



## North Carolina State Board of Certified Public Accountant Examiners

### Rule-Making Hearing Scheduled for October 22, 2015

The North Carolina State Board of CPA Examiners (Board) has filed a Notice of Text with the Office of Administrative Hearings (OAH) to proceed to a public rule-making hearing (Hearing) to consider the attached rules.

New language is indicated by an underline and deleted language is indicated by a ~~strike-through~~.

A person may make written comments and/or be present at the hearing to make oral comments on the attached rules. The Hearing is scheduled for 10:00 a.m. on Thursday, October 22, 2015, at the Board office at 1101 Oberlin Road, Raleigh, NC 27605.

Anyone wishing to be present to speak at the hearing must notify the Board's Executive Director, Robert N. Brooks at [rbrooks@nccpaboard.gov](mailto:rbrooks@nccpaboard.gov) by 10:00 a.m. on Wednesday, October 14, 2015.

Anyone wishing to submit a written comment on the rules should send to the comment to Robert N. Brooks, Executive Director, NC State Board of CPA Examiners, PO Box 12827, Raleigh NC 27605-2827. All written comments must be received by the Board no later than 5 p.m. on November 30, 2015.

No fiscal note is required regarding these proposed rules as there is no fiscal impact on any local, state, state budget, or federal funds. No federal certification of these proposed rule changes is required as these rules are not mandated by any federal statutes or rules.

## TITLE 21 – OCCUPATIONAL LICENSING BOARDS AND COMMISSIONS

### CHAPTER 08 – BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS

*Notice is hereby given in accordance with G.S. 150B-21.2 and G.S. 150B-21.3A(c)(2)g. that the North Carolina State Board of Certified Public Accountant Examiners intends to adopt the rules cited as 21 NCAC 08N .0301 and .0410, readopt with substantive changes the rules cited as 21 NCAC 08A .0301; 08F .0103; 08M .0106; 08N .0208, .0209, .0211, .0214, .0215, .0302, .0304, .0307, .0308, .0401, .0403-.0406, .0409, and readopt without substantive changes the rules cited as 21 NCAC 08A .0307-.0309; 08B .0508; 08F .0105, .0111, .0302, .0401, .0410, .0502; 08G .0401 .0403 .0404, .0406, .0410; 08I .0104; 08J .0101, .0105, .0107, .0111; 08M .0105; 08N .0101-.0103, .0201-.0207, .0212, .0213, .0301, .0303, .0305, .0306, .0402, and .0408.*

*Pursuant to G.S. 150B-21.2(c)(1), the text of the rules proposed for readoption without substantive changes are not required to be published. The text of the rules are available on the OAH website: <http://reports.oah.nc.us/ncac.asp>.*

**Link to agency website pursuant to G.S. 150B-19.1(c):** [www.nccpaboard.gov](http://www.nccpaboard.gov)

**Proposed Effective Date:** February 1, 2016

**Public Hearing:**

**Date:** October 22, 2015

**Time:** 10:00 a.m.

**Location:** NC State Board of CPA Examiners, 1101 Oberlin Road, Suite 104, Raleigh, NC 27605

**Reason for Proposed Action:**

**Adoption** – the purpose of these proposed rules is to adopt the national industry standards and international standards respectively for Personal Financial Planning Services and International Standards on Auditing.

**Readoption with substantive changes** – the main purpose of these proposed rules is the readoption of these rules pursuant to the existing rules review process as outlined in NCGS 150B-21.3A. The changes in these rules include new and updated definitions, correcting word usage, conforming with the Uniform Accountancy Act, statute changes, and formatting issues.

**Readoption without substantive changes** – the main purpose of these proposed rules is the readoption of these rules pursuant to the existing rules review process as outlined in NCGS 150B-21.3A. The changes in these rules include correcting word usage, formatting issues, and no changes at all to eight of the rules in this group.

**Comments may be submitted to:** Robert N. Brooks, NC State Board of CPA Examiners, 1101 Oberlin Road, Suite 104, Raleigh, NC 27605, phone (919) 733-1425, fax (919) 733-4209, email [rbrooks@nccpaboard.gov](mailto:rbrooks@nccpaboard.gov)

**Comment period ends:** November 30, 2015

**Procedure for Subjecting a Proposed Rule to Legislative Review:** If an objection is not resolved prior to the adoption of the rule, a person may also submit written objections to the Rules Review Commission after the adoption of the Rule. If the Rules Review Commission receives written and signed objections after the adoption of the Rule in accordance with G.S. 150B-21.3(b2) from 10 or more persons clearly requesting review by the legislature and the Rules Review Commission approves the rule, the rule will become effective as provided in G.S. 150B-21.3(b1). The Commission will receive written objections until 5:00 p.m. on the day following the day the Commission approves the rule. The Commission will receive those objections by mail, delivery service, hand delivery, or facsimile transmission. If you have any further questions concerning the submission of objections to the Commission, please call a Commission staff attorney at 919-431-3000.

**Fiscal impact (check all that apply).**

- State funds affected
- Environmental permitting of DOT affected
- Analysis submitted to Board of Transportation
- Local funds affected
- Substantial economic impact (≥\$1,000,000)
- Approved by OSBM
- No fiscal note required by G.S. 150B-21.4
- No fiscal note required by G.S. 150B-21.3A(d)(2)

#### SUBCHAPTER 08A – DEPARTMENTAL RULES

#### SECTION .0300 - DEFINITIONS

#### 21 NCAC 08A .0301 DEFINITIONS

(a) The definitions set out in G.S. 93-1(a) apply when those defined terms are used in this Chapter.

