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Topeka, KS 66612-1239
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Susan L. Somers, Executive Director

Board of Accountancy

Sam Brownback, Governor

**STATE OF KANSAS
BOARD OF ACCOUNTANCY
NOTICE OF HEARING ON PROPOSED ADMINISTRATIVE REGULATIONS**

A public hearing will be conducted at 9:30 AM, Friday, October 27, 2017, Room 556A of the Landon State Office Building, 900 SW Jackson, Topeka, KS, to consider the adoption of proposed changes in existing rules and regulations of the Board of Accountancy.

This 60-day notice of the public hearing shall constitute a public comment period for the purpose of receiving written public comments on the proposed rules and regulations. All interested parties may submit written comments prior to the hearing to the Executive Director of the Board of Accountancy, Landon State Office Building, 900 SW Jackson, Ste. 556, Topeka, KS 66612, or by emailing the Board office at ksboa@ks.gov. All interested parties will be given a reasonable opportunity to present their views orally on the adoption of the proposed regulations during the hearing. In order to give all parties an opportunity to present their views, it may be necessary to request that each participant limit any oral presentation to five minutes.

Any individual with a disability may request accommodation in order to participate in the public hearing and may request the proposed regulations and economic impact statements in an accessible format. Requests for accommodation to participate in the hearing should be made at least five working days in advance of the hearing by contacting Susan Somers, at (785) 296-2162, or by e-mail at ksboa@ks.gov. Handicapped parking is located on the south end of Landon State Office Building, and the north entrance to the building is accessible to individuals with disabilities.

These regulations are proposed for adoption on a permanent basis. A summary of proposed regulations and their economic impact follows:

K.A.R. 74-2-1. Applications for examination. Amendments to this regulation set out the requirements for application for the CPA exam and mirrors a change that was made to the enabling statute to allow candidates to sit in advance of meeting the education requirements.

K.A.R.74-2-7. Concentration in accounting. Amendments to this regulation further define the specific course requirements to sit for the exam.

K.A.R. 74-3-8. Ethics examination requirement for issuance of certificate. Amendments to this regulation set forth the specific passing score for the required ethics exam for certification.

K.A.R. 74-4-3a. Permit renewal. Amendments to this regulation expand the definition of continuing education requirements for licensure.

K.A.R. 74-4-7. Continuing education requirements. Amendments to this regulation also expand the definition of continuing education requirements for licensure.

K.A.R. 74-4-8. Continuing education programs; requirements. Amendments to this regulation further defines the requirements that a course sponsor must meet in the issuance of certificates of attendance in accordance with the continuing professional education standards.

K.A.R. 74-4-9. Continuing education controls and reporting. Amendments to this regulation mirror the changes made to K.A.R. 74-4-8 for the requirements of a person chosen for audit of their continuing professional education and further defines the requirements of the course sponsor for the issuance of a certificate of attendance/completion.

K.A.R. 74-4-10. Continuing education requirements for renewal of initial or reinstated permits. Amendments to this regulation expand the definition of continuing education requirements to mirror the changes made in K.A.R. 74-4-3a, 74-4-7 and 74-4-8.

K.A.R. 74-5-2. Definitions. Amendments to this regulation update materials adopted by reference.

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K.A.R. 74-5-202. Compliance with standards. Amendments to this regulation update materials adopted by reference.

K.A.R. 74-5-405. Form of Practice. Revoked.

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K.A.R. 74-5-406. Firm or professional names. Amendments to this regulation clarify the definition of fictitious firm or professional names.

K.A.R. 74-5-408. Change of name or address. Amendments to this regulation require a person to notify the Board of a change of name.

K.A.R. 74-6-2. Management of an office. Amendments to this regulation revise the requirements for a resident manager of the firm and locations of the firm.

K.A.R. 74-7-2. Firms eligible for registration. Amendments to this regulation clarify the firms who are required to register with the Board in compliance with K.S.A. 1-308.

K.A.R. 74-11-6. Definitions. Amendments to this regulation update materials adopted by reference.

K.A.R. 74-12-1. Fees. Amendments to this regulation increase fees for certificates, permits and firms.

Copies of the regulations and the economic impact statement may be obtained from the Board of Accountancy, Landon State Office Building, 900 SW Jackson, Ste. 556, Topeka, KS 66612 (785) 296-2162, or on the Board's website at www.ksboa.org

The Board does not anticipate any economic impact upon itself, to governmental agencies, or private businesses. There is an economic impact on individuals and firms in the adoption of these revisions to its regulations.

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74-2-1. Applications for examination. (a) Each application to take the certified public accountant examination shall be submitted on a form provided by the board or its designee and shall be filed by a date specified in the application.

(b) An application shall not be considered filed until the following conditions are satisfied:

(1) All information requested on the form is provided.

(2) All fees are included with the application.

(3) Official transcripts and any documents that establish that the applicant has satisfied or will satisfy the education requirements in K.A.R. 74-2-7 and K.S.A. 1-302a, and amendments thereto, are provided with the application.

(4) All supporting documents identified in the application form are received, including proof of identity as specified in the application form.

(c) Each testing candidate shall notify the board or its designee of any change of home or business address within 30 days of the change.

(Authorized by K.S.A. 1-202 and K.S.A. 2013 2016 Supp. 1-304; implementing K.S.A. 2013 2016 Supp. 1-304; effective Jan. 1, 1966; amended May 1, 1978; amended, E-82-27, Dec. 22, 1981; amended May 1, 1982; amended July 18, 1997; amended Nov. 17, 2000; amended Nov. 14, 2003; amended March 21, 2014; amended P-_____.)

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74-2-7. Concentration in accounting. (a) The "concentration in accounting" courses required to qualify for admission to the certified public accountant examination shall be as follows:

(1) At least 42 semester credit hours in business and general education courses, including the following:

(A) A macroeconomics course, a microeconomics course, and one upper-division economics course;

(B) at least two courses in the legal aspects of business or business law;

(C) college algebra or higher-level math course;

(D) statistics and probability theory course;

(E) computer systems and applications course;

(F) finance course;

(G) management and administration course;

(H) marketing course; and

(I) production, operations research, or applications of quantitative techniques to business problems course;

(2) at least 11 semester credit hours in courses in written and oral communications; and

(3) at least 30 semester credit hours in courses in accounting theory and practice, including the following:

(A) Financial accounting and reporting for business organizations course, which may include any of the following:

(i) Intermediate accounting course;

(ii) advanced accounting course; or

(iii) accounting theory course;

(B) managerial accounting beyond an introductory course;

(C) auditing course concentrating on auditing standards generally accepted in the United States as issued by the AICPA auditing standards board or the PCAOB, or both;

(D) U.S. income tax course; and

(E) accounting systems beyond an introductory computer course.

