

# CALIFORNIA BOARD OF ACCOUNTANCY

## INITIAL STATEMENT OF REASONS

CPA Exam Revisions and Early Entry

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### ***Hearing Date***

No hearing date has been scheduled.

### ***Subject Matter of Proposed Regulations***

Early Entry to the Uniform Certified Public Accountant Uniform Examination (CPA Exam) prior to completing educational requirements and changes to the CPA Exam under the CPA Evolution Licensure Model.

### ***Sections Affected***

***Title 16, California Code of Regulations (CCR), Division 1, sections 6, 7.1, 7.3, 8.2, 9.2, 9.3 and 13***

### ***Introduction***

The California Board of Accountancy (CBA) is a board within the Department of Consumer Affairs (DCA) responsible for regulating the practice of public accounting in the State. Pursuant to Business and Professions Code (BPC) section 5000.1, the protection of the public is the CBA's highest priority in exercising its licensing, regulatory, and disciplinary authority. 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.

CCR, Title 16, section 6 further defines BPC section 5082 by establishing the CPA Exam prepared by the American Institute of Certified Public Accountants (AICPA) as the examination of the subjects the board deems appropriate. The AICPA uses the National Association of State Boards of Accountancy (NASBA) to administer the examination, including the test administration infrastructure relied upon.

### ***CPA Examination Requirements***

BPC sections 5081, 5082, 5093 and 5093.5 outline requirements for admission to sit for the CPA Exam. The educational requirements include the completion of 24 semester units in accounting subjects, the completion of 24 semester units in business-related subjects and the conferral of a bachelor's degree.

### *Early Entry to the CPA Exam*

BPC section 5093.5 via assembly bill (AB) AB 298 (Irwin), Chapter 300, Statutes of 2021, which became effective on January 1, 2022, provides an exception to the above-mentioned requirements to sit for the examination. 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.

### *CPA Evolution Examination Changes*

The CPA Evolution initiative is a joint effort of NASBA and the 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. 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 change. This conclusion is supported by an extension practice analysis of the CPA profession that was conducted by the AICPA (see Underlying Materials Item Number 9, *Maintaining the Relevance of the Uniform CPA Examination – Aligning the Exam with the CPA Evolution Licensure Model*).

The CPA Exam will be revised to align with the CPA Evolution licensure model that targets the body of knowledge required of newly licensed CPAs and requires applicants to pass three core test sections and one discipline test section (see Underlying Materials Item Number 12, *Uniform CPA Exam Blueprints*). The revisions to the CPA Exam will be launched in January 2024 (hereinafter referenced as the revised CPA Exam).

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, the CBA was notified that NASBA recommends the following:

- A credit extension policy that would allow applicants with CPA Exam credit(s) on December 31, 2023 to have such credit(s) extended to June 30, 2025 (see Underlying Materials Item Number 10, June 1, 2022 Letter from NASBA).
- A transition policy that would convert credits on the current CPA Exam to credits on the revised CPA Exam (see Underlying Materials Item Number 11, CPA

## Evolution Transition Recommendation from NASBA).

### *Model Rules*

Since 2004, the NASBA has developed the *Uniform Accountancy Act Model Rules* (see Underlying Materials Item Number 7, referred to hereafter as the *Model Rules*) as part of its effort to promote uniformity in the regulatory schemes governing the practice of accountancy throughout the country and various other jurisdictions (hereinafter collectively referred to as jurisdictions). The *Model Rules* include the complete text of a “model” regulation that state boards of accountancy may choose to adopt in whole or in part at each board’s discretion. The *Model Rules* were last published in November 2020; however, NASBA is currently vetting changes to the *Model Rules* (October 2022) that specifically address the launch of the revised CPA Exam (hereinafter referenced as *Proposed Model Rules*). Given the necessity to have updated regulations in place for the launch of the revised CPA Exam in January 2024, the CBA considered the *Proposed Model Rules* during its development of this regulatory package instead of waiting for an updated *Model Rules* to be published.

This regulatory proposal seeks to:

- Implement the revised CPA Exam aligned to the CPA evolution licensure model.
- Include submission requirements for early admission to sit for the CPA Exam.
- Incorporate the Certificate of Enrollment (COE-1 (New 7/2022)) form.
- Repeal inoperative sections,
- Remove gender specific terms.
- Make clarifying and grammatical changes to existing text.

### ***Problem Agency Intends to Address***

In addition to general cleanup amendments, the proposed amendments address early entry to the CPA Exam and CPA Evolution exam changes. Currently, there are no regulations that address early entry to the CPA Exam. These regulations establish submission requirements to ensure the CBA is provided with information to ensure applicants meet the requirements for early entry established in BPC section 5093.5.

The new CPA Evolution licensure model makes significant changes to the structure of the CPA Exam by introducing core and discipline components. The changes to these regulatory sections are necessary to end the administration of the current CPA Exam and begin the administration of the revised CPA Exam consistent with the new exam structure, administration policies and passing requirement. The proposed regulations also address a transition policy that would apply to those applicants who are in process of passing the various test sections when the revised CPA Exam is launched.

### ***Benefits Anticipated from Regulatory Action***

The transition to the revised 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. This is a necessary change given the current version of the test will no longer be available once the new version is launched by the AICPA.

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 provide evidence at time of application. For example, the certificate of enrollment form (COE-1 (New 7/2022)) 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 (hereinafter referred to as college/university) and is within 180 days of completing the necessary educational requirements. Without such a regulation, applicants are not clear on what to submit to meet these requirements.

Additionally, this action will implement the early entry provisions in a manner that is supported by the NASBA test administration infrastructure used by all the jurisdictions that administer the CPA Exam. By establishing provisions that define when exam credits are conditional and when those conditions can be removed, it ensures applicants cannot bypass meeting the educational requirements established in statute.

Additionally, the repeal of CCR, title 16, section 13 will improve clarity and understanding of the educational requirements for applicants. CCR, title 16, section 13 is applicable to a point in time when there were two pathways available for 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.

### ***Specific Purpose/Factual Basis/Rationale***

The proposed amendments would add the requirements for early entry admission to sit for the CPA Exam, add one new form incorporated by reference and implement the new version of the CPA Exam based on the CPA Evolution licensure model. In addition, general clean-up including grammatical changes and the replacement of gender-specific pronouns are proposed.

Note that non-substantive edits (e.g., use of uppercase for “section” when referencing specific CCR or BPC sections, use of the singular “credit” instead of “credits”) were made following CBA approval of the regulatory text and incorporated forms on September 22, 2022.

## Section 6

**Section 6(a)** is amended to add the acronym “AICPA.” This addition is proposed because the acronym is used in newly proposed text in this section and its use shortens the name of the Institute, improving readability throughout the section.