(b) In addition to the definitions set out in G.S. 93-1(a), other definitions in this Section, and the following definitions apply when these terms are used in this Chapter:

- (1) "Active," when used to refer to the status of a person, describes a person who possesses a North Carolina certificate of qualification and who has not otherwise been granted "Inactive" status;
- (2) "Agreed-upon procedures" means a professional service whereby a CPA is engaged to issue a report of findings based on specific procedures performed on ~~financial information prepared by a party; identified subject matter;~~
- (3) "AICPA" means the American Institute of Certified Public Accountants;
- (4) "Applicant" means a person who has applied to take the CPA examination or applied for a certificate of qualification;
- (5) ~~"Attest service or assurance service" means:~~ "Attest service" means a professional service whereby a CPA in the practice of public accounting is engaged to issue or does issue:
  - (A) any audit or engagement to be performed in accordance with the Statements on Auditing Standards, Statements on Generally Accepted Governmental Auditing Standards, ~~and~~ Public Company Accounting Oversight Board Auditing ~~Standards; Standards, and International Standards on Auditing;~~
  - (B) any review or engagement to be performed in accordance with the Statements on Standards for Accounting and Review Services;
  - (C) any compilation or engagement to be performed in accordance with the Statements on Standards for Accounting and Review Services; or
  - (D) any ~~agreed-upon procedure or~~ engagement to be performed in accordance with the Statements on Standards for Attestation Engagements;
- (6) "Audit" means a professional service whereby a CPA is engaged to examine financial statements, items, accounts, or elements of a financial statement prepared by management, in order to express an opinion on whether the financial statements, items, accounts, or elements of a financial statement are presented in conformity with ~~generally-accepted accounting principles or other comprehensive basis of accounting; an applicable reporting framework, that enhances the degree of confidence that intended users can place on the financial statements, items, accounts, or elements of a financial statement;~~
- (7) "Calendar year" means the 12 months beginning January 1 and ending December 31;
- (8) "Candidate" means a person whose application to take the CPA examination has been accepted by the Board and who may sit for the CPA examination;
- (9) "Client" means a person or an entity who orally or in writing agrees with a licensee to receive any professional services performed or ~~delivered in this State; delivered;~~
- (10) "Commission" means compensation, except a referral fee, for recommending or referring any product or service to be supplied by another person;
- (11) "Compilation" means a professional service whereby a CPA is engaged to present, in the form of financial statements, information that is the representation of management without undertaking to express any assurance on the statements;
- (12) "Contingent fee" means a fee established for the performance of any service pursuant to an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such service;
- (13) "CPA" means certified public accountant;
- (14) "CPA firm" means a sole proprietorship, a partnership, a professional corporation, a professional limited liability company, or a registered limited liability partnership ~~which that~~ uses "certified public accountant(s)" or "CPA(s)" in or with its name or offers to or renders any attest services in the public practice of accountancy;
- (15) "CPE" means continuing professional education;
- (16) "Disciplinary action" means revocation or suspension of, or refusal to grant, a certificate, or the imposition of a reprimand, probation, constructive comment, or any other penalty or condition;
- (17) "FASB" means the Financial Accounting Standards Board;
- ~~(18) "Forecast" means prospective financial statements that present, to the best of the responsible party's knowledge and belief, an entity's expected financial position, results of operations, and changes in financial position or cash flows that are based on the responsible party's assumptions reflecting conditions the entity expects to exist and the course of action the entity expects to take;~~
- ~~(18) "Firm network" means an association of entities that includes one or more firms that cooperate for the purpose of enhancing the firms' capabilities to provide professional services and share one or more of the following characteristics:~~
  - ~~(A) The use of a common brand name, including initials, as part of the firm name;~~
  - ~~(B) Common control among the firms through ownership, management, or other means;~~
  - ~~(C) Profits or costs, excluding costs of operating the association; costs of developing audit methodologies, manuals, and training courses; and other costs that are immaterial to the firm;~~
  - ~~(D) Common business strategy that involves ongoing collaboration amongst the firms whereby the firms are responsible for implementing the association's strategy and are accountable for performance pursuant to that strategy;~~
  - ~~(E) Significant part of professional resources;~~
  - ~~(F) Common quality control policies and procedures that firms are required to implement and that are monitored by the association;~~
- (19) "GASB" means the Governmental Accounting Standards Board;

- (20) "Inactive," when used to refer to the status of a person, describes a person who has requested inactive status and has been approved by the Board and who does not use the title "certified public accountant", nor does he or she allow anyone to refer to him or her as a "certified public accountant," and neither he nor she nor anyone else refers to him or her in any representation as described in Rule .0308(b) of this Section;
- (21) "IRS" means the Internal Revenue Service;
- (22) "Jurisdiction" means any state or territory of the United States or the District of Columbia;
- (23) "License year" means the 12 months beginning July 1 and ending June 30;
- (24) "Member of a CPA firm" means any CPA who has an equity ownership interest in a CPA firm;
- (25) "NASBA" means the National Association of State Boards of Accountancy;
- (26) "NCACPA" means the North Carolina Association of Certified Public Accountants;
- (27) "North Carolina office" means any office physically located in North Carolina;
- (28) "Person" means any natural person, corporation, partnership, professional limited liability company, registered limited liability partnership, unincorporated association, or other entity;
- (29) "Professional" means arising out of or related to the particular knowledge or skills associated with CPAs;
- ~~(30) "Projection" means prospective financial statements that present, to the best of the responsible party's knowledge and belief, given one or more hypothetical assumptions, an entity's expected financial position, results of operations, and changes in financial position or cash flows that are based on the responsible party's assumptions reflecting conditions it expects would exist and the course of action it expects would be taken given such hypothetical assumptions;~~
- ~~(31)~~(30) "Referral fee" means compensation for recommending or referring any service of a CPA to any person;
- ~~(32)~~(31) "Revenue Department" means the North Carolina Department of Revenue;
- ~~(33)~~(32) "Review" means a professional service whereby a CPA is engaged to perform procedures, limited to analytical procedures and inquiries, to obtain a reasonable basis for expressing limited assurance on whether any material modifications should be made to the financial statements for them to be in conformity with generally accepted accounting principles or other comprehensive basis of accounting;
- ~~(34)~~(33) "Reviewer" means a member of a review team including the review team captain;
- ~~(35)~~(34) "Suspension" means a revocation of a certificate for a specified period of time. A CPA may be reinstated after a specific period of time if the CPA has met all conditions imposed by the Board at the time of suspension;
- ~~(36)~~(35) "Trade name" means a name used to designate a business enterprise;
- ~~(37)~~(36) "Work papers" mean the CPA's records of the procedures applied, the tests performed, the information obtained, and the conclusions reached in attest services, tax services, consulting services, special report services, or other engagements. Work papers include programs used to perform professional services, analyses, memoranda, letters of confirmation and representation, checklists, copies or abstracts of company documents, and schedules of commentaries prepared or obtained by the CPA. The forms include handwritten, typed, printed, word processed, photocopied, photographed, and computerized data, or in any other form of letters, words, pictures, sounds or symbols; and
- ~~(38)~~(37) "Work product" means the end result of the engagement for the client which may include a tax return, attest or assurance report, consulting report, and financial plan. The forms include handwritten, typed, printed, word processed, photocopied, photographed, and computerized data, or in any other form of letters, words, pictures, sounds, or symbols.

