

**STATE OF CALIFORNIA – DEPARTMENT OF CONSUMER AFFAIRS
TITLE 16. PROFESSIONAL AND VOCATIONAL REGULATIONS DIVISION 1**

CALIFORNIA BOARD OF ACCOUNTANCY

**NOTICE OF PROPOSED REGULATORY ACTION CONCERNING:
CPA EXAMINATION REVISIONS AND EARLY ENTRY**

NOTICE IS HEREBY GIVEN that the California Board of Accountancy (CBA or Board) is proposing to take the action described in the Informative Digest below, after considering all comments, objections, and recommendations regarding the proposed action.

PUBLIC HEARING

The CBA has not scheduled a public hearing on this proposed action. However, the Board will hold a hearing if it receives a written request for a public hearing from any interested person, or his or her authorized representative, no later than 15 days prior to the close of the written comment period. A hearing may be requested by making such request in writing addressed to the individuals listed under “Contact Person” in this Notice.

WRITTEN COMMENT PERIOD

Written comments, including those sent by mail, facsimile, or e-mail to the addresses listed under Contact Person in this Notice, must be received by the CBA at its office no later than **5:00 p.m. on Tuesday, July 11, 2023**, or must be received by the CBA at the hearing should one be held. The CBA, upon its own motion or at the request of any interested party, may thereafter adopt the proposals substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as contact person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes to the proposal.

Authority and Reference:

Pursuant to the authority vested by sections 5010 and 5095 of the Business and Professions Code¹ (BPC) and to implement, interpret, or make specific sections 5081, 5082, 5082.1, 5082.2, 5093, 5093.5, 5094, and 5095 of the BPC, the CBA is considering changes to Division 1 of Title 16 of the California Code of Regulations² (CCR), as described herein.

¹ Unless otherwise specified, all sections refer to the Business and Professions Code.

² Unless otherwise specified, all California Code of Regulations sections refer to title 16.

INFORMATIVE DIGEST

A. Informative Digest

The CBA is a board within the Department of Consumer Affairs (DCA) responsible for regulating the practice of public accounting in California. The CBA proposes to amend sections 6, 7.1, 8.2, 9.2, and 13 and add sections 7.3 and 9.3 to title 16 of the CCR relating to early entry for the Uniform Certified Public Accountant Examination (CPA Exam) and the transition to the new version of the CPA Exam that will use the CPA Evolution licensure model.

BPC section 5010 authorizes the CBA to adopt, repeal, or amend regulations as may be reasonably necessary and expedient for the orderly conduct of the CBA's affairs and for the administration of the Accountancy Act. Additionally, BPC section 5095 authorizes the CBA to adopt regulations to implement this section including, but not limited to, a procedure for applicants under section 5092 or section 5093 to qualify under this section.

In addition to general cleanup amendments, the proposed rulemaking package addresses two topics: early entry to the CPA Exam and CPA Evolution exam changes.

Early Entry to the CPA Exam

Business and Professions Code (BPC) sections 5081, 5082, 5093 and 5093.5 outline various requirements for admission to sit for the CPA Exam, including the requirement that applicants for the CPA Exam must complete specified educational requirements prior to taking the exam. BPC section 5093.5, which became effective on January 1, 2022, provides an exception to this requirement. Specifically, the exception allows applicants to sit for the CPA Exam prior to completion of the educational requirements (*i.e.*, early entry) if the following are met:

- The applicant is enrolled in a degree-granting university, college, or other institution of learning as defined in BPC section 5094.
- The applicant is within 180 days of completing their educational requirements.
- The applicant must submit satisfactory evidence to the CBA within 240 days of application submission that verifies completion of the educational requirements.

Currently, there are no regulations that address early entry to the CPA Exam.

At its July 21-22, 2022 meeting, the CBA discussed BPC section 5093.5 and the CBA directed staff to include the following in a future rulemaking package:

1. A Certificate of Enrollment (COE) documenting enrollment, degree conferral (or expected conferral date), and courses that are in progress.
2. Transcripts and/or foreign credential evaluations documenting completed coursework and degree conferral at the time of early entry application.