**Section 6(a)** is amended to delete “or” and add “, or 5093.5.” These amendments are necessary to include the new reference to BPC 5093.5, authorizing early entry to the CPA Exam via AB 298 (Irwin), Chapter 300, Statutes of 2021.

**Section 6(a)(1)** is added as follows: “From [OAL: insert effective date of these regulations] until December 31, 2023, the Uniform Certified Public Accountant Examination shall be computer-based and include four test sections designated by the AICPA.” This amendment is necessary to define the termination date of the current CPA Exam. As noted above in the Initial Statement of Reasons, this date was chosen because the current CPA Exam will continue to be administered until the revised version is launched in January 2024.

**Section 6(a)(2)** is added as follows: “On or after January 1, 2024, the Uniform Certified Public Accountant Examination shall be computer-based and include a core component comprised of three required test sections and a discipline component comprised of a minimum of three test sections, only one of which is required. The aforementioned test sections shall be named by the test publisher, AICPA.” This amendment is necessary to define the effective date of the revised CPA Exam. As noted in the Initial Statement of Reasons, this date was chosen to align with the launch of the revised version and because the currently-used version of the examination will no longer be available for use. “Test section” is defined in proposed subdivision 6(e) of this rulemaking, described below.

**Section 6(b)** is amended to add the word “test” before “section” in the phrase “for any section.” As noted in this Initial Statement of Reasons below for section 6(e), the reasons for this addition are related to the use of the terms “section” and “test section” in the CBA’s existing regulations and is consistent with the manner in which the examination is administered.

**Section 6(d)** is added as follows: “For the purposes of this Division, “computer-based” or “computer-based testing” means a computer-based format for testing designed to be administered to a test taker through the use of a computer.” The CBA proposes this addition to provide clarity on the meaning of “computer-based” and “computer-based testing” that are used in this Division. The CBA has chosen this definition to be consistent with how the CPA Exam is administered, which is in a manner designed to be taken through the use of a computer. Maintaining a specific definition allows the term to be used throughout the Division without the need to repeat the definition each time it is used.

**Section 6(e)** is added as follows: “For the purposes of this Article, “test section” or “section of the examination” means a distinct test section within the Uniform Certified Public Accountant Examination that is scored individually and for which credit can be achieved when passed.” This addition is necessary to provide clarity on the meaning of “test section” and “section of the examination” which are used interchangeably and multiple times in this Article. The use of the phrase “test section” instead of “section” increases readability given the word “section” is often used in reference to CCR or BPC sections.

**Section 6(f)** is added as follows: “For purposes of this Article, “early entry” or “early admission” means the admittance to the examination specified in this section prior to completing the educational requirements pursuant to BPC Section 5093.” The CBA proposes this addition to provide clarity on the meaning of “early entry” and “early admission” that are used interchangeably and multiple times in this Article. The CBA has chosen this definition because it aligns with the criteria of early entrance as defined in BPC Section 5093.5.

**Section 6 Note:** The Reference notation is amended to add a comma, remove “and”, and add “and 5093.5”. These amendments are necessary to promote accuracy and clarity for the reader and to include BPC section 5093.5 that authorizes early entry to the CPA Exam.

### *Section 7.1*

**Section 7.1(a)** is amended to replace “Upon the commencement of computer-based testing in California,” with “The conditions set forth in this subsection for administration of the examination specified in Section 6(a)(1) shall apply until December 31, 2023.” The CBA proposes this amendment because computer-based testing has already commenced and thus the removal of “upon the commencement” increases clarity. This amendment is also necessary to define the termination date of the current CPA Exam. As noted above in the Initial Statement of Reasons, this date was chosen because the current CPA Exam will continue to be administered until the revised version is launched in January 2024.

**Section 7.1(a)** is amended to remove “An” and replace the uppercase “A” in applicants with a lower case “a” in the second and third sentences. These are grammatical changes only.

**Section 7.1(a)** is amended to add “test” before the word *section* in the second and fourth sentences. These amendments are necessary to correspond with the newly defined term, test section, described above in this Initial Statement of Reasons.



**Section 7.1(a)** is amended to add “set forth in Section 6(a)(1)” before the word *individually*. This amendment further aligns this provision with the amended subsection 6(a)(1).

**Section 7.1(a)** is amended to replace “an” following the word *within* with “a rolling” and to replace “b” with “c.” This amendment includes:

- The addition of the term “rolling.” This addition does not change how the 18-month period is calculated. The *UAA Model Rules* (Underlying Materials Item Number 7) use the term “rolling” when describing the period of time that test section credits can be used to pass the examination. The addition of “rolling” provides clarity that California is also calculating this period on a rolling basis, thus reducing applicant confusion. The term “rolling” is further described in this Initial Statement of Reasons related to proposed section 7.1(c).
- A change to the cross-reference to “c” that corresponds with the renumbering of subsections with section 7.1 (see justification for the renumbering in Section 7.1(c)).

**Section 7.1(b)** is added as follows: “On or after January 1, 2024, an applicant may sit for test sections of the examination specified in Section 6(a)(2) individually and in any order. When the applicant has credit for all three core test sections and one discipline test section within a rolling 18-month period as defined in subsection (c), the applicant shall be considered to have passed the examination. In addition, the following conditions for the administration of that examination shall apply:” The CBA proposes this addition, consistent with the revised CPA Exam referenced earlier in this Initial Statement of Reasons, that specifically addresses the following:

- Establishes effective date of the subdivision (January 1, 2024). The CBA is proposing this addition because it aligns with the launch of the revised CPA Exam. As noted in the Initial Statement of Reasons, the current version of the examination will no longer be available for use.
- Identifies the examination being referenced is the one specified in section 6(a)(2). The CBA is proposing this addition because it provides clarity that this is the revised CPA Exam which is described in section 6(a)(2) and not the current version of the examination.
- Specifies that it is appropriate to allow applicants to sit for test sections of the examination individually and in any order. The CBA proposes this addition because it is the current practice and there was no rationale to change this practice with the launch of the revised CPA Exam. Additionally, this amendment is consistent with the *Proposed Model Rules* (Underlying Materials Item Number 8).
- Establishes a passing threshold for applicants. On this matter, it should be noted that CCR section 6 establishes the CPA Exam prepared by the AICPA as the examination of the subjects the board deems appropriate. The passing threshold

is established by the AICPA as credit for all three core test sections and one discipline test section (see Underlying Materials Item Number 12, *Blueprints*). The CBA deems it necessary to include the passing threshold in proposed regulations because it provides clarity when the rolling period is defined. Additionally, this amendment is consistent with the *Proposed Model Rules* (Underlying Materials Item Number 8).