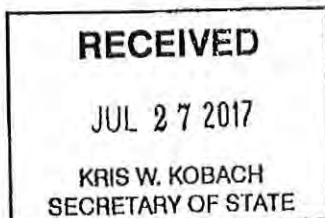
(b) The following types of credits awarded by a college or university approved by the board shall be accepted by the board for purposes of determining compliance with subsection (a), if the credits are related to those areas specified in subsection (a):

(1) Credit for advanced placement;

(2) credit by examination;

(3) credit for military education; and

(4) credit for competency gained through experience; and



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(5) courses taken for pass-fail credit.

Credits recognized by the board pursuant to this subsection shall not exceed a total of six semester hours.

(c) Credit shall not be allowed for any course that is only audited.

(d) Credit shall not be allowed for any course for which credit has already been received.

(e) Any credits earned for an accounting internship may count toward the overall 150-hour education requirement, but these credits shall not be acceptable in satisfaction of the required concentration in accounting courses.

(f) Credits earned for CPA exam review courses shall not be acceptable in satisfaction of the required concentration in accounting courses.

However, these credits may be used toward the overall 150-hour education requirement.

(g) Not to exceed a total of six hours, up to three hours of course requirements specified in paragraph (a)(1), (a)(2), or (a)(3) may be waived by the board, upon the applicant's demonstration of compelling circumstances and upon receipt of satisfactory verification that the applicant has otherwise met the requirements. (Authorized by K.S.A. 1-202 and K.S.A. 2014 2016 Supp. 1-302a; implementing K.S.A. 2014 2016 Supp. 1-302a; effective Jan. 1, 1973; amended Feb. 15, 1977; amended May 1, 1978; amended May 1, 1979; amended July 22, 1991; amended Sept. 25, 1998; amended Jan. 11, 2008; amended May 25, 2012; amended March 21, 2014; amended Feb. 19, 2016; amended P-_____.)

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74-3-8. Ethics examination requirement for issuance of certificate. Satisfactory Completion of an examination in professional ethics approved by the board, with a passing score of at least 90 percent, shall be required for issuance of the Kansas certificate. (Authorized by K.S.A. 1999-Supp. 1-202, as amended by L. 2000, Ch. 81, § 4; implementing K.S.A. 1999-Supp. 1-302, as amended by L. 2000, Ch. 81, § 7; effective Feb. 15, 1977; amended, E-82-27, Dec. 22, 1981; amended May 1, 1982; amended Nov. 17, 2000; amended P-_____.)

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74-4-3a. Permit renewal. (a) Each application for renewal of a permit shall be submitted on a form provided by the board.

(b) A renewal application that is insufficient shall not be processed and shall be returned to the applicant.

(1) An application shall be deemed insufficient if it meets any of the following conditions:

(A) Is not completely filled out;

(B) lacks the required number of continuing professional education hours;

(C) lacks the required documentation; or

(D) does not include the renewal fee.

(2) If the renewal fee is paid by credit card, the application shall be deemed insufficient if it meets either of the following conditions:

(A) The information necessary to process the credit card payment is deficient.

(B) The credit card company rejects payment. (Authorized by K.S.A. 1-202; implementing K.S.A. 2010 2016 Supp. 1-310 and K.S.A. 2010

Supp. 75-30,100; effective Nov. 17, 2000; amended Nov. 2, 2001; amended May 25, 2012; amended P-_____.)

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74-4-7. Continuing professional education requirements. (a)(1) Each applicant for renewal of a permit to practice as a certified public accountant in Kansas shall have completed 80 hours of acceptable continuing professional education (CPE) (CE) during each biennial period for renewal and shall be in possession of proof of attendance or completion of the CPE CE hours claimed before the applicant submits an application for renewal. Each applicant for renewal or reinstatement of a permit shall have completed two hours in professional ethics relating to the practice of certified public accountancy as part of the continuing professional education requirement.

(2) Ethics courses, which shall be defined as courses dealing with regulatory and behavioral ethics, shall be limited to courses on the following:

- (A) Professional standards;
- (B) licenses and renewals;
- (C) SEC oversight;
- (D) competence;
- (E) acts discreditable;
- (F) advertising and other forms of solicitation;
- (G) independence;
- (H) integrity and objectivity;
- (I) confidential client information;
- (J) contingent fees;
- (K) commissions;
- (L) conflicts of interest;
- (M) full disclosure;
- (N) malpractice;
- (O) record retention;
- (P) professional conduct;
- (Q) ethical practice in business;
- (R) personal ethics;
- (S) ethical decision making; and

(T) corporate ethics and risk management as these topics relate to malpractice and relate solely to the practice of certified public accountancy.

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(3) ~~The subject of circular no. 230 issued by the federal department of the treasury shall not qualify for ethics CPE credit but shall qualify for non-ethics CPE credit.~~

(b) Each applicant for renewal of a permit to practice as a licensed municipal public accountant in Kansas shall have completed a 16-hour program of acceptable continuing professional education during each year within the biennial period. At least eight of the 16 hours shall be in the area of municipal accounting or auditing.

(c) The standards used to determine acceptable continuing professional education shall include the following:

(1) One hour of credit shall be granted for each 50 minutes of participation in a group, independent study, or self-study program. One-half hour of credit shall be granted for each 25-minute period after the first hour of credit has been earned.

(2) Hours devoted to actual preparation time by an instructor, discussion leader, or speaker for formal programs shall be computed at a maximum of up to twice the number of continuing professional education credits that a participant would be entitled to receive, in addition to the time for presentation. No CPE CE credit shall be granted for time devoted to preparation by a participant.

(3) Hours served as an instructor, discussion leader, or speaker shall be included to the extent that they contribute to the professional competence of the applicant in the practice of certified public accountancy. Repeated presentations of the same course shall not be counted unless it is demonstrated that the program content involved was substantially changed and the change required significant additional study or research.

(4) Hours devoted to actual preparation as specified in paragraph (c)(2) and hours served as an instructor, discussion leader, or speaker as specified in paragraph (c)(3) shall not exceed, alone or in combination, 50 percent of the total number of continuing education hours required for permit renewal or reinstatement.

