

CHAPTER 08 - BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS

SUBCHAPTER 08A - DEPARTMENTAL RULES

SECTION .0100 - ORGANIZATIONAL RULES

21 NCAC 08A .0101 FORMAL NAME

The formal name for the agency is the State Board of Certified Public Accountant Examiners. The informal and acceptable title of the Board is the Board of CPA Examiners.

History Note: *Authority G.S. 93-12;
Eff. February 1, 1976;
Readopted Eff. September 26, 1977;
Amended Eff. July 1, 1987;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. October 28, 2014.*

21 NCAC 08A .0102 ADDRESS AND PHONE NUMBER

The Board's physical address is Suite 104, 1101 Oberlin Road, Raleigh, North Carolina 27605. The mailing address is Post Office Box 12827, Raleigh, North Carolina 27605-2827. The telephone number is (919) 733-4222.

History Note: *Authority G.S. 93-12(3);
Eff. February 1, 1976;
Readopted Eff. September 26, 1977;
Amended Eff. May 1, 1989; April 1, 1987; October 1, 1984; April 1, 1982;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. October 28, 2014.*

21 NCAC 08A .0103 OFFICE HOURS

The office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday. The office is closed on recognized state holidays.

History Note: *Authority G.S. 93-12(3); 150B-11(1);
Eff. February 1, 1976;
Readopted Eff. September 26, 1977;
Amended Eff. May 1, 1989; October 1, 1984;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. October 28, 2014.*

21 NCAC 08A .0104 MAILING ADDRESS

History Note: *Authority G.S. 150B-11(1);
Eff. February 1, 1976;
Readopted Eff. September 26, 1977;
Amended Eff. April 1, 1982;
Repealed Eff. October 1, 1984.*

21 NCAC 08A .0105 PURPOSES AND RESPONSIBILITIES

History Note: *Authority G.S. 93-12;
Eff. February 1, 1976;
Readopted Eff. September 26, 1977;
Amended Eff. April 1, 1991; May 1, 1989; June 1, 1988; May 1, 1987;
Repealed Eff. April 1, 1994.*

SECTION .0200 - BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS

21 NCAC 08A .0201 ELECTION OF OFFICERS

The Board shall annually, prior to March 31 of each year, elect a President, Vice-President and Secretary-Treasurer.

History Note: Authority G.S. 93-12;
Eff. February 1, 1976;
Readopted Eff. September 26, 1977;
Amended Eff. April 1, 2003; May 1, 1989; June 1, 1985; October 1, 1984;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. October 28, 2014.

21 NCAC 08A .0202 MEETINGS OF THE BOARD

History Note: Authority G.S. 93-12;
Eff. February 1, 1976;
Readopted Eff. September 26, 1977;
Repealed Eff. May 1, 1989.

21 NCAC 08A .0203 QUORUM

Four members of the Board shall constitute a quorum to transact all business.

History Note: Authority G.S. 93-12;
Eff. February 1, 1976;
Readopted Eff. September 26, 1977;
Amended Eff. October 1, 1984; August 24, 1981;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. October 28, 2014.

21 NCAC 08A .0204 COMPOSITION

21 NCAC 08A .0205 QUALIFICATION

21 NCAC 08A .0206 TERM OF OFFICE

History Note: Authority G.S. 93-12;
Eff. February 1, 1976;
Readopted Eff. September 26, 1977;
Amended Eff. August 24, 1981; June 16, 1980;
Repealed Eff. October 1, 1984.

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), 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 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" 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, Public

- Company Accounting Oversight Board Auditing Standards, and International Standards on Auditing;
- (B) any review engagement to be performed in accordance with the Statements on Standards for Accounting and Review Services;
 - (C) any compilation engagement to be performed in accordance with the Statements on Standards for Accounting and Review Services; or
 - (D) any 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 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;
 - (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 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, 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) "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; or
 - (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) "Referral fee" means compensation for recommending or referring any service of a CPA to any person;
- (31) "Revenue Department" means the North Carolina Department of Revenue;
- (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;
- (33) "Reviewer" means a member of a review team including the review team captain;
- (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;
- (35) "Trade name" means a name used to designate a business enterprise;
- (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
- (37) "Work product" means the end result of the engagement for the client that may include a tax return, attest or assurance report, consulting report, or 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.

History Note: Authority G.S. 93-1; 93-12; 93-12(3);
 Eff. February 1, 1976;
 Readopted Eff. September 26, 1977;
 Amended Eff. January 1, 2014; February 1, 2011; January 1, 2006; January 1, 2004; April 1, 1999;
 August 1, 1998; February 1, 1996; April 1, 1994; September 1, 1992;
 Readopted Eff. February 1, 2016;
 Amended Eff. May 1, 2017.

21 NCAC 08A .0302	ACCOUNTANT
21 NCAC 08A .0303	BOARD
21 NCAC 08A .0304	CERTIFIED PUBLIC ACCOUNTANT
21 NCAC 08A .0305	PUBLIC ACCOUNTANT
21 NCAC 08A .0306	PUBLIC PRACTICE OF ACCOUNTANCY

History Note: Authority G.S. 93-1;
 Eff. February 1, 1976;
 Readopted Eff. September 26, 1977;
 Amended Eff. June 16, 1980;

Repealed Eff. June 1, 1983.