- Specifies an “18-month” rolling period. The CBA proposes this addition because an 18-month period is currently used at this time. Additionally, this amendment is consistent with the *Proposed Model Rules* (Underlying Materials Item Number 8). Adds the term “rolling.” Note that the addition of “rolling” does not change how the 18-month period is calculated. The *Model Rules* and the *Proposed Model Rules* use the term “rolling” when describing the period of time that test section credits can be used to pass the examination. The addition of “rolling” provides clarity that California is also calculating this period on a rolling basis, thus reducing applicant confusion.
- Adds the sentence beginning with “In addition.” This sentence is proposed to be added to bridge the language from subdivision (b) to (b)(1). This sentence segues into subdivision (b)(1), communicating the list of items in subdivisions (b)(1) through (b)(6) are enumerated conditions of the administration of the examination.

**Section 7.1(b)(1)** is added as follows: “Applicants shall be issued an Authorization to Test and a Notice to Schedule as set forth in Sections 8.1 and 8.2.” This sentence is proposed to be added because it is current practice and there is no rationale for changing it due to the launch of the revised CPA Exam. Additionally, this language is necessary because the Authorization to Test (ATT) and Notice to Schedule (NTS) (sections 8.1 and 8.2) are required by NASBA, the test administrator.

**Section 7.1(b)(2)** added as follows: “Applicants are given credit for test sections passed.” On the matter of establishing when credit is given (*i.e.*, upon passing a test section), it should be noted that CCR Section 6 establishes the CPA Exam prepared by the AICPA as the examination of the subjects the board deems appropriate. The determination of when credit is issued is established by the AICPA (see Underlying Materials Item Number 12, *Blueprints*) and continues the current practice for the revised CPA Exam. The CBA deems it necessary to include this amendment in proposed regulations because it provides clarity when the conditions on credits are outlined later in the regulations (see section 7.1(d)).

**Section 7.1(b)(3)** is added as follows: “Applicants who fail any core test section may retake that section subject to the requirements in Section 8.2. Requests to retake a failed section are accepted on a continuous basis by the submission of an application for an Authorization to Test that is approved by the Board.” This addition is proposed because it is practice in the current exam version (see 7.1(a)) and there is no rationale for changing it due to the launch of the revised CPA Exam. Additionally, this language is



necessary because the ATT (section 8.2) is required by NASBA, the test administrator. The acceptance of ATT applications are accepted on a continuous basis because the exam is given on a continuous basis (*i.e.*, daily).

**Section 7.1(b)(4)** is added as follows: “Applicants may take any discipline test section but may schedule only one discipline test section at a time.” This addition is proposed to address the revised CPA Exam by establishing that only one discipline section may be scheduled at a time. This is consistent with the new passing requirement established by AICPA that only requires credit for one discipline test (see Underlying Materials Item Number 12, *Blueprints*). This addition is necessary because the NASBA test administration infrastructure will only allow for the scheduling of a single discipline section (see Underlying Materials Item Number 8, *Proposed Model Rules*).

**Section 7.1(b)(5)** is added as follows: “Applicants who receive credit for passing one discipline test section will not be permitted to take another discipline test section unless the credit has expired in accordance with subsection (c).” This addition is proposed to address the revised CPA Exam by establishing that additional discipline section(s) may not be scheduled if an applicant has credit for a discipline section. This is consistent with the new passing requirement established by AICPA that only requires credit for one discipline test (see Underlying Materials Item Number 12, *Blueprints*). This addition is necessary because the NASBA test administration infrastructure will not allow the scheduling of a discipline test section unless credit has expired (see Underlying Materials Item Number 8, *Proposed Model Rules*).

**Section 7.1(b)(6)** is added as follows: “Applicants who fail a discipline test section may retake any discipline test section provided they do not have credit status for any other discipline test section. Requests to retake a failed test section are accepted on a continuous basis by the submission of an application for an Authorization to Test pursuant to Section 8.2 that is approved by the Board.” This addition is proposed to address the revised CPA Exam by establishing in what circumstances failed discipline sections may be retaken. The CBA thinks the proposed criteria are appropriate because it aligns with the *Proposed Model Rules* (Underlying Materials Item Number 8). Additionally, this addition is necessary because the ATT (section 8.2) is required by NASBA, the test administrator, to retake a test section.

**Sections 7.1(c), 7.1(d) and 7.1(e)** are amended to renumber current subdivision 7.1(b) to subdivision 7.1(c), requiring each subsequent subdivision to also be renumbered. Specifically, subdivision 7.1(b) becomes 7.1(c), subdivision 7.1(c) becomes 7.1(d) and 7.1(d) becomes 7.1(e). The renumbering of each subdivision ensures the user of the subdivision will be able to easily find information and comply with the requirements set forth in this section.

**Section 7.1(c)** is amended to remove “(c) and” and add “(2) and (e)” following (d). These amendments are necessary due to the renumbering and adding of subdivisions within section 7.1.

**Section 7.1(c)** is amended to remove “an” and add an “s” to the word “applicant” before the phrase *shall retain credit for any*. These are grammatical changes only.

**Section 7.1(c)** is amended to add “test” after the phrase *shall retain credit for any*. This amendment is necessary to correspond with the newly defined term, test section.

**Section 7.1(c)** is amended to add “(s)” to the word “section” following the phrase *shall retain credit for any test* and remove “the applicant has” immediately following the inserted (s). These are grammatical and non-substantive changes.

**Section 7.1(c)** is amended to replace “for an” with “for 18 months.” These are grammatical changes only.

**Section 7.1(c)** is amended to add “The rolling” prior to the phrase *18-month period* in both the second and third sentences. The amendment to add the term “rolling” does not change how the 18-month period is calculated. The *Model Rules* (Underlying Materials Item Number 7) and the *Proposed Model Rules* (Underlying Materials Item Number 8) use the term “rolling” when describing the period of time that test section credits can be used to pass the examination. The addition of “rolling” provides clarity that California is also calculating this period on a rolling basis, thus reducing applicant confusion.

**Section 7.1(c)** is amended to replace “beginning” with “begins” before the phrase *with the date*, and remove “that” following the phrase *with the date*, and to add “first passing score for a test”, and replace “of the exam was passed” with “is released,” and remove comma after the phrase *18-month period*, and add “concludes with the date the applicant takes the final test section passed, regardless of when the score is released.” These amendments are both grammatical and necessary to amend how the 18-month rolling period is defined because the CBA wants to ensure that applicants get the use of their credits for a full 18-month period by changing when the 18-month rolling period begins. These proposed amendments align with the *Proposed Model Rules*.

**Section 7.1(c)** is amended to add “Once” immediately following the phrase *when the score is released.*, replace “that” with “a” prior to the phrase *section expires*, remove the comma and “and” immediately following the phrase *section expires*, and replace “re-taken” with “retaken”. Adding “Once” is necessary to begin a new sentence; the remainder of these are grammatical changes only.