(c) Any requirement to comply by a specific date to the Board that falls on a weekend or federal holiday shall be received as in compliance if postmarked by U.S. Postal Service cancellation by that date, if received by a private delivery service by that date, or received in the Board office on the next business day.

*Authority G.S. 93-1; 93-12; 93-12(3).*

**21 NCAC 08A .0307 - READOPT WITHOUT SUBSTANTIVE CHANGES**

**21 NCAC 08A .0308 – READOPT WITHOUT SUBSTANTIVE CHANGES**

**21 NCAC 08A .0309 – READOPT WITHOUT SUBSTANTIVE CHANGES**

**SUBCHAPTER 08B - RULE-MAKING PROCEDURES**

**SECTION .0500 - DECLARATORY RULINGS**

**21 NCAC 08B .0508 – READOPT WITHOUT SUBSTANTIVE CHANGES**

**SUBCHAPTER 08F - REQUIREMENTS FOR CERTIFIED PUBLIC ACCOUNTANT EXAMINATION AND CERTIFICATE APPLICANTS**

**SECTION .0100 – GENERAL PROVISIONS**

**21 NCAC 08F .0103 FILING OF EXAMINATION APPLICATIONS AND FEES**

- (a) All applications for CPA examinations shall be filed with the Board and accompanied by the examination fee. The Board sets the fee for each examination at the amount that enables the Board to recover its actual costs of examination services. If a check or credit card authorization fails to clear the bank, the application shall be deemed incomplete and returned. CPA Exam applications and fee information are on the Board's website at [www.nccpaboard.gov](http://www.nccpaboard.gov) and may be requested from the Board.
- (b) The initial application filed to take the examination shall include supporting documentation demonstrating that all legal requirements have been met, including:
- (1) minimum legal age;
  - (2) education; and
  - (3) good moral character.
- (c) Any person born outside the United States shall furnish to the Board office evidence of citizenship; evidence of resident alien status; or
- (1) other bona fide evidence that the applicant is legally allowed to remain in the United States;
  - (2) a notarized affidavit of intention to become a U.S. citizen; or
  - (3) evidence that the applicant is a citizen of a foreign jurisdiction ~~which-that~~ extends to citizens of this ~~state-State~~ like or similar privileges to be examined.
- (d) Official transcripts (~~originals-originals-~~, not photocopies) signed by the college registrar and bearing the college seal are required to prove satisfaction of education and degree requirements. A letter from the college registrar of the school may be filed as documentation that the applicant has met the graduation requirements if the degree has not been awarded and posted to the transcript. No examination grades shall be released until an official transcript is filed with the Board confirming the satisfaction of education requirement as stated in the college registrar's letter.
- (e) ~~Applications-Applicants~~ for re-examination shall not re-submit official transcripts, additional statements, or affidavits regarding education.
- (f) To document good moral character as required by G.S. 93-12(5), three persons not related by blood or marriage to the applicant shall sign the application certifying the good moral character of the applicant.
- (g) An applicant shall include as part of any application for the CPA examination a statement of explanation and a certified copy of the final disposition if the applicant has been arrested, charged, convicted or found guilty of, received a prayer for judgment continued, or pleaded nolo contendere to any criminal offense. An applicant is not required to disclose any arrest, charge, or conviction that has been expunged by the court.
- (h) If an applicant has been denied any license by any state or federal agency, the applicant shall include as part of the application for the CPA examination a statement explaining such denial. An applicant shall include a statement of explanation and a certified copy of applicable license records if the applicant has been registered with or licensed by a state or federal agency and has been disciplined by that agency.
- (i) Two identical photographs shall accompany the application for the CPA ~~examination and the application for the CPA certificate.~~ examination. These photographs shall be of the applicant alone, 2x2 inches in size, front view, full face, taken in normal street attire without a hat or dark glasses, printed on paper with a plain light background and taken within the last six months. Photographs may be in black and white or in color. Retouched photographs shall not be accepted. Applicants shall write their names on the back of their ~~photos-photographs.~~
- (j) If an applicant's name has legally changed and is different from the name on any transcript or other document supplied to the Board, the applicant shall furnish copies of the documents legally authorizing the name change.
- (k) Candidates shall file initial and re-exam applications to sit for the CPA Examination on forms provided by the Board.
- (l) Examination fees are valid for a six-month period from the date of the applicant's notice to schedule for the examination from the examination vendor.
- (m) No application for examination shall be considered while the applicant is serving a sentence for any criminal offense. Serving a sentence includes incarceration, probation (supervised or unsupervised), parole, or conditionally suspended sentence, any of which are imposed as a result of having been convicted or having pled to a criminal charge.