(d) The requirements of subsection (a) may be waived by the board for reasons of health, military service, foreign residence, or retirement, or for other good cause determined by the board.

(e) Any applicant for renewal of a permit to practice as a certified public accountant may carry over a maximum of 20 hours of continuing professional education earned in the previous renewal period. Any professional ethics hours that exceed the two-hour requirement may be included in the 20-hour carryover, but these hours shall not be used to meet the professional ethics requirement for any subsequent renewal period.

(f) If an applicant for renewal fails to obtain the continuing professional education required by this regulation, the applicant ~~may~~ shall be required by the board to obtain an additional eight hours of continuing professional education within a period of time specified by the board before the applicant's permit to practice is renewed. (Authorized by and K.S.A. 1-202 and K.S.A. 75-1119; implementing K.S.A. 1-202, K.S.A. 2010 2016 Supp. 1-310, and K.S.A. 75-1119; effective, E-82-27, Dec. 22, 1981; effective May 1, 1982; amended May 1, 1985; amended July 13, 1992;

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amended Sept. 25, 1998; amended Nov. 17, 2000; amended Nov. 15, 2002; amended Nov. 14, 2003; amended May 19, 2006; amended May 23, 2008; amended May 29, 2009; amended May 25, 2012; amended P-_____.)

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74-4-8. Continuing professional education programs; requirements. (a) A program designed to allow a participant to learn a given subject through interaction with an instructor and other participants in a classroom or conference setting, or intrafirm program using the internet, may be approved for continuing professional education credit under K.A.R. 74-4-7 if the program meets the following conditions:

(1) It is a formal program of learning that maintains or improves the professional competence of a certified public accountant and requires attendance.

(2) Participants are informed in advance of the learning objectives, prerequisites, program level, program content, any requirements for advance preparation, instructional delivery methods, recommended CPE CE credit, and course registration requirements.

(3) The program is at least 50 minutes in length.

(4) The program is conducted by a person qualified in the subject area.

(5) The program sponsor issues to each participant a certificate of attendance that reflects the name of the program sponsor, title and ~~description of content~~ course field of study, date and location of the program, delivery method of the course, name of the participant, signature of a representative of the program sponsor, and number of CPE CE contact hours.

(6) A record of registration and attendance is retained for five years by the program sponsor.

(b) The following types of programs addressing the subjects of accounting, auditing, consulting services, specialized knowledge and applications, taxation, management of a practice, ethics, or personal development may qualify as acceptable continuing professional education if the programs meet the requirements of subsection (a):

(1) Programs of the American institute of certified public accountants, state societies and local chapters of certified public accountants, and providers of continuing education courses;

(2) technical sessions at meetings of the American institute of certified public accountants, and of state societies and local chapters of certified public accountants;

(3) university or college credit courses. Each semester hour of credit shall equal 15 hours of continuing education credit. Each quarter hour of credit shall equal 10 hours of continuing education credit;

(4) university or college non-credit courses. These courses shall qualify for continuing professional education credit that equals the number of actual, full 50-minute class hours attended; and

(5) formal, organized, in-firm or interfirm educational programs.

(c) Hours from personal development courses shall not exceed 30 percent of the total number of continuing education hours required for permit renewal or reinstatement. Personal development courses, which shall be defined as courses dealing with self-management and self-

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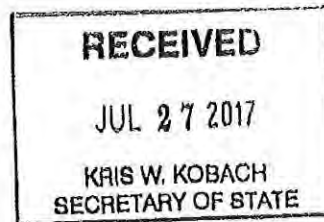
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improvement both inside and outside of the business environment, shall be limited to courses on communication, leadership, character development, dealing effectively with others, interviewing, counseling, career planning, emotional growth and learning, and social interactions and relationships.

(d) Any author of a published article or book and any writer of a continuing professional education program may receive continuing professional education credit for the actual research and writing time if all of the following conditions are met:

- (1) The board determines that the research and writing maintain or improve the professional competence of the author or writer.
- (2) The number of credit hours claimed is consistent with the quality and scope of the article, book, or program.
- (3) The article or book has been published or the program was created during the biennial period for which credit is claimed.

(e) (1) Group internet-based programs and individual self-study programs that allow a participant to learn a particular subject without the major involvement of an instructor may be eligible for continuing education credit if all of the following requirements are met:

(A) The program sponsor shall meet one of the following requirements:

- (i) Has been approved by NASBA's national registry of continuing professional education sponsors or NASBA's quality assurance service;
- (ii) is sponsored through the American institute of certified public accountants; or
- (iii) is sponsored through a state society of certified public accountants.

(B) The program shall require registration.

(C) The sponsor shall provide a certificate of satisfactory completion.

(2) In addition to meeting the requirements specified in paragraph (e)(1), each individual self-study program shall meet the following requirements:

(A) The program shall include a final examination.

(B) Each participant shall be required to score at least 70 percent on the final examination.

(f) The amount of credit for group internet-based programs and self-study programs shall be determined by the board, as follows:

(1) Programs may be approved for one hour of continuing professional education credit for each 50 minutes of participation and one-half credit for each 25-minute period of participation after the first hour of credit has been earned.

(2) The amount of credit shall not exceed the number of recommended hours assigned by the program sponsor.

(g) Independent study programs that are designed to allow a participant to learn a given subject under the guidance of a continuing professional education program sponsor may be eligible for continuing professional education credit if all of the following conditions are met:

(1) The program meets one of the following requirements:

(A) Has been approved by NASBA's national registry of continuing professional education sponsors or NASBA's quality assurance service;

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(B) is sponsored through the American institute of certified public accountants; or

(C) is sponsored through a state society of certified public accountants.

(2) The participant has a written learning contract with a program sponsor that contains a recommendation of the number of credit hours to be awarded upon successful completion of the program.

(3) The program sponsor reviews and signs a report indicating that all of the requirements of the independent study program, as outlined in the learning contract, are satisfied.

(4) The program is completed in 15 weeks or less.

(h) A participant in an independent study program may receive up to one hour of credit for each 50 minutes of participation and one-half hour of credit for each 25-minute period of participation after the first hour of credit has been earned. (Authorized by K.S.A. 1-202 and K.S.A. 75-1119; implementing K.S.A. 1-202, K.S.A. 2014 2016 Supp. 1-310, and K.S.A. 75-1119; effective, E-82-27, Dec. 22, 1981; effective May 1, 1982; amended May 1, 1985; amended Feb. 14, 1994; amended Sept. 25, 1998; amended Nov. 2, 2001; amended Nov. 15, 2002; amended Nov. 14, 2003; amended May 27, 2005; amended May 19, 2006; amended May 23, 2008; amended May 29, 2009; amended Nov. 29, 2010; amended May 25, 2012; amended Feb. 19, 2016; amended P-_____.)