**Section 7.1(d)** is amended to remove “A candidate may sit for any unpassed section of the examination only one time during each testing window. A testing window is a three-month period as determined by the American Institute of Certified public Accountants during which applicants may take the exam. There are four three-month testing

windows in a year. To allow for routine maintenance, the exam may be unavailable for up to one month during each testing window.” It is necessary to remove this language because it is no longer accurate with the implementation of continuous that has already occurred.

**Section 7.1(d)** is amended to add: “Early entry applicants qualifying under Section 9.3 shall have a condition placed on any credit earned in accordance with this subsection and shall only be provided conditional credit scores by the Board. For the purposes of this subsection, the “condition” or “conditional credit” shall mean that such credit shall not be used to pass the examination specified in Section 6 until completing the requirements specified in Section 5093 of the Business and Professions Code, and meeting the requirements of subsection (d)(1).” This amendment is necessary to implement early entry within the NASBA test administration infrastructure. While BPC 5093.5 provides an exception to meeting the educational requirements prior to sitting for the exam, it does not provide an exception to meeting the educational requirements in general. The CBA choice to propose the use of conditional credits (consistent with how other states have implemented early entry (see Underlying Materials Item Number 1, July 2022 CBA Meeting)) because it would provide a means of ensuring that a pass score is not generated prior meeting the educational requirements.

**Section 7.1(d)(1)** is added as follows: “Early entry applicants that submit satisfactory evidence, as defined in Section 2.8, of completing educational requirements within 240 days of submitting the application in Section 9.3 to the Board, shall have the condition on any earned credit removed and credit will be granted in accordance with this Section and Section 7.3, as applicable.” This amendment:

- Directs the reader to the definition of “satisfactory evidence.” The CBA proposes to include the cross reference given the definition is not within this section and applicants need an understanding of what documents the CBA accepts as evidence of education.
- Includes the 240-day deadline. This deadline for submitting satisfactory evidence is established in BPC section 5093.5. CBA proposes to include this deadline within the context of conditional credits and satisfactory evidence to establish the criteria for the removal of the conditions on any earned credit.
- Includes the removal of conditions and the granting of credits. CBA proposes to include this language to inform the reader what happens to conditional credits once the criteria are met (*i.e.*, the condition is removed).
- Includes the reference to granting credit that is included within this Section and Section 7.3. The CBA proposes to include these references to inform the reader that the rules regarding credits outlined in those sections (*e.g.*, 18-month rolling period, passing threshold, and conversation of current test section credits to those used in the revised examination) apply to these credits once the condition has been removed.

**Section 7.1(d)(2)** is added as follows: “Early entry applicants shall lose all credit earned if they do not complete the educational requirements and/or meet the 240-day deadline specified in subsection (d)(1) unless an extension has been granted by the Board pursuant to subsection (e).” BPC Section 5093.5 stipulates that failure to meet the requirements established in that Section “may” result in the loss of credit. This amendment is necessary to establish the criteria the CBA will use to determine if credit should be lost. The CBA proposes to use the already existing extension policy outlined in subsection (e) because the CBA has found this policy provides test takers with an appropriate level of relief for unforeseen situations (e.g., illness, natural disaster) that may occur while they are attempting to pass the examination. The CBA also proposes this amendment because it is the same as an already existing rule which makes it less confusing than establishing separate criteria for early entry conditional credits.

**Section 7.1(e)** is amended to remove “examination” and replace with “test”, add “test” following the word *unpassed*, and add “test” following the word *passed*. These amendments are necessary to correspond with the newly defined term, test section.

**Section 7.1(e)** is amended to remove “s (b) or” and add “or credit was lost pursuant to subsection (d)” before the word *because*. These amendments are necessary to make this sentence grammatically correct, reference a renumbered section, and to make reference to a subsection to specify qualifying events for applicants that request re-establishment of lost credit.

**Section 7.1(e)(1)** is amended to add “(spouse, child or parent)” to define an immediate family member to provide clarity on who is considered to be in one's immediate family

**Section 7.1 Note:** The Reference notation is amended to add a comma after 5092, remove “and”, and add “and 5093.5” after 5093. These amendments are necessary to promote accuracy and clarity for the reader and to include BPC section 5093.5 which authorizes early entry to the CPA Exam.

### Section 7.3

**Section 7.3 (Title)** section 7.3 is added and titled “Transition to Core Plus Discipline Uniform CPA Examination.” This new section is necessary to operationalize the CPA Exam transition policies that are necessary for the implementation of the new CPA Exam based on the CPA Evolution licensure model.

**Section 7.3(a)** is added as follows: “Applicants with credit for any of the four test sections from the examination referenced in section 6(a)(1) as of December 31, 2023, will have such credit extended to June 30, 2025, and receive credit towards completion of the applicable test sections for the examination referenced in section 6(a)(2) as follows:”. This change establishes a one-time extension of current CPA Exam test section credit during the transition period to the revised CPA Exam. The CBA proposes

this amendment because it is consistent with the NASBA extension recommendation (see NASBA Transition Policy, Underlying Materials Item Number 11). The CBA proposes this amendment to lessen the impact on applicants that are attempting to pass the examination during the transition period. These applicants may be negatively impacted due to an anticipated larger than normal number of test takers who will be vying for a set number of test center sites. Additionally, there will be a delay in the release of test section scores when the revised CPA Exam is launched due to necessary psychometric analysis that must be conducted prior to official scoring.

**Section 7.3(a)(1)** is added as follows: “Applicants with computer-based examination credit in Auditing and Attestation shall receive credit for passing the Auditing and Attestation cores test section.” This change establishes a one-time conversion of current CPA Exam test section credit during the transition period to the revised CPA Exam. The CBA proposes this amendment because it is consistent with the NASBA extension policy recommendation (see June 1, 2022 Letter from NASBA, Underlying Materials Item Number 10). The CBA proposes this amendment to lessen the impact on applicants that are attempting to pass the examination during the transition period. These applicants may be negatively impacted due to an anticipated larger than normal number of test takers who will be vying for a set number of test center sites. Additionally, there will be a delay in the release of test section scores when the revised CPA Exam is launched due to necessary psychometric analysis that must be conducted prior to official scoring.

**Section 7.3(a)(2)** is added as follows: “Applicants with computer-based examination credit in Financial Accounting and Reporting shall receive credit for passing the Financial Accounting and Reporting cores test section.” This addition is necessary to establish how current test section credit(s) convert to revised CPA Exam test section credit(s). The CBA proposes this amendment to be consistent with the NASBA transition policy recommendation (see NASBA Transition Policy, Underlying Materials Item Number 11) and to lessen the impact on applicants who are attempting to pass the CPA Exam during this transition period. The specific test section credit conversion recommendation from NASBA was based on a review on the commonality of the content assessed on the current CPA Exam and the revised CPA Exam.