*Authority G.S. 93-12(3); 93-12(4); 93-12(5); 93-12(7).*

**21 NCAC 08F .0105 – READOPT WITHOUT SUBSTANTIVE CHANGES**

**21 NCAC 08F .0111 – READOPT WITHOUT SUBSTANTIVE CHANGES**

**21 NCAC 08F .0302 – READOPT WITHOUT SUBSTANTIVE CHANGES**

**21 NCAC 08F .0401 – READOPT WITHOUT SUBSTANTIVE CHANGES**

**21 NCAC 08F .0410 – READOPT WITHOUT SUBSTANTIVE CHANGES**

**21 NCAC 08F .0502 – READOPT WITHOUT SUBSTANTIVE CHANGES**

## **SUBCHAPTER 08G - CONTINUING PROFESSIONAL EDUCATION (CPE)**

### **SECTION .0400 - CPE REQUIREMENTS**

**21 NCAC 08G .0401 – READOPT WITHOUT SUBSTANTIVE CHANGES**

21 NCAC 08G .0403 – READOPT WITHOUT SUBSTANTIVE CHANGES

21 NCAC 08G .0404 – READOPT WITHOUT SUBSTANTIVE CHANGES

21 NCAC 08G .0406 – READOPT WITHOUT SUBSTANTIVE CHANGES

21 NCAC 08G .0410 – READOPT WITHOUT SUBSTANTIVE CHANGES

**SUBCHAPTER 08I - REVOCATION OF CERTIFICATES AND OTHER DISCIPLINARY ACTION**

21 NCAC 08I .0104 – READOPT WITHOUT SUBSTANTIVE CHANGES

**SUBCHAPTER 08J - RENEWALS AND REGISTRATIONS**

21 NCAC 08J .0101 – READOPT WITHOUT SUBSTANTIVE CHANGES

21 NCAC 08J .0105 – READOPT WITHOUT SUBSTANTIVE CHANGES

21 NCAC 08J .0107 – READOPT WITHOUT SUBSTANTIVE CHANGES

21 NCAC 08J .0111 – READOPT WITHOUT SUBSTANTIVE CHANGES

**SUBCHAPTER 08M – STATE QUALITY REVIEW PROGRAM**

**SECTION .0100 – GENERAL SQR REQUIREMENTS**

21 NCAC 08M .0105 – READOPT WITHOUT SUBSTANTIVE CHANGES

**21 NCAC 08M .0106 COMPLIANCE**

(a) A CPA firm registered for peer review shall provide to the Board the following:

- (1) Peer review due date;
- (2) Year end date;
- (3) Final Letter of Acceptance from peer review program within 60 days of the date of the letter; and
- (4) A package to include the Peer Review Report, Letter of Response, and Final Letter of Acceptance for all failed and second passed with deficiencies reports issued by a peer review program within 60 days of the date of the Final Letter of Acceptance.

(b) A peer review is not complete until the Final Letter of Acceptance is issued by the peer review program with the new due date.

(c) If a CPA firm fails to comply with ~~21 NCAC 08M .0105(e), (d), or (g)~~; Rule .0105(c), (d), or (g) of this Section, and continues to offer or render services, the Board may take disciplinary action against the CPA firm's members ~~which that~~ may ~~include~~ include a suspension of each members' CPA certificate for a period of not less than 30 days and a civil penalty up to one thousand dollars (\$1,000).

- ~~(1) — one hundred dollar (\$100.00) civil penalty for non-compliance of less than 60 days;~~
- ~~(2) — two hundred fifty dollar (\$250.00) civil penalty for non-compliance in excess of 60 days but not more than 120 days; and~~
- ~~(3) — a suspension of each member's CPA certificate for a period of not less than 30 days and a civil penalty of five hundred dollars (\$500.00) for non-compliance in excess of 120 days.~~

*Authority G.S. 93-12(7b); 93-12(8c).*

**SUBCHAPTER 08N – PROFESSIONAL ETHICS AND CONDUCT**

**SECTION .0100 - SCOPE AND APPLICABILITY**

21 NCAC 08N .0101 – READOPT WITHOUT SUBSTANTIVE CHANGES

21 NCAC 08N .0102 – READOPT WITHOUT SUBSTANTIVE CHANGES

21 NCAC 08N .0103 – READOPT WITHOUT SUBSTANTIVE CHANGES

**SECTION .0200 – RULES APPLICABLE TO ALL CPAS**

21 NCAC 08N .0201 – READOPT WITHOUT SUBSTANTIVE CHANGES

21 NCAC 08N .0202 – READOPT WITHOUT SUBSTANTIVE CHANGES

**21 NCAC 08N .0203 – READOPT WITHOUT SUBSTANTIVE CHANGES**

**21 NCAC 08N .0204 – READOPT WITHOUT SUBSTANTIVE CHANGES**

**21 NCAC 08N .0205 – READOPT WITHOUT SUBSTANTIVE CHANGES**

**21 NCAC 08N .0206 – READOPT WITHOUT SUBSTANTIVE CHANGES**

**21 NCAC 08N .0207 – READOPT WITHOUT SUBSTANTIVE CHANGES**

**21 NCAC 08N .0208 REPORTING CONVICTIONS, JUDGMENTS, AND DISCIPLINARY ACTIONS**

(a) Criminal Actions. A CPA shall notify the Board within 30 days of any conviction or finding of guilt of, pleading of nolo contendere or receiving a prayer for judgment continued to any criminal offense.

