course in ethics may count towards meeting the accounting or business course requirements of Rule 5-2(c)(2) or Rule 5-2(c)(4). As an alternative, colleges or universities may choose to integrate the course through the undergraduate and/or graduate accounting or business curriculum. Universities must provide evidence of coverage under integration as specified in Rule 5-2(d). Proof of coverage may be provided through specific evaluation by a national accrediting agency, such as AACSB or ACBSP in which evidence is provided to assure the Board that the program of learning defined in Rule 5-1(d) has been adequately covered and at the equivalent of the three SCH minimum. Alternate methods for proof of ethics coverage may be determined and approved by the Board following careful scrutiny.**

- 7) **A maximum of six SCH for internships and independent study, as defined in Rule 5-1(e) and Rule 5-1(f), may count towards the subject matter requirements of Rule 5-2(c)(2) or Rule 5-2(c)(4). However, of the six SCH, a maximum of three SCH may apply to accounting courses under Rule 5-2(c).**

- d) **Colleges or universities that use an integrated approach to meet Rule 5-2(c) must provide evidence that the respective subjects adequately cover the desired content, with acceptable instruction and quality to attain the objectives. Proof of coverage may be provided through specific evaluation by a national accrediting agency such as AACSB or ACBSP. Alternate methods for proof of coverage may be determined and approved by the Board following careful scrutiny.**