3. Revocation of exam credit for applicants who fail to submit satisfactory evidence within 240 days of application submission unless they can provide evidence substantiating a reason consistent with those outlined in CCR section 7.1.

CPA Evolution Examination Changes

The CPA Evolution initiative is a joint effort of the National Association of State Board of Accountancy (NASBA) and the American Institute for Certified Public Accountants (AICPA) aimed to transform the CPA licensure model in recognition of the rapidly changing skills and competencies the practice requires today, and will require in the future. The CPA Exam will be reconfigured in January 2024 to use the CPA Evolution licensure model that requires candidates to pass three core test sections that include Auditing and Attestation (AUD), Financial Accounting and Reporting (FAR), and Taxation and Regulation (REG). Additionally, each candidate must pass one of the three discipline sections: Business Analysis and Reporting (BAR), Information Systems and Controls (ISC), or Tax Compliance and Planning (TCP).

Exponential growth in new rules, concepts, and standards, along with changes in the roles and responsibilities of newly licensed CPAs, have caused the body of knowledge required of newly licensed CPAs to grow. The CPA Evolution licensure model establishes a foundation for the most important and relevant topics that all newly licensed CPAs need to know to protect the public interest.

On June 30, 2022, the AICPA released an exposure draft: *Maintaining the Relevance of the Uniform CPA Examination – Aligning the Exam with the CPA Evolution Licensure Model* that included the draft Uniform CPA Exam Blueprints. The exposure draft and blueprints represent the findings and conclusions of the practice analysis conducted by the AICPA and defines the new structure and content of the DCPA Exam to be implemented in January 2024. Once the AICPA launches this new version of the CPA Exam, the current version of the exam will no longer be available for us by states.

Additionally, the CBA was notified that NASBA recommended a credit extension policy that would allow candidates with CPA Exam credit(s) on December 31, 2023 to have such credit(s) extended to June 30, 2025.

B. Policy Statement Overview/Anticipated Benefits of Proposal

The California Legislature established the California Board of Accountancy (CBA) with the regulation of the accounting profession, with an express purpose to protect consumers. This is reflected in the CBA's mission statement: "To protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards."

The transition to the new version of the CPA Exam will transform the CPA licensure model to recognize the rapidly changing skills and competencies the practice of accounting requires today and will require in the future with a focus on the most important and relevant topics that all newly licensed CPAs need to know to protect the

public interest. These changes are necessary given the current version of the test will no longer be available once the new version is launched by the AICPA.

Additionally, this will standardize the process used by an applicant who applies to sit for the CPA Exam early. By clarifying what must be submitted to document an applicant meets the requirements established by BPC 5093.5 for early entrance to the CPA Exam, the CBA anticipates that more early entry applicants will be able to satisfactorily provide evidence at time of application.

Lastly, the repeal of CCR, title 16, section 13 will improve clarity and understanding of the educational requirements for candidates. CCR, title 16, section 13 is applicable to a point in time when there were two pathways available to applicants to meet the education and experience requirements for examination and licensure. Repealing CCR, title 16, section 13 is necessary as BPC section 5092 that set forth Pathway 1 became inoperative on January 1, 2014 and there is currently only one pathway.

C. Consistency and Compatibility with Existing State Regulations

During the process of developing these regulations and amendments, the CBA has conducted a search of similar regulations on this topic and has concluded that these regulations are neither inconsistent nor incompatible with existing state regulations.

INCORPORATION BY REFERENCE

The following document is currently incorporated by reference:

- Form COE-1 (New 7/2022) Certificate of Enrollment – Early Entry

FISCAL IMPACT ESTIMATES

Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies or Costs/Savings in Federal Funding to the State: The CBA estimates one-time workload costs of \$3,242 to update language and programming to online systems and to update publications posted to the CBA website related to the passing of AB298 which allows exceptions for early entry to take the CPA exam and CPA Evolution which is a reconfiguration of the Uniform CPA examination.

Any costs will be absorbable within existing resources.

The regulations do not result in any costs or savings in federal funding to the state.