**Section 7.3(a)(3)** is added as follows: “Applicants with computer-based examination credit in Regulation shall receive credit for passing the Regulation cores test section.” This addition is necessary to establish how current test section credit(s) convert to revised CPA Exam test section credit(s). The CBA proposes this amendment to be consistent with the NASBA transition policy recommendation (see NASBA Transition Policy, Underlying Materials Item Number 11) and to lessen the impact on applicants who are attempting to pass the CPA Exam during this transition period. The specific test section credit conversion recommendation from NASBA was based on a review on the commonality of the content assessed on the current CPA Exam and the revised CPA Exam.



**Section 7.3(a)(4)** is added as follows: “Applicants with computer-based examination credit in Business Environment and Concepts shall receive credit for passing a discipline test section.” This addition is necessary to establish how current test section credit(s) convert to revised CPA Exam test section credit(s). The CBA proposes this amendment to be consistent with the NASBA transition policy recommendation (see NASBA Transition Policy, Underlying Materials Item Number 11) and to lessen the impact on applicants who are attempting to pass the CPA Exam during this transition period. The specific test section credit conversion recommendation from NASBA was based on a review on the commonality of the content assessed on the current CPA Exam and the revised CPA Exam.

**Section 7.3(b)** is added as follows: “This section shall remain operative only until July 1, 2025.” This addition establishes an operative date for this section. The extension of current test section credits and the conversion of current credits to the revised examination are only necessary during the time period of the transition. The CBA proposes that July 1, 2025 is sufficient time to conduct that transition. Adding this date also provides the CBA with an opportunity to more easily remove the proposed regulatory language once it is no longer relevant (*i.e.*, after the transition to the new CPA Exam is complete) which ultimately leads to increased readability of the regulations.

**Section 7.3 Note:** is added “Authority cited: Section 5010, Business and Professions Code, Reference: Sections 5081, 5082, 5082.1, and 5082.2, Business and Professions Code.” This addition is necessary to reflect references and authority cited for purposes of clarity.

## Section 8.2

**Section 8.2(a)** is amended to replace “Section” with “section” before the terms 8.1, 70, and 9.2 in this subdivision. These three amendments apply consistency in the use of lower- and upper-case when referencing regulatory sections.

**Section 8.2(a)** is amended to add “, exclusive of early entry applicants,” and add “First-time early entry applicants must provide official transcripts and/or foreign evaluations in accordance with Section 2.8 and completed Certificate of Enrollment Form(s) (COE-1 (New 7/2022)) pursuant to Section 9.3.” These amendments include:

- An exclusion for early entry applicants from submitting satisfactory evidence as part of the application for an ATT. The CBA proposes this amendment because early entry applicants, by definition, have not met the education requirements and therefore could not submit satisfactory evidence of meeting the requirements in Section 9.2.
- Establishes what must be submitted by first time early entry applicants. The CBA proposes this amendment to establish a means for early entry applicants to show



they are within 180-day of meeting the educational requirements pursuant to BPC Section 5093.5. Refer to Section 9.3 of this Initial Statement of reasons for a justification for the COE-1 (New 7/2022) and its contents.

**Section 8.2(c)** is amended to replace “Section” with “section” before the terms 7.1 and 3” In this subdivision. These two amendments apply consistency in the use of lower- and upper-case when referencing regulatory sections.

**Section 8.2(d)** is amended to replace “he or she is” with the gender-neutral term “they are”. In Assembly Concurrent Resolution No. 260 of 2018 (ACR 260), the Legislature resolved that “state agencies should...use gender-neutral pronouns and avoid the use of gendered pronouns when drafting policies, regulations, and other guidance.” This is a change without regulatory effect because the amendments are grammatical in nature. Changing gendered terms to gender-neutral terms parallels other efforts throughout the state.

**Section 8.2(e)** is amended to add “(s)” to the word “sections” following the phrase *take specified sections*. These are grammatical and non-substantive changes.

**Section 8.2 Note:** The Reference notation is amended to add “, 5093.5” after 5093. This amendment is necessary to promote accuracy and clarity for the reader and to include BPC section 5093.5 which authorizes early entry to the CPA Exam.

## Section 9.2

**Section 9.2(a)** is amended to add “, as referenced in section 2.8,” after *evidence*. This amendment is necessary for clarity given the definition of satisfactory evidence occurs so much earlier in the CCR and readers may not be aware it is defined.

**Section 9.2(a)** is amended to replace “he or she” with the gender-neutral term “they have” for the reasons described in 8.2(d), above.

**Section 9.2(a)** A non-substantive amendment is being proposed to subsection 9.2(a) following the CBA approval of proposed regulatory text in September of 2022. Specifically, the removal of “has” before *completed*, twice in the same sentence. These amendments are grammatical only.

**Section 9.2(d)(1)** is amended to replace “subsection (d)(2)” with “section 9.3,”. This amendment is necessary to establish that early entry applicants are not required to have completed the educational requirements at the time they apply for the exam. The amendment establishes a cross-reference to CCR, title 16, section 9.3 that outlines the requirements for early entry rather than to CCR, title 16, section 9.2(d)(2) which is no longer applicable.

**Section 9.2(d)(2)** is deleted given it is no longer applicable. This removal is necessary because the deleted text is obsolete as it is specific to a CPA licensure pathway that became inoperative on January 1, 2014.

**Section 9.2 Note:** The Reference notation is amended to add “5093.5,”. This amendment is necessary to promote accuracy and clarity for the reader and to include BPC section 5093.5 which authorizes early entry to the CPA Exam.

### *Section 9.3*

**Section 9.3 (Title)** section 9.3 is added and titled “Early Admission to the Uniform CPA Examination Under Business and Professions Code Section 5093.5.” This new section is necessary to stipulate the submission requirements for applicants seeking early admission to the CPA Exam.

**Section 9.3(a)** is added as follows: “To be granted early admission as set forth in section 5093.5 of the Business and Professions Code, applicants shall submit the following to the Board:” CBA proposes this amendment as an introduction to the specific submission requirements because early entry applicants have unique requirements established in BPC Section 5093.5. Refer to the justifications below for the specific requirements.

**Section 9.3(a)(1)** is added as follows: “A completed application for an Authorization to Test as specified in section 8.2.” The CBA proposes to establish the application for an ATT as the “application” that is required pursuant to BPC section 5093.5. The CBA purposes to use the ATT application because using this already required application instead of adding an application specific to early entry is a way to reduce the burden on applicants.

