Exactly Who is a Certified Public Accountant?

Accountancy has a variety of professional certifications associated with each specialty. The oldest, broadest, and most widely held certification is the Certified Public Accountant (CPA). Originally a “public accountant” was to prepare audit reports attesting to the appropriateness and fairness of financial statements prepared by the management of a corporation. Public accountants do not directly work for one firm. Instead, they are engaged to audit a firm’s books and to issue an audit opinion. This audit opinion is designed primarily to be of interest to stockholders, bankers, and other parties outside the direct management of the firm. In modern times, the types of entities that are audited by a CPA have greatly expanded. There are now legal requirements that CPAs perform audits on school districts, water agencies, and non-profit organizations as well as publicly traded corporations.

The CPA designation has been in a state of flux over the last two decades. According to the California Society of CPAs, only about 15 percent of CPAs conduct audits. The “public accountant” designation has evolved into meaning more than someone licensed to write an audit report. CPAs now advise clients on a variety of financial matters such as tax planning, cost accounting, and the design of accounting information systems. Today’s CPA is a broadly educated professional capable of assisting in a variety of financial areas.

The licensing process for CPAs has evolved to reflect the changes in the CPA’s function. Currently, state accountancy boards license CPAs in order for them to practice in that state. Each state develops its own licensing requirements. In general, all states require the passing of the Uniform CPA Exam. This nationwide exam is quite rigorous and tests a wide variety of topics such as tax laws, business laws, auditing procedures, and accounting systems. This difficult, broadly based exam ensures that all CPAs have attained a high standard of overall professional knowledge.

Reflecting the emergence of the CPA as the chief financial advisor for a variety of entities, the California State Board of Accountancy has recently revised its licensing requirements for the CPA. Previously, all CPAs had to have approximately two years of direct audit experience under a CPA in order to be licensed. In recognition of the many roles a CPA now performs, the emphasis on the audit function has been diminished. There are now two pathways to becoming a CPA. Both no longer require extensive training in the audit function.
Pathway One is designed for someone who wishes to practice only in California. It requires less education than Pathway Two, but demands an additional year of experience. Pathway One requires:

- A bachelor’s degree
- 24 semester units in accounting related subjects
- 24 semester units in business related subjects
- Passing the Uniform CPA Exam
- Two years of general accounting experience supervised by a licensed CPA
- Passing an ethics course

Many states currently require CPAs to have more educational units than what is required by a typical bachelor’s degree. Pathway Two is designed for California CPAs who also wish to be licensed in other states. While Pathway Two requires more education, the experience requirement is only one year.

Pathway Two requires:

- A bachelor’s degree
- 24 semester units in accounting related subjects
- 24 semester units in business related subjects
- 150 semester units of overall education
- Passing the Uniform CPA Exam
- One year of general accounting experience supervised by a licensed CPA
- Passing an ethics course

These pathways began phasing in with the May 2002 Uniform CPA Exam. Under these new pathways, a CPA may not perform audits unless a minimum of 500 hours of auditing experience has been obtained under a licensed CPA. You may now become a CPA without audit experience, but you cannot perform audits. While many CPAs are not planning to have extensive careers performing audits, young accountants are still advised to obtain the audit experience if at all possible.

In addition to the initial licensing requirements, all California CPAs must complete continuing education requirements every year to ensure they stay informed of changes in their profession. While the role of the CPA has changed from being a “public accountant” to more of an overall financial advisor, one thing has not changed. The CPA designation is still indicative of a well trained, committed professional.