(b) Civil Actions. A CPA shall notify the Board within 30 days of ~~the following: any judgment or settlement in a civil suit, bankruptcy action, administrative proceeding, or binding arbitration that:~~

- ~~(1) any judgment or settlement in a civil suit, bankruptcy action, administrative proceeding, or binding arbitration;~~
- ~~(2)(1) which~~ is grounded upon an allegation of professional negligence, gross negligence, dishonesty, fraud, misrepresentation, incompetence, or violation of any federal or state tax law; and
- ~~(3)(2) that~~ was brought against either the CPA or a North Carolina office of a CPA firm of which the CPA was a managing partner-owner.

(c) Settlements. A CPA shall notify the Board within 30 days of any settlement in lieu of a civil suit or criminal charge which is grounded upon an allegation of professional negligence; gross negligence; dishonesty; fraud; misrepresentation; incompetence; or violation of any federal, state, or local law. Notification is required regardless of any confidentiality clause in the settlement.

(d) Investigations. A CPA shall notify the Board within 30 days of any inquiry or investigation by the criminal investigation divisions of the Internal Revenue Service (IRS) or any state department of revenue ~~criminal investigation divisions~~ pertaining to any personal or business tax matters.

(e) Liens. A CPA shall notify the Board within 30 days of the filing of any liens by the Internal Revenue Service (IRS) or any state department of revenue regarding the failure to pay or apparent failure to pay for any amounts due any tax matters.

*Authority G.S. 55B-12; 57C-2-01; 93-12(3); 93-12(9).*

**21 NCAC 08N .0209 ACCOUNTING PRINCIPLES**

(a) Generally Accepted Accounting Principles. A CPA shall not express an opinion that financial statements are presented in conformity with generally accepted accounting principles if such statements contain any departure from an accounting principle ~~which that~~ has a material effect on the statements taken as a whole, unless the CPA can demonstrate that due to unusual circumstances the financial statements would otherwise have been misleading. In such cases the CPA's report shall describe the departure, the approximate effects thereof, if practicable, and the reasons why compliance with the principle would result in a misleading statement.

(b) Financial Accounting Standards Board Accounting Standards Codification. The Financial Accounting Standards Board Accounting Standards Codification, including subsequent amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered generally accepted accounting principles for the purposes of Paragraph (a) of this Rule.

~~(c) Departures. In such cases the CPA's report must describe the departure, the approximate effects thereof, if practicable, and the reasons why compliance with the principle would result in a misleading statement.~~

~~(4)(c)~~ Copies of Standards. Copies of the Financial Accounting Standards Board Accounting Standards Codification may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the FASB, Post Office Box ~~30816, Stamford, CT 06150 5116, Norwalk, CT 06856~~ as part of the "FASB Accounting Standards." They are available at cost, which is ~~one hundred ninety-five dollars (\$195.00) two hundred fifteen dollars (\$215.00)~~ in paperback form as of the effective date of the last amendment to this Rule.

*Authority G.S. 55B-12; 57C-2-01; 93-12(9).*

**21 NCAC 08N .0211 RESPONSIBILITIES IN TAX PRACTICE**

(a) Standards for Tax Services. A CPA shall not render services in the area of taxation unless the CPA has complied with the standards for tax services.

(b) Statements on Standards for Tax Services. The Statements on Standards for Tax Services issued by the AICPA, including subsequent amendments and editions, are hereby incorporated by reference, as provided by G.S. 150B-21.6, and shall be considered as the standards for tax services for the purposes of Paragraph (a) of this Rule. Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

~~(c) Departures. Departures from the statements listed in Paragraph (b) of this Rule must be justified by those who do not follow them as set out in the statements.~~

~~(4)(c)~~ Copies of Standards. Copies of the Statements on Standards for Tax Services may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC, 27707 as part of the "AICPA Professional Standards." They are available at cost, which is ~~one hundred sixty-nine dollars (\$169.00) one hundred ninety-four dollars (\$194.00)~~ in paperback form or ~~four hundred eighty-six dollars (\$486.00) one hundred sixty-nine dollars (\$169.00)~~ in ~~looseleaf-online~~ subscription form as of the effective date of the last amendment to this Rule.

Authority G.S. 55B-12; 57C-2-01; 93-12(9).

## 21 NCAC 08N .0212 – READOPT WITHOUT SUBSTANTIVE CHANGES

## 21 NCAC 08N .0213 – READOPT WITHOUT SUBSTANTIVE CHANGES

### 21 NCAC 08N .0214 OUTSOURCING TO THIRD-PARTY PROVIDERS

(a) A CPA shall provide a written disclosure in advance of the outsourcing to the client that he or she is using a third-party provider to assist the CPA in providing any professional services to the client.

~~(b) A CPA shall provide annual disclosure in a written statement of the services to be rendered by the third party provider as well as the third party provider's name, address, and phone number. The written statement shall be dated, signed by both the CPA and client in advance of the outsourcing, and a copy provided to the client.~~

~~(e)(b)~~ A CPA outsourcing professional services to a third-party provider is responsible for ensuring a third-party provider is in compliance with all rules of Professional of Conduct and Ethics in ~~21 NCAC 08N~~; this Subchapter.

Authority G.S. 55B-12; 57C-2-01; 93-12(9).

### 21 NCAC 08N .0215 INTERNATIONAL FINANCIAL ACCOUNTING STANDARDS

(a) International Financial Accounting Standards. A CPA shall not express an opinion that financial statements are presented in accordance with international financial accounting standards if such statements contain any departure from an accounting standard ~~which that~~ has a material effect on the statements, taken as a whole, unless the CPA can demonstrate that due to unusual circumstances the financial statements would otherwise have been misleading. In such cases, the CPA's report shall describe the departure, the approximate effect thereof if practicable, and the reason(s) why compliance with the standard would result in a misleading statement.

(b) International Financial Accounting Standards consist of the following:

- (1) International Financial Reporting Standards (IFRS) issued after 2001;
- (2) International Accounting Standards (IAS) issued before 2001;
- (3) Interpretations originated from the International Financial Reporting Interpretations Committee (IFRIC) issued after 2001; and
- (4) Standing Interpretations Committee (SIC) issued before 2001.