**Section 9.3(a)(2)** is added as follows: “Satisfactory evidence, defined in section 2.8, of all finished coursework towards completing the educational requirements of section 9.2.” BPC Section 5093.5 establishes that applicants must be within 180 days of meeting the educational requirements to be admitted to sit for the examination. The CBA proposes this amendment because staff must know what coursework applicants have completed (*i.e.*, satisfactory evidence) in conjunction with coursework they have in progress (*i.e.*, COE-01(New 7/2022)) to determine whether the applicant is within 180 days of completing the educational requirements.

**Section 9.3(a)(3)** is added as follows: “A completed Certificate of Enrollment Form COE-1 (New 7/2022) which is hereby incorporated by reference.” BPC Section 5093.5 establishes that applicants must be within 180 days of meeting the educational requirements to be admitted to sit for the examination. The CBA proposes this amendment because staff must know what coursework applicants have completed (*i.e.*, satisfactory evidence) in conjunction with coursework they have in progress (*i.e.*, COE-

01(New 7/2022)) in order to make a determination that the applicant is within 180 days of completing the educational requirements. The justification of the elements contained within the COE-01 (New 7/2022) are outlined later in this Initial Statement of Reasons.

**Section 9.3(b)** is added as follows: “Only those applicants that submit satisfactory evidence of finished coursework and a completed Certificate of Enrollment Form COE-1 (New 7/2022) demonstrating they are enrolled in a degree-granting university, college or other institution as defined in Section 5094 of the Business and Professions Code and are within 180 days of completing the educational requirements of Section 5093 of the Business and Professions Code as of the date they submitted their initial application for an Authorization to Test will be admitted to sit for the examination.” The CBA proposes this amendment to establish the criteria for early admittance to the examination. The CBA proposes this specific criterion because it includes elements to determine applicants are within 180 of meeting the education requirements (*i.e.*, satisfactory evidence and COE-1(New.2022)), enrollment required pursuant to BPC section 5093.5, and clearly defines the application (ATT application) that is to be submitted to start the 180-day cutoff referenced in BPC section 5093.5.

**Section 9.3(b)(1)** is added as follows: “The approval of early entry to the examination does not constitute an approval that the applicant will meet the educational requirements as specified in Section 5093 of the Business and Professions Code.” CBA proposes this amendment to draw attention to the difference between the approval of early entry to take the examination and the approval of meeting the educational requirements.

**Section 9.3(b)(2)** is added as follows: “Early entry applicants that do not supply satisfactory evidence of completing the educational requirements within 240 days from the date they submitted their initial application for an Authorization to Test will not be authorized to continue to sit for the examination unless the applicant meets the requirements in Section 9.2.” The CBA proposes this amendment because it has determined it is consistent with the purpose of the early entry provisions that are meant to provide applicants with a means of sitting for the examination early but not as a means to This addition is necessary to provide notice to applicants that do not adhere to the deadline to submit satisfactory evidence of meeting all the educational requirements that they will not be allowed to continue to test until they meet such requirement.

**Section 9.3 Note:** is added “Note: Authority cited: Section 5010, Business and Professions Code. Reference: Sections 5093, 5093.5, and 5094, Business and Professions Code.” This addition is necessary to reflect references and authority cited for purposes of clarity.

## Section 13

**Section 13** is removed. Removing section 13 is necessary because it is obsolete. The section provides requirements for education pursuant to BPC section 5092 (Pathway 1) and 5093 (Pathway 2) during the implementation of the multiple pathways approach. There are no longer multiple pathway; BPC section 5092 that set forth Pathway 1 became inoperative on January 1, 2014.

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

**Form COE-1 is added as “Certificate of Enrollment – Early Entry.”** Using the form, applicants will be required to provide information such as, but not limited to, current college, university or institution of learning enrollment, expected graduation date, planned course titles, and planned course units. The CBA proposes the form to ensure the board is provided with information needed to determine if the applicant meets the requirements to sit for the examination prior to meeting the educational requirements (*i.e.*, coursework in progress and current college/university enrollment). The CBA proposes this form after considering the confusion that applicants experienced prior to the CBA creating a form and after reviewing similar forms used in other states for this purpose. The COE-1 (New 7/2022) includes:

- The CBA letterhead. The CBA proposes the use of the letterhead because it provides the CBA seal that is used as an indication it is a CBA product and it provides the applicant and the college/university with contact information for the CBA.
- A form name “Certificate of Enrollment – Early Entry.” The CBA proposes this form name because it is descriptive of its purpose and similar to the names of forms used by other states.
- The first paragraph that reads as follows: “Applicants who have not yet met the education requirements to sit for the Uniform Certified Public Accountant Examination (CPA Exam) may qualify for early entry to the examination in accordance with California Code of Regulations (CCR), title 16, section 9.3.” The CBA proposes this amendment to provide useful information to both the applicant and the college/university who may want to know where to find more information on the use of the form.
- Part one of the form is titled: “Part 1 – To be completed by the applicant.” CBA proposes this subtitle and language to differentiate what is to be completed by the applicant compared to the college/university.
- Part one, request for applicant’s name and date of birth. The CBA proposes this amendment to ensure staff can match this document with other documents the applicant may submit to the CBA.
- Part one, includes a paragraph that reads as follows: “I have read the following statement: To qualify for authorization from the California Board of Accountancy (CBA) for early entry to the CPA Exam, applicants must be within 180 days of

completing the educational requirements for licensure contained in section 5093(a) of the Business and Professions Code at the time of submitting their initial application for an Authorization to Test (ATT) to the CBA. Upon completion of the courses and/or degree listed below, applicants must submit to the CBA satisfactory evidence (see Title 16, CCR, section 2.8) of completion of that degree or coursework within 240 days of submitting their initial application for an ATT to the CBA.” The CBA proposes this amendment to further clarify the program requirements the applicant is a signing up for. These requirements are further described in this Initial Statement of Reasons at 8.2(a).

- Following that paragraph, the form contains a space for the applicant’s signature and date. The CBA is proposing this certifying signature and date from the applicant to document the applicant was informed of the program requirements and to provide the CBA a signature it can compare, if necessary, to determine whether the application was actually completed by the applicant. The form then asks for the name of the college or university at which the applicant is currently enrolled, as well as the applicant’s degree to be conferred, if applicable, and the expected date of conferral. The CBA proposes this amendment because it provides staff with the necessary information to determine if the applicant is currently enrolled in an accredited college/university and is expected to have (or already has) a bachelor’s or master’s degree. The expected degree conferral date allows staff with the necessary information to compare that date against the date of the ATT application submission to ensure it is within 180 days, as is required by 8.2(a).

The Degree to be conferred portion contains a parenthetical reference to “(BS, BA, MBA)”. These are examples of degree types and are being included to clarify with the applicant the types responses sought on the form. Likewise, a parenthetical next to the “Expected Date” portion of the form, reading “(mm/dd/yyyy)” shows the applicant the information should be provided in the form of month, day, and year.