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74-4-9. Continuing professional education controls and reporting. (a) When applying for renewal of the permit to practice, each applicant shall sign a statement indicating the applicant's compliance with the requirements in K.A.R. 74-4-7 and 74-4-8, unless the applicant qualifies for the exemption outlined in K.S.A. 1-310, and amendments thereto.

(b)(1) Any applicant may be required by the board to verify the number of GPE CE hours claimed in subsection (a), on a form provided by the board, which shall include the following information:

- (A) The name of the organization, school, firm, or other sponsor conducting the program or course;
- (B) the location of the program or course attended;
- (C) the title of the program or course, or a brief description;
- (D) the course field of study;
- (E) the delivery method of the program or course;
- (F) the dates attended or the date the program or course was completed; and
- (~~E~~) (G) the number of continuing professional education credits that the applicant received for participating in a program or course.

(2) Each applicant specified in paragraph (b)(1) shall provide the board with a certificate of completion or attendance for all attended, group, independent, and self-study program GPE CE hours claimed. Each certificate of completion or attendance shall include the following:

- (A) The name of the organization, school, firm, or other sponsor conducting the program or course;
- (B) the location of the program or course attended;
- (C) the title of the program or course, or a brief description;
- (D) the dates attended or the date the program or course was completed;
- (E) the delivery method of the program or course;
- (F) the name of the participant;
- (G) the signature of a representative of the program sponsor; and
- (H) the number of continuing professional education credits that the applicant received for participating in a program or course.

(3) For instruction credit, each applicant shall provide the board with a certificate or other verification supplied by the GPE CE program sponsor.

(4) For a university or college course that is successfully completed for credit, each applicant shall provide the board with an official transcript of the grade that the participant received.

(5) For a university or college non-credit course, each applicant shall provide the board with a certificate of attendance issued by a representative of the university or college.



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(c) Each applicant shall retain documentation of completion or attendance for any continuing professional education program or course for five years from the end of the year in which the program or course was completed.

(d) Each applicant required to verify the number of GPE CE hours claimed shall respond to the board's request for verification within 30 days.

(Authorized by K.S.A. 1-202 and K.S.A. 75-1119; implementing K.S.A. 1-202, K.S.A. 2044 2016 Supp. 1-310, and K.S.A. 75-1119; effective, E-82-27, Dec. 22, 1981; effective May 1, 1982; amended May 1, 1985; amended Sept. 25, 1998; amended Nov. 22, 2002; amended Nov. 14, 2003; amended May 23, 2008; amended Nov. 29, 2010; amended March 21, 2014; amended Feb. 19, 2016; amended P-_____.)

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74-4-10. Continuing education requirements for renewal of initial or reinstated permits. (a) To renew an initial or reinstated permit to practice as a certified public accountant in Kansas, each applicant shall complete the number of continuing professional education (CPE) (CE) hours proportionate to the number of hours required for the renewal period, given the number of full months from the date of the issuance of the permit to the June 30 renewal date. This requirement shall include two hours of ethics.

(b) CPE CE hours used to reinstate a permit shall not be used toward a subsequent renewal of a permit.

(c) Continuing education credit obtained by the applicant on and after July 1 of the issuance year of the permit may be used to satisfy the continuing education requirement in subsection (a) if the credit meets the requirements specified in K.A.R. 74-4-7 and 74-4-8 and was not used to reinstate a permit. (Authorized by K.S.A. 1-202; implementing K.S.A. 2010 2016 Supp. 1-310; effective, E-82-27, Dec. 22, 1981; effective May 1, 1982; amended Sept. 25, 1998; amended Sept. 10, 1999; amended Nov. 17, 2000; amended May 23, 2008; amended May 25, 2012; amended P-

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74-5-2. Definitions. Each of the following terms, wherever used in this article of the board's regulations, shall have the meaning specified in this regulation:

(a) "AICPA" means American institute of certified public accountants.

(b) "AICPA professional standards" means the standards specified in this subsection, including definitions and interpretations, published by the AICPA, which are hereby adopted by reference. As used in the following AICPA professional standards, "member" shall mean a person or firm subject to the board's regulation:

(1) "clarified statements on U.S. auditing standards--AICPA (clarified)" in "AICPA professional standards," volume 1, pages 34-1214 37-1364, except pages 1279-1285, as in effect on June 1, 2014 2016, and statement on auditing standards no. 132, "the auditor's consideration of an entity's ability to continue as a going concern," dated February 2017;

(2) "statements on standards for attestation engagements" in "AICPA professional standards," volume 1, pages 4253-4583 1373-1705, as in effect on June 1, 2014 2016;

(3) "U.S. attestation standards--AICPA (clarified)" in "AICPA professional standards," volume 1, pages 1727-2095, as in effect on June 1, 2016;

(4) "statements on standards for accounting and review services [clarified]" in "AICPA professional standards," volume 2, pages 4621-4807 2719-2882, as in effect on June 1, 2014; 2016, and the following statements issued after June 1, 2016:

(A) Statement on standards for accounting and review services no. 22, "compilation of pro forma financial information," except the three unnumbered pages before the table of contents, issued September 2016; and

(B) statement on standards for accounting and review services no. 23, "omnibus statement on standards for accounting and review services--2016," except the six unnumbered pages before the table of contents, issued October 2016;

(4) statement on standards for accounting and review services (SSARS) no. 21, "statements on standards for accounting and review services: clarification and recodification," including the appendices and exhibits, as in effect on December 15, 2015;

(5) "code of professional conduct" in "AICPA professional standards," volume 2, pages 4833-2294 2883-3076 except for pages 2027-2032 and 2043-2056, as in effect on June 1, 2014 2016, except for the following sections in Part 1:

(A) Part 4, Section 1.800.001, "form of organization and name";

(B) section 1.810.020, "partner designation";

(C) section 1.810.030, "a member's responsibility for nonmember practitioners";

(D) section 1.810.040, "attest engagement performed with a former partner";

(E) section 1.810.050, "alternative practice structures"; and

(F) section 1.820.040, "use of a common brand name in firm name";



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(6) "statements on standards for valuation services" in "AICPA professional standards," volume 2, pages 2461-2512 3293-3344, as in effect on June 1, 2014 2016;

(7) "consulting services" in "AICPA professional standards," volume 2, pages 2513-2518 3345-3350, as in effect on June 1, 2014 2016;

(8) "quality control" in "AICPA professional standards," volume 2, pages 2521-2554 3353-3386, as in effect on June 1, 2014 2016;

(9) "standards for performing and reporting on peer reviews" in "AICPA professional standards," volume 2, pages 2555-2731 3387-3588, as in effect on June 1, 2014 2016;

(10) "tax services" in "AICPA professional standards," volume 2, pages 2739-2774 3589-3630, as in effect on June 1, 2014 2016; and

(11) "personal financial planning" in "AICPA professional standards," volume 2, pages 2787-2798 3639-3654, as in effect on June 1, 2014 2016.