21 NCAC 08A .0307 PUBLIC PRACTICE OF ACCOUNTANCY OR ACCOUNTING

(a) A person is engaged in the "public practice of accountancy" who:

- (1) holds himself or herself out to the public as a certified public accountant or an accountant; and
- (2) in consideration of compensation received or to be received, offers to perform or does perform for other persons services that involve:
 - (A) preparing, auditing, or verifying financial transactions, books, accounts, or records;
 - (B) preparing, verifying or certifying financial, accounting, and related statements intended for publication, including preparing tax returns;
 - (C) rendering professional services or assistance in or about any and all matters of principle or detail relating to accounting procedure and systems; or
 - (D) recording, presenting or certifying, and interpreting such service (including tax, consulting or management advisory services) through statements and reports.

(b) Services, as described in Subparagraph (a)(2) of this Rule, may be performed on a full-time, part-time or temporary basis in the various accounting fields, including public accounting, governmental or other not-for-profit accounting, industrial, commercial or financial accounting, taxation and tax-related matters, or accounting education.

*History Note: Authority G.S. 93-1; 93-12;
Eff. October 1, 1984;
Amended Eff. April 1, 1994; March 1, 1990;
Readopted Eff. February 1, 2016.*

21 NCAC 08A .0308 HOLDING OUT TO THE PUBLIC

(a) The phrase "holds himself out to the public as a certified public accountant," as used in defining "public practice of accountancy" in G.S. 93-1(a)(5) and in these rules, means any representation that a person holds a certificate of qualification, if that representation is made in connection with an offer to perform or the performance of accountancy services for the public, regardless of whether that representation is made by the person, someone associated with that person, or someone serving as that person's agent. Any such representation is presumed to invite the public to rely upon the professional skills implied by the certificate in connection with the professional services offered to be performed or performed by the person.

(b) For purposes of this Rule, a "representation" shall be deemed to include any oral, electronic, or written communication indicating that the person holds a certificate, including without limitation, the use of titles or legends on letterheads, reports, business cards, brochures, resumes, office signs, telephone directories, websites, the Internet, or any other advertisements, news articles, publications, listings, tax return signatures, signatures on experience or character affidavits for exam or certificate applicants, displayed membership in CPA associations, displayed CPA licenses from this or any other jurisdiction, and displayed certificates or licenses from other organizations which have the designation "CPA" or "Certified Public Accountant" by the person's name.

*History Note: Authority G.S. 93-1(a)(5); 93-12;
Eff. September 1, 1988;
Amended Eff. January 1, 2006; April 1, 1999; April 1, 1994; May 1, 1989;
Readopted Eff. February 1, 2016.*

21 NCAC 08A .0309 CONCENTRATION IN ACCOUNTING

(a) A concentration in accounting includes:

- (1) at least 30 semester hours, or the equivalent in quarter hours, of undergraduate accountancy courses that shall include no more than six semester hours of accounting principles and no more than three semester hours of business law; or
- (2) at least 20 semester hours or the equivalent in quarter hours, of graduate accounting courses that are open exclusively to graduate students; or
- (3) a combination of undergraduate and graduate courses that would be equivalent to Subparagraph (1) or (2).

(b) In recognition of differences in the level of graduate and undergraduate courses, one semester (or quarter) hour of graduate study in accounting is considered the equivalent of one and one-half semester (or quarter) hours of undergraduate study in accounting.

(c) Up to four semester hours, or the equivalent in quarter hours, of graduate income tax courses completed in law schools may count towards the semester hour requirement of Paragraph (a) of this Rule.

(d) When, in the Board's determination, an accounting course duplicates another course previously taken, only the semester (or quarter) hours of one of the courses shall be counted in determining if the applicant has a concentration in accounting.

(e) Accounting courses include such courses as principles courses at the elementary, intermediate and advanced levels; managerial accounting; business law; cost accounting; fund accounting; auditing; and taxation. There are many college courses offered that would be helpful in the practice of accountancy, but are not included in the definition of a concentration in accounting. Such courses include business finance, business management, computer science, economics, writing skills, accounting internships, and CPA exam review.

History Note: Authority G.S. 93-12(5);
Eff. May 1, 1989;
Amended Eff. February 1, 2011; January 1, 2001; April 1, 1994;
Readopted Eff. February 1, 2016.

21 NCAC 08A .0310 DIRECT SUPERVISION DEFINED

"Direct supervision" means:

- (1) having jurisdiction and oversight authority over the process of planning, coordinating, guiding, inspecting, controlling, and evaluating on a continuing basis the activities and accomplishments of the employees under one's command;
- (2) having the power of direction and decision in implementing activities to meet the objectives of one's stewardship;
- (3) having authority delegated by higher management to hire, transfer, suspend, recall, promote, assign, or discharge an employee under one's charge or to recommend such action through the proper administrative chain of command;
- (4) having authority to supervise the employee in the usual line of authority unrestricted by multiple positions of influence; and
- (5) having authority to verify the employee's experience in a notarized experience affidavit.

History Note: Authority G.S. 93-12(5);
Eff. May 1, 1989;
Amended Eff. April 1, 1999;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. October 28, 2014.

21 NCAC 08A .0311 EMPHASIS IN TAXATION OR ACCOUNTING

History Note: Authority G.S. 93-12(5);
Eff. March 1, 1990;
Repealed Eff. January 1, 2006.

21 NCAC 08A .0312 RESERVED FOR FUTURE CODIFICATION

21 NCAC 08A .0313 RESERVED FOR FUTURE CODIFICATION

21 NCAC 08A .0314 RESERVED FOR FUTURE CODIFICATION

21 NCAC 08A .0315 NEW CPA FIRM, ONGOING CPA FIRM

History Note: Authority G.S. 93-1; 93-12(8c);
Eff. April 1, 1991;

Amended Eff. April 1, 1999;
Repealed Eff. January 1, 2004.