~~(e) Departures. The CPA's report must describe the departure, the approximate effect thereof if practicable and the reasons why compliance with the standard would result in a misleading statement.~~

~~(4)(c)~~ Copies of Standards. Copies of International Financial Accounting Standards may be inspected in the office of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the International Accounting Standards Board, IASC Foundation Publications Department, 30 Cannon Street, London, EC4M6XH, United Kingdom. They are available at cost, which is approximately ~~thirty four dollars (\$34.00) one hundred two dollars (\$102.00)~~ in paperback form or ~~three hundred eighty three dollars (\$383.00) four hundred thirty-two dollars (\$432.00)~~ in loose-leaf subscription form.

Authority G.S. 55-12; 57C-2-01; 93-12(9).

## SECTION .0300 – RULES APPLICABLE TO ALL CPAS WHO USE THE CPA TITLE IN OFFERING OR RENDERING PRODUCTS OR SERVICES TO CLIENTS

## 21 NCAC 08N .0301 – READOPT WITHOUT SUBSTANTIVE CHANGES

### 21 NCAC 08N .0302 FORMS OF PRACTICE

(a) Authorized Forms of Practice. A CPA who uses CPA in or with the name of the business or offers or renders ~~attest or assurance services audits, reviews, compilations, agreed-upon procedure or engagement services performed in accordance with the standards in 21 NCAC 08A .0301(b)(5)~~ in the public practice of accountancy to clients shall do so only through a registered sole proprietorship, partnership, Professional Corporation, Professional Limited Liability Company, or Registered Limited Liability Partnership.

(b) Authorized Ownership. A CPA firm may have an ownership of up to 49 percent by non-CPAs. A CPA firm shall have ownership of at least 51 percent and be controlled in law and fact by holders of valid CPA certificates who have the unrestricted privilege to use the CPA title and to practice public accountancy in a jurisdiction and at least one of whom shall be licensed by this Board.

(c) CPA Firm Registration Required. A CPA shall not offer or render professional services through a CPA firm which is in violation of the registration requirements of 21 NCAC 08J .0108, 08J .0110, or 08M .0105.

(d) Supervision of CPA Firms. Every North Carolina office of a CPA firm registered in North Carolina shall be actively and locally supervised by a designated actively licensed North Carolina CPA whose primary responsibility and a corresponding amount of time shall be work performed in that office.

(e) CPA Firm Requirements for CPA Ownership. A CPA firm and its designated supervising CPA ~~is shall be~~ accountable for the following in regard to a CPA owner:

- (1) A CPA owner shall be a natural person or a general partnership or a limited liability partnership directly owned by natural persons.
- (2) A CPA owner shall actively participate in the business of the CPA firm.

- (3) A CPA owner who, prior to January 1, 2006, is not actively participating in the CPA firm may continue as an owner until such time as his or her ownership is terminated.
- (f) CPA Firm Requirements for Non-CPA Ownership. A CPA firm and its designated supervising CPA ~~partner is owner shall be~~ accountable for the following in regard to a non-CPA owner:
- (1) a non-CPA owner shall be a natural person or a general partnership or limited liability partnership directly owned by natural persons;
  - (2) a non-CPA owner shall actively participate in the business of the firm or an affiliated entity as his or her principal occupation;
  - (3) a non-CPA owner shall comply with all applicable accountancy statutes and the rules;
  - (4) a non-CPA owner shall be of good moral character and shall be dismissed and disqualified from ownership for any conduct that, if committed by a licensee, would result in a discipline pursuant to G.S. 93-12(9); and
  - (5) a non-CPA owner shall report his or her name, home address, phone ~~number number~~, social security number, and Federal Tax ID number (if any) on the CPA firm's ~~registration; and registration.~~
  - ~~(6) a non-CPA owner's name may not be used in the name of the CPA firm or held out to clients or the public that implies the non-CPA owner is a CPA.~~

Authority G.S. 55B-12; 57C-2-01; 93-12(9).

## 21 NCAC 08N .0303 – READOPT WITHOUT SUBSTANTIVE CHANGES

### 21 NCAC 08N .0304 CONSULTING SERVICES STANDARDS

(a) Standards for Consulting Services. A CPA shall not render consulting services unless the CPA has complied with the standards for consulting services.

(b) Statements on Standards for Consulting Services. The Statements on Standards for Consulting Services (including the definition of such services) issued by the AICPA, including subsequent amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered as the approved standards for consulting services for the purposes of Paragraph (a) of this Rule. Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

~~(c) Departures from the statements listed in Paragraph (b) of this Rule must be justified by those who do not follow them as set out in the statements.~~

~~(d)~~(c) Copies of Statements. Copies of the Statements on Standards for Consulting Services may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC 27707 as part of the "AICPA Professional Standards." They are available at cost, which is ~~one hundred sixty nine dollars (\$169.00)~~ one hundred ninety-four dollars (\$194.00) in paperback form or ~~four hundred eighty six dollars (\$486.00)~~ one hundred sixty-nine dollars (\$169.00) in looseleaf-on-line subscription form as of the effective date of the last amendment to this Rule.

Authority G.S. 55B-12; 57C-2-01; 93-12(9).