All definitions included in the standards adopted in this subsection shall apply only to the documents adopted by reference.

(c) "Audit" means an independent examination of financial information or assertions of any entity, regardless of profit orientation, size, and legal form, if the examination is conducted to express an opinion thereon.

(d) "Board" means Kansas board of accountancy.

(e) "Certified public accountant" and "CPA" mean any of the following:

(1) A holder of a Kansas certificate;

(2) a person practicing certified public accountancy under the authorization to practice as provided in K.S.A. 1-322 and amendments thereto;

or

(3) a firm.

(f) "Compilation" shall have the meaning specified in K.S.A. 1-321 and amendments thereto.

(g) "Firm" shall have the meaning specified in K.S.A. 1-321 and amendments thereto.

(h) "Generally accepted accounting principles" and "GAAP" mean the following standards, as applicable, in effect as specified and hereby adopted by reference:

(1) "Federal accounting standards," issued by the federal accounting standards advisory board (FASAB) as follows:

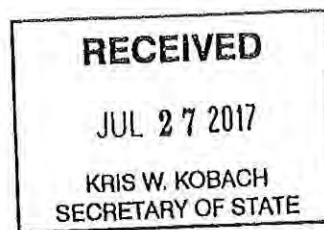
(A) in "FASAB handbook of federal accounting standards and other pronouncements, as amended," as in effect on June 30, 2014 2016, except for the following portions: the forward, the preamble, and appendixes A-F; The following standards issued after June 30, 2016 are also adopted;

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(A) Statement of federal financial accounting standards 50, "establishing opening balances for general property, plant, and equipment; amending statement of federal financial accounting standards (SFFAS) 6, SFFAS 10, SFFAS 23, and rescinding SFFAS 35," dated August 4, 2016; and

(B) statement of federal financial accounting standards 46 51, "deferral of the transition to basic information for long-term projections Insurance programs," dated October 17, 2014, except appendix A; and January 18, 2017;

(C) statement of federal financial accounting standards 47, "reporting entity," dated December 23, 2014, except appendices A-E;

(2) accounting principles as adopted by the financial accounting standards board (FASB) and contained in "FASB accounting standards codification," including accounting standards updates, as contained in volumes 1 through 4 5, published by the financial accounting standards board (FASB), as in effect on October 31, 2014-2016;

(3) financial accounting principles for state and local governments as adopted by the governmental accounting standards board (GASB) as follows:

(A) "GASB codification of governmental accounting and financial reporting standards," except for pages ix through xvii, issued by the governmental accounting standards board, as in effect on June 30, 2014-2016; and

(B) GASB statement no. 83, "certain asset retirement obligations," except appendices A and B, issued November 2016;

(C) GASB statement no. 84, "fiduciary activities," except appendices A and B, issued January 2017; and

(D) GASB statement no. 85, "omnibus 2017," except appendices A and B, issued March 2017; and

(4) international accounting and reporting principles established by the international accounting standards board (IASB) as contained in "international financial reporting standards" IFRSs® "IFRS® standards," part A, issued by the international accounting standards board, as in effect on January 1, 2014, 2017, except part A, pages A1 through A19 A7-A25.

(i) "Government auditing standards" means the "government auditing standards" issued by the United States government accountability office, 2011 revision, revised on January 20, 2012, which is hereby adopted by reference, except pages 1-3 and appendixes I and III.

(j) "Licensed municipal public accountant" and "LMPA" mean a holder of a permit issued under the laws of Kansas to practice as a municipal public accountant.

(k) "PCAOB" means the public company accounting oversight board created by the Sarbanes-Oxley act of 2002.

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(l) "Practice of certified public accountancy" means performing or offering to perform attest or nonattest services for the public while using the designation "certified public accountant" or "CPA" in conjunction with these services. "Attest" and "nonattest" services shall have the meaning specified in K.S.A. 1-321 and amendments thereto.

(m) "Standards of the PCAOB" means the following, which are hereby adopted by reference:

(1) In ~~"bylaws and rules of the public company accounting oversight board"~~ bylaws and rules—rules—professional standards as in effect on ~~May 19, 2014~~ December 31, 2016, section 3, "auditing and related professional practice standards," part 1, "general requirements," and part 5, "ethics and independence"; and

(2) ~~"auditing standards--reorganized," "attestation standards," and "interim standards" as contained in the "PCAOB standards and related rules," published by the AICPA and dated January 2014. issued by the PCAOB as in effect on December 31, 2016; and~~

(3) "attestation standard no. 1" and "attestation standard no. 2," issued by the PCAOB as in effect on December 31, 2016.

(n) "Staff accountant" means a certified public accountant who meets the following requirements:

(1) Holds both a Kansas certificate and a Kansas permit;

(2) is employed by a firm that is the certified public accountant's primary employer; and

(3) works at least 1,040 hours for the firm during a calendar year. (Authorized by and implementing K.S.A. 1-202; effective Jan. 1, 1974; amended May 1, 1978; amended May 1, 1979; amended May 1, 1985; amended July 22, 1991; amended July 13, 1992; amended April 5, 1993; amended Aug. 23, 1993; amended Jan. 12, 1996; amended Jan. 8, 1999; amended Nov. 17, 2000; amended Nov. 2, 2001; amended May 27, 2005; amended May 19, 2006; amended Feb. 16, 2007; amended Jan. 11, 2008; amended May 29, 2009; amended Nov. 29, 2010; amended May 25, 2012; amended March 21, 2014; amended Feb. 19, 2016; amended P-_____.)