- Part two of the form is titled “Part 2 – to be completed by the College/University.” The CBA proposes this title because it is necessary for the college representative to complete this section to ensure accuracy and truthfulness, as the institution itself will have the best access to, and ultimately controls, the student’s current enrollment information.

The title also contains a footnote, which reads “In lieu of completing Part 2, the CBA will accept other documentation from the college/university if such documentation contains all of the information requested in Part 2 of this form and complies with the submission directions on page 2.” The CBA proposes to allow colleges/universities to submit the required information in other formats because some colleges/universities may have already existing templates that contain the same information as being requested in this form. Additionally, the footnote

language instructs the colleges/universities that if using another form of documentation, it must provide the elements within the Part two.

- The form then continues with the following Notice: “Notice to person completing this form: The applicant who is listed in Part 1 of this form is applying for authorization from the CBA for early entry to the CPA Exam. To qualify, the applicant is required to provide proof of enrolled coursework. Please provide the information requested below pertaining to the enrolled coursework at your college/university for the above-named applicant.” The CBA proposes this amendment to inform the entity completely the document on behalf of the applicant what the information will be used for.
- Part two of the Form then begins with subheading 1, which reads “Courses in which the applicant is currently enrolled (attach additional pages if needed), followed by a table with six rows and four columns. The columns are labelled ‘course name,’ ‘course number,’ ‘number of credit hours,’ and ‘anticipated completion date. This information is needed by the CBA because it is used, in conjunction with the satisfactory evidence, to determine if they are within 180 days of meeting the educational requirements. As elsewhere noted, the CBA is seeking the date of the completion to be reported as month, date, and year, giving rise to the notation “(mm/dd/yyyy)” in the column marked ‘anticipated completion date.’
- Subheading 2 of part 2 of the form reads “credit hours above are listed in (circle one); semester      quarter.” This is because colleges/universities give credit in either semester or quarter units and CBA needs this information to calculate if the applicant will meet the educational requirements.
- After subheading 2, the form contains a signature line for the Dean, Registrar, or delegee, and a line for a date, as well as a line for a printed name and printed title. These components are included because the CBA needs certification of the person who is fulfilling the document to determine they are actually associated with the college/university completing the form.
- Page 2 of the form contains an instruction on how to submit the form and any attached pages. This instruction reads as follows:

How to submit this form and, if applicable, any attached pages related to Part 2: One of the following options may be used to submit this Certificate of Enrollment:

•The college/university may scan and email a completed copy directly to [examinfo@cba.ca.gov](mailto:examinfo@cba.ca.gov).

•The college/university may mail the original or a copy of the form directly to the CBA at the address listed in the letterhead on page 1, attention Exam Unit.



- The applicant may mail the original form to the CBA at the address listed in the letterhead on page 1, attention Exam Unit. Envelope must be sealed by the educational institution.

The CBA proposes to include the instructions on how to submit the form directly on the form itself for ease to the applicant and college/university. The CBA proposes means of submission that are similar to how it collects other application materials, specifically, mail or email. To ensure the applicant does not tamper with the information provided by the college/university, it is proposed that the form either be submitted directly by the college/university or, if submitted by the applicant, it must be in an envelope sealed by the college/university.

- Finally, the form contains a Notice on Collection of Personal Information as follows:

The information requested on this form by the California Board of Accountancy (CBA) is mandatory pursuant to Business and Professions Code section 5093.5 and Title 16 CCR, section 9.3. Failure to provide all of the information requested will result in the Certificate of Enrollment being ineligible for processing, or subject to denial. The information provided will be used to establish eligibility for early admission to the CPA Exam pursuant to section 5093.5 of the Business and Professions Code. The information may be provided to other governmental agencies, or in response to a court order, subpoena, or public records request. You have a right of access to records containing personal information maintained by the CBA unless the records are exempted from disclosure by law, including exemptions provided by Civil Code section 1798.40. For questions about this notice or access to your records, you may contact the California Board of Accountancy at 2450 Venture Oaks Way, Suite 300, Sacramento CA 95833, by phone at (916) 263-3680, or by email at [examinfo@cba.ca.gov](mailto:examinfo@cba.ca.gov).

Civil Code section 1798 requires collections of personally identifying information to be made in compliance with a series of requirements. The first sentence of this form informs the applicant the data is collected under the authority of BPC section 5093.5 and CCR section 9.3. This information is inserted to clarify the legal bases and limitations the collection and use of the data is subject to.

Civil Code section 1798(a) requires the name of the agency that is requesting the information. This requirement is met within the first sentence that states “requested on this form by the California Board of Accountancy.”

Civil Code section 1798(b) requires “the title, business address, and telephone number of the agency official who is responsible for the system of records and who shall, upon request, inform an individual regarding the location of his or her records and the

categories of any persons who use the information in those records.” This requirement is met with the final sentence of the notice, which sets out the contact information for questions about the notice and to access records.

Civil Code section 1798(c) requires “the authority, whether granted by statute, regulation, or executive order which authorizes the maintenance of the information,” which has been described above. This information is listed in the first sentence of the form that stipulates the authority (BPC 5093.5) the following phrase that indicates CBA to be responsible for the maintenance of the records: “personal information maintained by the CBA.”

Civil Code section 1798(d) requires “With respect to each item of information, whether submission of such information is mandatory or voluntary.” The notice satisfies this requirement by stating “Failure to provide all of the information requested will result in the Certificate of Enrollment being ineligible for processing, or subject to denial.”

Civil Code section 1798(f) requires the form to include “the principal purpose or purposes within the agency for which the information is to be used.” This is satisfied by the statement “The information provided will be used to establish eligibility for early admission to the CPA Exam pursuant to section 5093.5 of the Business and Professions Code.”

Civil Code section 1798(g) requires a statement of “Any known or foreseeable disclosures which may be made of the information pursuant to subdivision (e) or (f) of Section 1798.24.” This is stated via the text in the notice reading: “The information may be provided to other governmental agencies, or in response to a court order, subpoena, or public records request.”

Finally, Civil Code section 1798(h) requires the form to state “the individual’s right of access to records containing personal information which are maintained by the agency.” The form states “You have a right of access to records containing personal information maintained by the CBA unless the records are exempted from disclosure by law, including exemptions provided by Civil Code section 1798.40.”

## ***Economic Impact Assessment per Gov. Code Section 11346.3(B)***

The CBA has made an initial determination that the proposed regulatory action would not have a significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

There is no economic impact to the state.

### ***Creation or Elimination of Jobs within the State of California:***

The regulatory proposal will not create or eliminate jobs within the State of California because the proposed changes impact individuals seeking to gain entry into the Uniform CPA Examination. Prior to the passing of AB 298, the CBA required the completion of 24 semester units in accounting subjects, the completion of 24 semester units in business-related subjects and the conferral of a bachelor's degree in order to sit for the CPA Exam. The proposed amendments provides an exception to the above-mentioned requirements and allows applicants to sit for the CPA Exam within a specified timeframe prior to completion of the educational requirements (*i.e.*, early entry).

