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3 The California Board of Accountancy has illustrated changes to the regulatory text in the
4 following manner: text proposed to be added is underlined; text proposed to be deleted
5 is displayed in ~~strikeout~~.

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7 **Proposed Regulatory Language**
8 **Article 2 of Title 16, California Code of Regulations Section 10**
9 **Article 12, California Code of Regulations Section 87.1**

10
11 **§ 10. Examination on Rules of Professional Conduct.**

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13 Until [OAL: insert effective date of these regulations],~~All~~ all applicants for a certified
14 public accountant license shall pass an examination in professional ethics, acceptable
15 to the Board, before such license is to be issued. This professional ethics examination
16 shall be passed no sooner than two years prior to the Board's consideration of the
17 application for licensure.

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19 NOTE: Authority cited: Sections 5010 and 5018, Business and Professions Code.
20 Reference: Sections 5018, 5082, ~~5092~~ and 5093, Business and Professions Code.

21
22 **§ 10.1. Examination on Rules of Professional Conduct Transition.**

23
24 (a) Licensees who meet all of the following requirements may use a passing score on
25 the Board-approved examination in professional ethics toward two hours of continuing
26 education in the period immediately preceding their first license expiration date as
27 described in Section 87.1(a):

28 (1) Initial certified public accountant license was issued on or after [OAL: insert effective
29 date of these regulations].

30 (2) CBA-approved professional ethics examination was purchased prior to [OAL: insert
31 effective date of these regulations].

32 (b) This section shall become inoperative on [OAL: insert date that is two years from the
33 effective date of these regulations].
34

1 NOTE: Authority cited: Sections 5010 and 5018, Business and Professions Code.
2 Reference: Sections 5018, 5027, 5082, and 5093, Business and Professions Code.
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6 **§ 87.1. Continuing Education Requirements for New Licensees.**
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8 ~~(a) All continuing education must be completed on or after the date the initial license~~
9 ~~was issued. Once a license is issued, a licensee is required to complete a two-hour~~
10 ~~regulatory review course as described in Section 87.8 at any time between the date the~~
11 ~~initial license was issued and the first license expiration date. This continuing education~~
12 ~~shall be part of the total hours of continuing education required by this section but shall~~
13 ~~not be part of the continuing education required by subsection (c), (d), (e), (f) or (g).~~

14 (b) Once a license is issued, the licensee must complete 20 hours of continuing
15 education as described in Section 87(a)(2) and (a)(3) for each full six month period from
16 the date the initial license was issued to the first license expiration date in order to fulfill
17 the continuing education requirement for license renewal. If the time period between the
18 date the initial license was issued and the first license expiration date is less than six full
19 months, ~~no continuing education~~ the only continuing education required for license
20 renewal is the two-hour regulatory review course described in subsection (a) ~~is required~~
21 ~~for license renewal.~~

22 (c) A licensee who is required to complete a total of 80 hours of continuing education
23 pursuant to subsection (b) shall also complete four hours of ethics education pursuant
24 to Section 87(b).

25 (d) Once a license is issued, a licensee who engages in financial or compliance auditing
26 of a governmental agency at any time between the date the initial license was issued
27 and the first license expiration date shall complete six hours of governmental auditing
28 continuing education as part of each 20 hours of continuing education required under
29 subsection (b). Continuing education in the areas of governmental accounting and
30 auditing shall meet the requirements of Section 87(c). A licensee who meets the
31 requirements of this subsection shall be deemed to have met the requirements of
32 subsection (e).

33 (e) Once a license is issued, a licensee who engages in audit, review, compilation, or
34 attestation services at any time between the date the initial license was issued and the
35 first license expiration date shall complete six hours of continuing education in
36 accounting and auditing as part of each 20 hours of continuing education required under
37 subsection (b). Continuing education in the areas of accounting and auditing shall meet
38 the requirements of Section 87(d).

1 (f) Once a license is issued, a licensee who provided preparation engagements as
2 his/her highest level of service at any time between the date the initial license was
3 issued and the first license expiration date shall complete a minimum of two hours of
4 continuing education in courses described in Section 87(e) as part of each 20 hours of
5 continuing education required under subsection (b).

6 (g) A licensee who is required to complete a total of 80 hours of continuing education
7 pursuant to this section and must complete continuing education pursuant to subsection
8 (d), (e), or (f) shall also complete an additional four hours of continuing education
9 specifically related to the prevention, detection, and/or reporting of fraud affecting
10 financial statements. This continuing education shall be part of the total hours of
11 continuing education required by this section, but shall not be part of the continuing
12 education required by subsection (d), (e), or (f).

13 (h) If an initial license expires as defined in Section 81(b)(2), the licensee must complete
14 an additional 20 hours of continuing education as described in Section 87(a)(2) and
15 (a)(3) for each full six month period from the date of license expiration to the date on
16 which the licensee applies for license renewal, up to a total of 80 hours of continuing
17 education. If the time period between the date the license expired and the date on which
18 the licensee applies for license renewal is less than six full months, no additional
19 continuing education is required for license renewal.

20 (i) All continuing education required by this section shall be completed in the two-year
21 period immediately preceding the date on which the licensee applies for license
22 renewal. If the date on which the licensee applies for license renewal is less than two
23 years from the date the initial license was issued, all continuing education must be
24 completed on or after the date the initial license was issued.

25 (j) Failure to Comply.

26 A licensee's willful failure to comply with the requirements of this section shall constitute
27 cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

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29 NOTE: Authority cited: Sections 5010 and 5027, Business and Professions Code.

30 Reference: Section 5028, Business and Professions Code.