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74-5-202. Compliance with standards. (a) Each certified public accountant or firm that performs auditing, attestation, review, compilation, management consulting, tax, or other professional services shall comply with the applicable professional standards promulgated by the following entities, which are adopted by reference in K.A.R. 74-5-2 and this regulation:

- (1) The federal accounting standards advisory board;
- (2) the financial accounting standards board;
- (3) the governmental accounting standards board;
- (4) the PCAOB;
- (5) the international accounting standards board;
- (6) the municipal services team of the office of the chief financial officer, Kansas department of administration;
- (7) the AICPA accounting and review services committee;
- (8) the AICPA auditing standards board;
- (9) the AICPA management consulting services executive committee;
- (10) the AICPA tax executive committee;
- (11) the AICPA forensic and valuation services executive committee;
- (12) the AICPA professional ethics executive committee;
- (13) the AICPA personal financial planning executive committee; and
- (14) the AICPA peer review board.

(b) Each licensed municipal public accountant shall comply with applicable, the generally accepted auditing standards in the ~~2016~~ 2017 revised "Kansas municipal audit and accounting guide," including appendices A through N, prescribed by the division director of accounts and reports, department of administration, and hereby adopted by reference. (Authorized by and implementing K.S.A. 1-202 and K.S.A. 75-1119; effective Jan. 1, 1966; amended Jan. 1, 1972; amended Jan. 1, 1974; amended May 1, 1978; amended, E-82-27, Dec. 22, 1981; amended May 1, 1982; amended May 1, 1985; amended May 1, 1986; amended May 1, 1987; amended May 1, 1988; amended May 22, 1989; amended Jan. 7, 1991; amended July 13, 1992; amended Aug. 23, 1993; amended Sept. 26, 1994; amended Jan. 12, 1996; amended Sept. 25, 1998; amended Sept. 10, 1999; amended Nov. 17, 2000; amended Nov. 2, 2001; amended Nov. 15, 2002; amended Nov. 14, 2003; amended May 27, 2005; amended May 19, 2006; amended Feb. 16, 2007; amended Jan. 11, 2008; amended May 29, 2009; amended Nov. 29, 2010; amended May 25, 2012; amended March 21, 2014; amended Feb. 19, 2016; amended P-_____.)

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74-5-405. (Authorized by K.S.A. 1999 Supp. 1-202, as amended by L. 2000, Ch. 81, § 4; implementing K.S.A. 1999 Supp. 1-311, as amended by L. 2000, Ch. 81, § 13(a)(7); effective May 1, 1978; amended Aug. 23, 1993; amended Nov. 17, 2000; revoked P-

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74-5-406. Firm or professional names. (a) A certified public accountant or firm shall not practice certified public accountancy under a firm or professional name or advertise a firm or professional name that includes descriptive words relating to the quality of services offered or that is misleading concerning the legal form or the persons who are owners, partners, officers, members, managers, or shareholders of the firm.

(b) A firm or professional name shall not be considered to be misleading solely because it contains words describing the geographical area in which the services are offered or words describing the type of services actually being performed by the certified public accountants who are owners, partners, officers, members, managers, or shareholders of the firm.

(c) A firm or professional name or designation shall be considered to be misleading in any of the following instances:

- (1) The name contains a misrepresentation of facts.
- (2) The name is intended or is likely to create false or unjustified expectations of favorable results.
- (3) The name implies education, professional attainment, or licensing recognition of its owners, partners, officers, members, managers, or shareholders that is not supported by facts.
- (4) The name of a Kansas professional corporation or association, limited liability company, limited liability partnership, or general corporation does not include its full name as registered with the board each time the firm or professional name is used.
- (5) ~~The term "& Company," "& Associate," or "Group" is used, but the entity does not include, in addition to the named partner, shareholder, owner, or member, at least one other unnamed partner, shareholder, owner, member, or staff accountant holding both a Kansas certificate and a Kansas permit to practice.~~
- (6) ~~The plural term "& Associates" is used, but the entity does not include, in addition to the named partner, shareholder, owner, or member, at least two other unnamed partners, shareholders, owners, members, or staff accountants holding both a Kansas certificate and a Kansas permit to practice.~~
- (5) The name misrepresents the number of partners, shareholders, owners, members, or staff accountants holding CPA certificates and permits who own or provide services on behalf of the firm or business.

(7) (6) The name contains the name or names of one or more former partners, shareholders, or owners without their written consent.

(d) A fictitious firm or professional name shall be defined as a name that contains anything other than the name or names of one or more present or former owners, partners, members, or shareholders or the term "certified public accountant" or "CPA," or the plural form of either of these two terms. A fictitious firm or professional name may be used if the name is registered with the board and is not false or misleading as determined by the board. Each firm shall utilize its full name as registered with the board each time the name is used.

(e) A fictitious firm or professional name that includes the term "& Company," "& Associate," or "Group" shall be considered to be misleading if the name misrepresents the number of partners, shareholders, owners, members, or staff accountants holding CPA certificates and permits who



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own or provide services on behalf of the firm or business shall be considered misleading if the firm has only one partner, shareholder, owner, or member and no other partner, shareholder, owner, member, or staff accountant holding both a Kansas certificate and a Kansas permit to practice.

(f) A fictitious firm or professional name that includes the term "& Associates" shall be considered misleading if the firm or professional name has only one partner, shareholder, owner, or member and only one or no other partner, shareholder, owner, member, or staff accountant holding both a Kansas certificate and a Kansas permit to practice.

(g) (f) Each certified public accountant or firm that falls out of compliance with this regulation due to any change in ownership or personnel shall notify the board within 30 days after the change. A reasonable period of time may be granted by the board for a firm or certified public accountant to take corrective action.

(h) (g) If a firm does not have an office in Kansas but is required to register with the board pursuant to K.S.A. 1-308 and amendments thereto, the name shall not be considered misleading even if the name meets the criteria for being "misleading" as specified in paragraph (c)(5) or (6) or subsection (e) or (f) of this regulation. (Authorized by K.S.A. 1-202; implementing K.S.A. 1-202 and K.S.A. 2014 2016 Supp. 1-308; effective May 1, 1978; amended Oct. 8, 1990; amended Aug. 23, 1993; amended Jan. 12, 1996; amended Sept. 25, 1998; amended Sept. 10, 1999; amended Nov. 15, 2002; amended Jan. 11, 2008; amended May 29, 2009; amended March 21, 2014; amended Feb. 16, 2016; amended P-_____.)