## 21 NCAC 08N .0305 – READOPT WITHOUT SUBSTANTIVE CHANGES

## 21 NCAC 08N .0306 – READOPT WITHOUT SUBSTANTIVE CHANGES

### 21 NCAC 08N .0307 CPA FIRM NAMES

(a) Deceptive Names Prohibited. A CPA or CPA firm shall not trade upon the CPA title through use of any name that would have the capacity or tendency to deceive. The name or initials of one or more members of a new CPA firm, as defined in 21 NCAC 08A .0301, shall be included in the CPA firm name. The name of former members and the initials of former members that are currently in the CPA firm name and the name of current members and the initials of current members may be included in a new CPA firm name. The name, the portion of the name, the initials of the name or the acronym derived from the name of a ~~firm association or firm network~~ that includes names that were not previous CPA members or are not current CPA members of the CPA firm may be included in the CPA firm name, and the The name or initials of a non-CPA member in a CPA firm name may be included in the CPA firm name if certified public accountant or CPA is not included in or with the CPA firm name. ~~is prohibited.~~

(b) Style of Practice. It is misleading if a CPA firm practices under a name or style ~~which that~~ would tend to imply the existence of a partnership or registered limited liability partnership or a professional corporation or professional limited liability company of more than one CPA shareholder or CPA member or an association when in fact there is no partnership nor is there more than one CPA shareholder or CPA member of a CPA firm. For example, no CPA firm having just one CPA member may have as a part of its name the words "associates," "group," "firm," or "company" or their abbreviations. It is also misleading if a CPA renders non-attest professional services through a non-CPA firm using a name that implies any non-licensees are CPAs.

(c) Any CPA firm that has continuously used an assumed name approved by the Board prior to April 1, 1999, may continue to use the assumed name. A CPA firm (or a successor firm by sale, merger, or operation of law) using the name, or a portion of a name, or the initials of the name, or the acronym derived from the name of a firm association or firm network that was approved by the Board prior to April 1, 1999 may continue to use that name so long as that use is not deceptive. A CPA firm (or a successor firm by sale, merger, or operation of law) may continue to use the surname of a retired or deceased partner or shareholder in the CPA firm's name so long as that use is not deceptive.

(d) Any CPA firm registered in another jurisdiction that provides notification of intent to practice pursuant to G.S. 93-10(c)(3) may practice under the name as registered with that jurisdiction.

Authority G.S. 55B-12; 57C-2-01; 93-12(9).

## 21 NCAC 08N .0308 VALUATION SERVICES STANDARDS

(a) Standards for Valuation Services. A CPA shall not render valuation services of a business, a business ownership interest, security, or intangible asset unless the CPA has complied with the standards for valuation services.

(b) Statements on Standards for Valuation Services. The Statements on Standards for Valuation Services (including the definition of such services) issued by the AICPA, including amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered as the approved standards for valuation services for the purposes of Paragraph (a) of this Rule.

~~Departures from the standards listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.~~

~~(e) Departures. Departures from the standards listed in Paragraph (b) of this Rule must be justified by those who do not follow them as set out in the statements.~~

~~(d)~~(c) Copies of Statements. Copies of the statements on standards for valuation services may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC 27707 as part of the "AICPA Professional Standards." They are available at cost, which is ~~one hundred sixty-nine dollars (\$169.00)~~ one hundred ninety-four dollars (\$194.00) in paperback form or ~~four hundred eighty-six dollars (\$486.00)~~ one hundred sixty-nine dollars (\$169.00) in ~~looseleaf~~ on-line subscription form as of the effective date of the last amendment to this Rule.

Authority G.S. 55B-12; 57C-2-01; 93-12(9).

## 21 NCAC 08N .0309 PERSONAL FINANCIAL PLANNING SERVICES

~~(a) Statement on Standards on Personal Financial Planning Services. A CPA shall not render personal financial planning services unless the CPA has complied with the applicable standards for personal financial planning services.~~

~~(b) Statement on Standards on Personal Financial Planning Services. The Statement on Standards on Personal Financial Planning Services (including the definition of such services) issued by the AICPA, including subsequent amendments and editions, is hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered as the approved standards for personal financial planning services for the purpose of Paragraph (a) of this Rule. Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.~~

~~(c) Copies of Statements. Copies of the Statement on Standards on Personal Financial Planning Services may be inspected in the office of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC 27707 as part of the "AICPA Professional Standards." They are available at cost, which is one hundred sixty-nine dollars (\$169.00) in paperback form or four hundred eighty-six dollars (\$486.00) in online subscription form as of the effective date of the last amendment of this Rule.~~

Authority G.S. 55-12; 57C-2-01; 93-12(9).

## SECTION .0400 - RULES APPLICABLE TO CPAS PERFORMING ATTEST SERVICES

### 21 NCAC 08N .0401 PUBLIC RELIANCE

The rules in this Section apply to any CPA who engages in ~~the attest or assurance~~ services as defined in 21 NCAC 08A .0301(b). ~~CPAs who engage in such services are also subject to the Peer Review requirements of Subchapter 08M.~~

Authority G.S. 55B-12; 57C-2-01; 93-12(9).

### 21 NCAC 08N .0402 – READOPT WITHOUT SUBSTANTIVE CHANGES

#### 21 NCAC 08N .0403 AUDITING STANDARDS

(a) Standards for Auditing Services. A CPA shall not render auditing services unless the CPA has complied with the applicable generally accepted auditing standards.

(b) Statements on Auditing Standards. The Statements on Auditing Standards issued by the AICPA, including subsequent amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered generally accepted auditing standards for the purposes of Paragraph (a) of this Rule. ~~Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.~~

~~(e) Departures. Departures from the statements listed in Paragraph (b) of this Rule must be justified by those who do not follow them as set out in the statements.~~

~~(d)~~(c) Copies of Statements. Copies of the Statements on Auditing Standards may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC 27707 as part of the "AICPA Professional Standards." They are available at cost, which is ~~one hundred sixty-nine dollars (\$169.00)~~ one hundred ninety-four dollars (\$194.00) in paperback form or ~~four hundred eighty-six dollars (\$486.00)~~ one hundred sixty-nine dollars (\$169.00) in ~~looseleaf~~ on-line subscription form as of the effective date of the last amendment to this Rule.

Authority G.S. 55B-12; 57C-2-01; 93-12(9).