### ***Creation of New or Elimination of Existing Businesses within the State of California:***

The regulatory proposal will not create new businesses or eliminate existing businesses within the State of California because the proposed changes impact individuals seeking to gain entry into the Uniform CPA Examination. Prior to the passing of AB 298, the CBA required the completion of 24 semester units in accounting subjects, the completion of 24 semester units in business-related subjects and the conferral of a bachelor's degree in order to sit for the CPA Exam. The proposed amendments provides an exception to the above-mentioned requirements and allows applicants to sit for the CPA Exam within a specified timeframe prior to completion of the educational requirements (*i.e.*, early entry).

### ***Expansion of Businesses or Elimination of Businesses Currently Doing Business within the State of California:***

The regulatory proposal would have no significant impact to the expansion of businesses or elimination of businesses currently doing business within the State of California. The regulations are designed to provide greater flexibility to applicants for taking the CPA Exam

### ***Benefits of the Regulations to the Health and Welfare of California Residents, Worker Safety, and the State's Environment – Gov. Code Section 11346.1(b)(1):***

The regulatory proposal benefits the health and welfare of California residents because it will allow the CBA to meet its mandate to protect consumers by ensuring only qualified

licensees practice public accountancy in accordance with establish professional standards.

These proposed regulations will have no adverse effect nor benefit on worker safety or the State's environment.

*Reasonable Alternatives that Would Lessen the Impact on Small Businesses – Gov. Code Section 11346.2(b)(4)(B):*

The proposed regulations only apply to individuals applying to sit for the Uniform CPA Examination and would have no significant impact on the private sector, including small businesses.

*Evidence Relied Upon to Support the Initial Determination that the Regulations Will Not Have a Significant Adverse Economic Impact on Business – Gov. Code Section 11346.2(b)(5):*

The proposed regulations would not have a significant adverse economic impact on any business because the proposed additions only affect individuals applying to sit for the Uniform CPA Examination, not the private sector.

**Specific Technologies or Equipment**

This regulation does not mandate the use of specific technologies or equipment.

***Other Required Showings***

*Studies, Reports or Documents Relied Upon – Gov. Code. Section 11346.2(b)(3):*

Technical, theoretical, or empirical studies, reports, or documents relied upon:

1. July 21, 2022: CBA Item XIII.B.3. – Discussion of Policy Issues Regarding Early Entry to Sit for the Uniform Certified Public Accountant Examination.
2. Minutes of the July 21, 2022 CBA Meeting.
3. September 22, 2022: CBA Item XIII.A.2. – Discussion and Possible Action to Initiate a Rulemaking to Amend California Code of Regulations, Title 16, Sections 6 – Examination Required, Passing Grades, Provisions for Disabled Applicants, 7.1 – Credit Status for the Computerized Uniform CPA Examination, 8.2 – Requirements for Issuance of the Authorization to Test, 9.2 – Education Required Under Business and Professions Code Sections 5092 and 5093, and 13 – Applicants Who Applied for the Examination Prior to May 12, 2002, and to Add California Code of Regulations, Title 16, Sections 7.3 – Transition to Core Plus Discipline Uniform CPA Examination and 9.3 – Early Admission to the Uniform CPA Examination Under Business and Professions Code Section 5093.5

4. Minutes of the September 22, 2022 CBA Meeting.
5. November 17, 2022 CBA Item II.G. – Discussion and Possible Action Regarding the National Association of State Boards of Accountancy’s Proposed Revisions to the Uniform Accountancy Act Model Rules
6. Minutes of the November 17, 2020 CBA Meeting
7. *Uniform Accountancy Act Model Rules (Model Rules)*, November 2020.
8. *Proposed Uniform Accountancy Act Model Rules (Proposed Model Rules)*, October 2022
9. *Maintaining the Relevance of the Uniform CPA Examination® – Aligning the Exam with the CPA Evolution Licensure Model.*
10. June 1, 2022 Letter from NASBA
11. NASBA Transition Policy
12. *Uniform CPA Examination Blueprints (Effective January 2024)*

*Reasonable Alternatives Considered or Agency’s Reasons for Rejecting Those Alternatives – Gov. Code Section 11346.2(b)(4)(A):*

No reasonable alternative to the regulatory proposal would be either more effective in carrying out the purpose for which the action is proposed or would be as effective or less burdensome to affected private persons and equally effective in achieving the purposes of the regulation in a manner that ensures full compliance with the law being implemented or made specific. Further, there is no adverse impact on small businesses; for this reason, no description of reasonable alternatives to such impacts are discussed.

Set forth below is the alternative considered and the reason the alternative was rejected:

- The CBA considered not requiring a Certificate of Enrollment. The CBA rejected this alternative because it learned that all jurisdictions that allow early entry to the CPA Exam require a certificate of enrollment from the applicant’s college/university as a means of ensuring test security. The certificates are used in other jurisdictions to verify enrollment, degree conferral (or expected degree conferral date) and courses in progress. This verification process lessens the risks of approving individuals to take the exam for nefarious reasons (e.g., to steal copyrighted content) instead of for the reason of wanting to become a CPA.
- The CBA considered not requiring satisfactory evidence of completed coursework at the time of application for early entry. The CBA rejected this alternative because the completion of this information in conjunction with the information of coursework in progress was the only means to ensure the applicant was within 180 days of meeting the educational requirement.
- The CBA considered not placing a condition on credits earned prior to meeting the educational requirements as it relates to early entry but instead revoking credits if requirements were not met. The CBA rejected this alternative because

of the risks imposed by the potential of applicants passing the examination prior to meeting the educational requirements. The NASBA test administration application automatically uses credits and state-specific rolling periods (18 months in California) to apply the passing threshold. There would be a risk of applicant's passing the examination prior to meeting the educational requirements set forth in Section 5093. Additionally, once an applicant earns credit, the NASBA test administration allows for the transfer of the credit to other jurisdictions. If applicants were allowed to transfer credits prior to meeting California's educational requirement, the receiver of that credit would not be aware the applicant did not meet California's educational requirements.

*Analysis of Whether the Regulations are an Efficient and Effective Means of Implementing the Law in the Least Burdensome Manner – Gov. Code Section 11346.3(e):*

The proposed regulations have been determined to be the most efficient and effective means of implementing the law in the least burdensome manner.

*Determination of Inconsistent/Incompatible Existing Regulations – Gov. Code Section 11346.5(a)(3)(D):*

An evaluation of the proposed regulations has determined they are not inconsistent/incompatible with existing regulations, pursuant to Government Code section 11346.5(a)(3)(D).