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74-5-408. Change of name or address. Each certified public accountant shall notify the board in writing of any change in the person's name, home address, business employer name, or business address, or electronic-mail address within 30 days of the change. (Authorized by and implementing K.S.A. 1-202; effective Feb. 16, 2007; amended P-_____.)



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74-6-2. Management of an office. (a) Each firm or sole proprietorship with an office, as defined by K.A.R. 74-6-1, that is located in this state shall have one resident manager in charge of the office who is the holder of a current permit to practice as a certified public accountant issued by this state, who oversees the planning, administration, direction, and review of the services being performed in that office, and who devotes more than half of the resident manager's working time to the affairs of that office.

(b) Any firm or sole proprietorship specified in subsection (a) may, however, have additional offices ~~if the additional office or offices meet the following requirements:~~

~~(1) A certified public accountant who holds a current Kansas permit to practice shall supervise directly the each additional office as the resident manager and shall oversee the planning, administration, direction, and review of the services being performed in that office.~~

~~(2) The resident manager shall be present at least two-thirds of the hours each office is listed as being open.~~

~~(3) The firm or sole proprietorship shall register in this state for which the designated resident manager specified in subsection (a) shall also be responsible to notify the board of each additional office by providing a written statement to the board, listing the name of the resident manager and the days and hours the additional office will be advertised as being open. (Authorized by K.S.A. 1-202; implementing K.S.A. 2043 2016 Supp. 1-308; effective Jan. 1, 1972; amended May 1, 1980; amended May 1, 1982; amended Aug. 21, 1989; amended Aug. 23, 1993; amended Jan. 12, 1996; amended Sept 25, 1998; amended Nov. 17, 2000; amended Nov. 29, 2010; amended March 21, 2014; amended P-_____.)~~

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74-7-2. Firms eligible for registration. (a) Unless exempt from registration pursuant to K.S.A. 1-308 and amendments thereto, before practicing certified public accountancy, a firm, as defined in K.S.A. 1-321 and amendments thereto, shall meet the following requirements:

- (1) Register with the board on forms provided by the board;
- (2) affirm that any individual who signs or authorizes someone to sign the accountant's report on any audit, review, or compilation or on the examination of prospective financial information on behalf of the firm has met the competency requirements ~~set forth~~ specified in K.A.R. 74-4-1a; and
- (3) pay the fee specified in K.A.R. 74-12-1.

(b) Each firm shall renew its registration annually on or before December 31 on forms provided by the board and shall pay the fee specified in K.A.R. 74-12-1. (Authorized by K.S.A. 1-202; implementing K.S.A. 2016 Supp. 1-308, as amended by L. 2007, Ch. 97, §3; effective Jan. 1, 1966; amended May 1, 1988; amended Jan. 12, 1996; amended Nov. 17, 2000; amended Jan. 11, 2008; amended P-_____.)

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74-11-6. Definitions. Each of the following terms, wherever used in this article of the board's regulations, shall have the meaning specified in this regulation:

(a) "AICPA" means American institute of certified public accountants.

(b) "AICPA professional standards" means the standards adopted by reference in K.A.R. 74-5-2 that are contained in the "AICPA professional standards," volumes 1 and 2, published by the AICPA, as ~~in effect on June 1, 2014~~ adopted by reference in K.A.R. 74-5-2.

(c) "Firm" shall have the meaning specified in K.S.A. 1-321 and amendments thereto.

(d) "Peer review" means a review of a firm's accounting and auditing practice in accordance with the standards for performing and reporting on peer reviews.

(e) "Peer review team" means persons or organizations participating in the peer review program required by this article of the board's regulations. This term shall specifically include the team captain, team members, review captain, the report acceptance committee, and the oversight body, but shall not include the board.

(f) "Standards for performing and reporting on peer reviews" means the AICPA "standards for performing and reporting on peer reviews" contained in volume two of the AICPA professional standards, as adopted by reference in K.A.R. 74-5-2(b)(9).

(g)(1) "Substantially similar program" means a peer review program that meets the following requirements:

(A) The peer review team shall be approved by a nationally recognized accounting organization as having the qualifications, training, and experience to perform the peer review function required by this regulation.

(B)(i) The peer review shall be conducted pursuant to peer review standards as issued by a nationally recognized peer review program that has received prior approval by the board; or

(ii) the peer review shall be conducted pursuant to a written submission detailing the qualifications of the peer review team to conduct the peer review and providing a written plan for the peer review illustrating the means of compliance with this regulation with the prior specific approval of the board.

(2) Each inspection performed by the PCAOB of areas of a firm's practice related to audits of issuers, as defined by the public company accounting oversight board, shall be deemed to satisfy the peer review requirements related to this element of the firm's practice.

(h) For peer reviews commencing on and after January 1, 2009, "modified peer review report" shall mean a peer review report with a peer review rating of "pass with deficiencies," as defined in the AICPA "standards for performing and reporting on peer reviews."

(i) For peer reviews commencing on and after January 1, 2009, "adverse peer review report" shall mean a peer review report with a peer review rating of "fail," as defined in the AICPA "standards for performing and reporting on peer reviews." (Authorized by and implementing K.S.A. 1-202, K.S.A. 2044 2016 Supp. 1-312, and K.S.A. 2044 2016 Supp. 1-501; effective Feb. 14, 1994; amended Sept. 25, 1998; amended Sept. 10,

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1999; amended Nov. 17, 2000; amended Nov. 2, 2001; amended Nov. 15, 2002; amended Nov. 14, 2003; amended May 27, 2005; amended May 19, 2006; amended Feb. 16, 2007; amended May 29, 2009; amended May 25, 2012; amended March 21, 2014; amended Feb. 19, 2016; amended P-_____.)