#### 21 NCAC 08N .0404 ACCOUNTING AND REVIEW SERVICES STANDARDS

(a) Standards for Accounting and Review Services. A CPA shall not render accounting and review services unless the CPA has complied with the standards for accounting and review services.

(b) Statements on Standards for Accounting and Review Services. The Statements on Standards for Accounting and Review Services issued by the AICPA, including subsequent amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered as the approved standards for accounting and review services for the purposes of Paragraph (a) of this Rule. Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

~~(c) Departures. Departures from the statements listed in Paragraph (b) of this Rule must be justified by those who do not follow them as set out in the statements.~~

~~(d)(c)~~ Copies of Statements. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC 27707 as part of the "AICPA Professional Standards." They are available at cost, which is one hundred sixty-nine dollars (\$169.00) one hundred ninety-four dollars (\$194.00) in paperback form or four hundred eighty-six dollars (\$486.00) one hundred sixty-nine dollars (\$169.00) in looseleaf-on-line subscription form as of the effective date of the last amendment to this Rule.

Authority G.S. 55B-12; 57C-2-01; 93-12(9).

## **21 NCAC 08N .0405 GOVERNMENTAL ACCOUNTING STANDARDS**

(a) Standards for Governmental Accounting. A CPA shall not permit the CPA's name to be associated with governmental financial statements for a client unless the CPA has complied with the standards for governmental accounting.

(b) Statements on Governmental Accounting and Financial Reporting Services. The Statements on Governmental Accounting and Financial Reporting Services issued by the GASB, including subsequent amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered as the approved standards for governmental accounting for the purposes of Paragraph (a) of this Rule. Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

~~(c) Departures. Departures from the statements listed in Paragraph (b) of this Rule must be justified by those who do not follow them as set out in the statements.~~

~~(d)(c)~~ Copies of Statements. Copies of the Statements on Governmental Accounting and Financial Reporting Standards, including technical bulletins and interpretations, may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the GASB, Post Office Box 30784, Stamford, CT 06150. They are available at cost, which is two hundred twenty-eight dollars (\$228.00) one hundred eighty-four dollars (\$184.00). In addition to the basic set, an updating subscription service is available for two hundred five dollars (\$205.00) two hundred twenty-five dollars (\$225.00) annually as of the effective date of the last amendment to this Rule.

Authority G.S. 55B-12; 57C-2-01; 93-12(9).

## **21 NCAC 08N .0406 ATTESTATION STANDARDS**

(a) Standards for Attestation Services. A CPA shall not render attestation services unless the CPA has complied with the applicable attestation standards.

(b) Statements on Standards for Attestation Engagements. The Statements on Standards for Attestation Engagements issued by the AICPA, including subsequent amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered attestation standards for the purposes of Paragraph (a) of this Rule. Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

~~(c) Departures. Departures from the statements listed in Paragraph (b) of this Rule must be justified by those who do not follow them as set out in the statements.~~

~~(d)(c)~~ Copies of Statements. Copies of the Statements on Standards for Attestation Engagements may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC 27707 as part of the "AICPA Professional Standards." They are available at cost, which is one hundred sixty-nine dollars (\$169.00) one hundred ninety-four dollars (\$194.00) in paperback form or four hundred eighty-six dollars (\$486.00) one hundred sixty-nine dollars (\$169.00) in looseleaf-on-line subscription form as of the effective date of the last amendment to this Rule.

Authority G.S. 55B-12; 57C-2-01; 93-12(9).

## **21 NCAC 08N .0408 – READOPT WITHOUT SUBSTANTIVE CHANGES**

### **21 NCAC 08N .0409 GOVERNMENT AUDITING STANDARDS**

(a) Standards for Government Audits. A CPA shall not render audit services to a government entity or entity that receives government awards and is required to receive an audit in accordance with Government Auditing Standards unless the CPA has complied with the applicable Generally Accepted Government Auditing Standards.

(b) Government Auditing Standards. The Government Auditing Standards issued by the United States Government Accountability Office, including subsequent amendments and additions, are hereby incorporated by reference, as provided by G.S. 150B-21.6, and shall be considered Generally Accepted Government Auditing Standards for the purpose of Paragraph (a) of this Rule. Departures from the standards listed in this Paragraph shall be justified by those who do not follow them as set out in the standards.

~~(c) Departure. Departures from the standards listed in Paragraph (b) of this Rule must be justified by those who do not follow them as set out in the standards.~~

~~(c)~~ Copies of the Standards. Copies of the Government Auditing Standards may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the Government Printing Office, Washington, D.C. 20402-0001. They are available at a cost, which is ~~approximately twelve dollars and fifty cents (\$12.50)~~ sixteen dollars (\$16.00) in paperback ~~form~~ as of the effective date of the last amendment to this Rule.

*Authority G.S. 55B-12; 57C-2-01; 93-12(9).*

#### **21 NCAC 08N .0410 INTERNATIONAL STANDARDS ON AUDITING**

(a) International Standards on Auditing. A CPA shall not render auditing services unless the CPA has complied with the applicable international standards on auditing.

(b) Statement on International Standards on Auditing. The Statement on International Standards on Auditing issued by the International Auditing and Assurance Board, including subsequent amendments and additions, are hereby incorporated by reference, as provided by G.S. 150B-21.6, and shall be considered International Standards on Auditing for the purpose of Paragraph (a) of this Rule. Departures from the standards listed in this Paragraph must be justified by those who do not follow them as set out in the standards.

(c) Copies of the Standards. Copies of the International Standards on Auditing may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the International Auditing and Assurance Board at 529 5<sup>th</sup> Avenue, 6<sup>th</sup> Floor, New York, NY 10017. They are available at a cost, which is approximately one hundred sixty dollars (\$160.00) in paperback form.

*Authority G.S. 55-12; 57C-2-01; 93-12(9).*