Nondiscretionary Costs/Savings to Local Agencies: None

Local Mandate: None

Cost to Any Local Agency or School District for Which Government Code

Sections 17500 - 17630 Require Reimbursement: None

Effect on Housing Cost: None

Significant Statewide Adverse Economic Impact Directly Affecting Business, Including Ability to Compete: The CBA has made an initial determination that the proposed regulatory action would have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

EFFECT ON SMALL BUSINESS

The CBA has determined that the proposed regulations would not affect small businesses. This regulatory proposal impacts individuals seeking early entry for the CPA Exam and those effected by the transition to the new version of the CPA exam.

COST IMPACT ON REPRESENTATIVE PRIVATE PERSON OR BUSINESS

The CBA is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

BUSINESS REPORTING REQUIREMENTS

The regulatory action does not require businesses to file a report with the CBA.

RESULTS OF ECONOMIC IMPACT ASSESSMENT/ANALYSIS:

Impact on Jobs/Businesses:

The CBA has determined that this regulatory proposal will not affect the creation of jobs or new businesses or the elimination of jobs or existing businesses or the expansion of businesses in the State of California.

Benefits of Regulation:

The CBA has determined that this regulatory proposal will have the following benefits to the health and welfare of California residents, worker safety, and state's environment:

This regulatory proposal will allow the transformation of the CPA licensure model in recognition of the rapidly changing skills and competencies the practice requires today, and will require in the future. The CPA Exam will be reconfigured in January 2024 to use the CPA Evolution licensure model that requires candidates to pass three core test sections and one discipline test section. Once the AICPA launches this new version of the CPA Exam, the current version of the exam will no longer be available for use by states.

Additionally, this action will standardize the process used by an applicant who applies to sit for the CPA Exam early. By clarifying what must be submitted to document an applicant meets the requirements established by BPC 5093.5 for

early entrance to the CPA Exam, the CBA anticipates that more early entry applicants will be able to satisfactorily provide evidence at time of application. For example, the certificate of enrollment form (COE) will provide proof of, and enable the CBA to identify, that an early entry applicant is enrolled in a degree-granting university, college, or other institution of learning and is within 180 days of completing the necessary educational requirements.

This regulatory proposal does not affect worker safety because it has nothing to do with worker safety.

This regulatory proposal does not affect the state's environment because it has nothing to do with the environment.

CONSIDERATION OF ALTERNATIVES

The CBA must determine that no reasonable alternative it considered or that has otherwise been identified and brought to its attention would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

Any interested person may present statements or arguments orally or in writing relevant to the above determinations at the above-mentioned hearing.

INITIAL STATEMENT OF REASONS AND INFORMATION

The CBA has prepared an initial statement of the reasons for the proposed action and has available all the information upon which the proposal is based.

TEXT OF PROPOSAL

Copies of the exact language of the proposed regulations, any document incorporated by reference, and of the initial statement of reasons, and all of the information upon which the proposal is based, may be obtained at or prior to any hearing or upon request from the CBA at 2450 Venture Oaks Way, Suite 300, Sacramento, California 95833.

AVAILABILITY AND LOCATION OF THE FINAL STATEMENT OF REASONS AND RULEMAKING FILE

All the information upon which the proposed regulations are based is contained in the rulemaking file which is available for public inspection by contacting the person named below.

You may obtain a copy of the final statement of reasons once it has been prepared, by making a written request to the contact person named below or by accessing the website listed below.

CONTACT PERSON

Inquiries or comments concerning the proposed rulemaking action may be addressed to:

Name: Eulalio Ortega
Address: 2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833
Telephone No.: 916-263-3680
Fax No.: 916-263-3673
E-Mail Address: Regulations@cba.ca.gov

The backup contact person is:

Name: Jennifer Jackson
Address: 2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833
Telephone No.: 916-561-1763
Fax No.: 916-263-3673
E-Mail Address: Regulations@cba.ca.gov

Website Access: Materials regarding this proposal can be found at:
<https://www.dca.ca.gov/cba/about-cba/pending-regs.shtml>