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74-12-1. Fees. Each applicant shall submit the appropriate application form and fee as shown in the following schedule:

(a) Issuance of Kansas certificate (initial or duplicate)	\$ 25.00 <u>\$50.00</u>
(b) Issuance of reciprocal certificate	\$ 250.00
(c) Initial permit to practice as a certified public accountant:	
(1) For more than one year of a biennial period	\$ 150.00 <u>\$165.00</u>
(2) For one year or less of a biennial period	\$ 75.00 <u>\$82.50</u>
(d) Renewal of biennial permit to practice as a certified public accountant:	
(1) If received on or before July 1 of the renewal year in which the permit expires	\$ 150.00 <u>\$165.00</u>
(2) If received after July 1 of the renewal year in which the permit expires	\$ 225.00 <u>\$247.50</u>
(e) Reinstatement of permit to practice as a certified public accountant whose permit has expired:	
(1) For more than one year of a biennial period	\$ 225.00 <u>\$247.50</u>
(2) For one year or less of a biennial period	\$ 112.50 <u>\$123.75</u>
(f) Issuance of a duplicate permit	\$ 25.00
(g) Renewal of a biennial permit to practice as a licensed municipal public accountant:	
(1) If received on or before July 1 of the odd-numbered renewal years	\$ 50.00
(2) If received after July 1, or for reinstatement of a permit to practice that has been expired for one or more years	\$ 75.00
(h) To proctor another state's candidate at a CPA examination in Kansas	\$100.00

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Proposed**(h) Firm registration fee:**

(1) Initial registration	\$ 40.00	<u>\$100.00</u>
(2) Annual renewal	\$ 40.00	<u>\$100.00</u>
(3) Late renewal	\$ 60.00	<u>\$150.00</u>

(Authorized by and implementing K.S.A. 2009 2016 Supp. 1-301 and K.S.A. 75-1119; effective May 1, 1988; amended May 22, 1989; amended Dec. 18, 1989; amended Sept. 26, 1994; amended Aug. 23, 1996; amended July 18, 1997; amended May 28, 1999; amended Nov. 29, 1999; amended Nov. 17, 2000; amended Nov. 2, 2001; amended Nov. 14, 2003; amended Nov. 29, 2010; amended P-_____.)

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Susan L. Somers, Executive Director

Board of Accountancy

Sam Brownback, Governor

**BOARD OF ACCOUNTANCY
ECONOMIC IMPACT STATEMENT**

K.A.R. 74-2-1; K.A.R. 74-2-7; K.A.R. 74-3-8; K.A.R. 74-4-3a; K.A.R. 74-4-7; K.A.R. 74-4-8; K.A.R. 74-4-9; K.A.R. 74-4-10; K.A.R. 74-5-2; K.A.R. 74-5-202; K.A.R. 74-5-405; K.A.R. 74-5-406; K.A.R. 74-5-408; K.A.R. 74-6-2; K.A.R. 74-7-2; K.A.R. 74-11-6; and K.A.R. 74-12-1

I. SUMMARY OF PROPOSED REGULATIONS, INCLUDING THEIR PURPOSE:

K.A.R. 74-2-1 sets out the requirements for application for the CPA exam and mirrors a change that was made to the enabling statute to allow candidates to sit in advance of meeting the education requirements.

K.A.R. 74-2-7 further defines the specific course requirements to sit for the exam.

K.A.R. 74-3-8 sets forth the specific passing score for the required ethics exam for certification.

K.A.R. 74-4-3a expands the definition of continuing education requirements for licensure.

K.A.R. 74-4-7 also expands the definition of continuing education requirements for licensure.

K.A.R. 74-4-8 expands further defines the requirements that a course sponsor must meet in the issuance of certificates of attendance in accordance with the continuing professional education standards.

K.A.R. 74-4-9 mirrors the changes made to K.A.R. 74-4-8 for the requirements of a person chosen for audit of their continuing professional education and specifies the requirements of the course sponsor for the issuance of a certificate of attendance/completion.

K.A.R. 74-4-10 expands the definition of continuing education requirements to mirror the changes made in K.A.R. 74-4-3a, 74-4-7 and 74-4-8.

K.A.R. 74-5-2 updates materials adopted by reference.

K.A.R. 74-5-202 updates materials adopted by reference.

K.A.R. 74-5-405 is revoked.

K.A.R. 74-5-406 clarifies the definition of fictitious firm or professional names.

K.A.R. 74-5-408 requires a person to notify the Board of a change of name.

K.A.R. 74-6-2 revises the requirements for a resident manager of the firm and locations of the firm.

K.A.R. 74-7-2 clarifies the firms who are required to register with the Board in compliance with K.S.A. 1-308.

K.A.R. 74-11-6 updates materials adopted by reference.

K.A.R. 74-12-1 increases fees for certificates, permits and firms.

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II. REASON OR REASONS THE PROPOSED REGULATION IS REQUIRED, INCLUDING WHETHER OR NOT THE REGULATIONS ARE MANDATED BY FEDERAL LAW.

The purpose for these amendments is for clarification purposes, to update materials adopted by reference and to increase fees to compensate for increased costs in operations and diminishing numbers of licensees.

III. ANTICIPATED ECONOMIC IMPACT UPON THE KANSAS STATE BOARD OF ACCOUNTANCY.

The Board does not anticipate any economic impact upon itself in the adoption of these revisions to its regulations.

IV. ANTICIPATED FINANCIAL IMPACT UPON OTHER GOVERNMENTAL AGENCIES AND UPON PRIVATE BUSINESSES OR INDIVIDUALS.

There is no anticipated financial impact on governmental agencies or upon private business or individuals.

V. ANTICIPATED ECONOMIC IMPACT UPON LICENSEES.

The Board is increasing its fees for the reason that the cost of operating the agency has grown considerably over the years, along with a decrease in the overall number of licensees due to individual mobility (allowing out of state CPAs to provide services to Kansas clients without having to be individually registered with the Board) and retirement. The increase in fees are as follows: \$25.00 for applications for certificates by exam which should result in an approximate increase in annual revenue of \$2,250; an increase for issuance and biennial renewal of a permit of \$15.00, which should result in an approximate annual increase of \$28,500 for permit renewals; and an increase in the registration and annual renewal of a firm from \$40.00 to \$100.00, which should result in an annual increase of \$48,000, if the number of certificates, permits and firms stay constant. Approximately 90 applicants apply for a certificate by exam annually. Currently there are approximately 3,900 licensees. However, Licensees renew biennially, but are staggered between even and odd years. There are approximately 800 firms that renew annually. The increase in fees will also affect the fees being charged for late renewals of firms and permits. This can result in an increase in revenue for late renewals of \$17,550 annually. The Board has not increased fees on certificates since 1997; permits since 1999; and firms since 2000.

VI. LESS COSTLY OR INTRUSIVE METHODS THAT WERE CONSIDERED, BUT REJECTED, AND THE REASON FOR REJECTION.

No less costly or intrusive methods were identified.

Proposed

Susan Somers
Executive Director

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JUL 27 2017

**KRIS W. KOBACH
SECRETARY OF STATE**