

Approved by CPOSA by Decision No. 193/11th May 2010

CPOSA President

Dr. N. Chatalbashev

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS IN BULGARIA

Adopted by BoD of CPOSA by Minutes No. 3/15th March 2010

President of BoD of CPOSA

Prof. M. Dinev

R U L E S

for organization and conducting the exams for acquisition of a legal capacity of a Certified Public Accountant and entering into the Register of Statutory Auditors of persons, who have acquired the authority to sign audit reports with an opinion on the financial statements in an EU member-state and a state of the European Economic Area

CHAPTER ONE

GENERAL PROVISIONS

Art. 1. These rules, hereinafter referred to as "**the Rules**", set out the terms and conditions for application and conducting the exams to recognize the legal capacity of a Statutory Auditor for a person, who have acquired the authority to sign audit reports with an opinion on the financial statements in an EU member-state or in a state of the European Economic Area.

Art. 2. The purpose of the Rules is to guarantee:

- transparency and impartiality of the examination procedure;
- only persons, who meet the requirements in Art. 21 of the Law on Independent Financial Audit shall acquire the legal capacity of a Statutory Auditor.

Art. 3. The organization and conducting the exams, provided for in the Rules, shall be done by the Training Methodological Council (TMC), approved in membership and number by the Board of Directors of the Institute of Certified Public Accountants (ICPA). The membership of the Training Methodological Council shall be posted on ICPA's public website by the end of May every year.

CHAPTER TWO

TERMS AND CONDITIONS FOR APPLICATION

Art. 4. An applicant to be entered into the register and acquiring a legal capacity may be any person, who has the authority to sign audit reports with an opinion on the financial statements in an EU member-state or in a state of the European Economic Area.

Art. 5 (1) The documents required to sit for exams to acquire a legal capacity shall be submitted **from 1st to 30th May** every year. Submission of documents within the duly established period shall be a condition for admission to the exams.

(2). Prior to submission of the documents for exams, applicants shall pay a fee, as determined by the Board of Directors, for each exam at ICPA's cash desk or to the specified bank account.

(3) Application documents under the provisions of Art. 21 include:

a/ Application in the given sample form;

b/ Notarized copy of a diploma /certificate/ for acquired authority to sign audit reports with an opinion on financial statements;

c/ Certificate by the professional organization in the country, evidencing that he is a statutory /certified/ auditor;

d/ Copy of an identification document;

e/ Proof for paid fee;

f/ Criminal Record Certificate

(4) The documents in s. 3 shall be reviewed by Supervisory Board of ICPA and then an opinion shall be given for admission to an exam under the provisions of Art. 21.

Art. 6. An application for admission to the respective exam, accompanied by proof for paid fee, shall be submitted for every next exam, but not later than ten calendar days prior to the date of exam.

Art. 7. Where the deadline for submission expires on a holiday or a day-off, the deadline shall be deemed the first business day following the holiday or the day-off.

Art. 8. Applicants may acquire a legal capacity within the next 3 consecutive sessions for each single exam, as of the session of the first passed exam.

CHAPTER FOUR

EXAM ORGANIZATION AND PREPARATION

Art. 9. Exams for acquisition of a legal capacity and entering into the register of a person, who has acquired the right to sign audit reports with an opinion on financial statements in an EU member-state and a state of the European Economic Area are written and held annually in one examination session, as follows:

- exam in Company Law - in September;

- exam in Tax Security Law - in October;

Art. 10. Exams in Art. 9 shall be passed in Bulgarian language at the Institute of Certified Public Accountants in Bulgaria.

Art. 11. Exams shall be passed in an optional order at discretion of the applicant. If the applicant fails to pass any of the exams, he may sit for the next exam.

Art. 12. A second session may be held in the same calendar year by proposal of TMC and Decision of the BoD of ICPA.

Art. 13. (1) Applicants for acquisition of a legal capacity and entering into the register shall make a test for the written exams. Subject syllabus for holding the exams are approved by TMC and then posted on ICPA website by 30th June.

(2) Tests for each of the exams must correspond to the posted subject syllabus by their content and scope.

Art. 14. **The test for the exam in Company Law** consists of 100 multiple-choice questions of four options, one of which meets the requirement as true, in the following fields of the then applicable Company Law:

- general provisions and types of traders - 35% of the test;
- business transactions - 35% of the test;
- bankruptcy - 10% of the test;
- company transformation - 10%;
- special company law and transactions - 8%, and
- violations and sanctions in Accounting Law and the Law on Independent Financial Audit - 2% of the test.

Art. 15. **The test for Tax Security Law** consists of 100 multiple choice questions of four options, one of which meets the requirements as true in the following fields of the then applicable tax Laws:

- Tax Security Code - 5% of the test;
- Corporate Income Taxation - 30% of the test;
- Value Added Tax - 30% of the test;
- Natural Persons Income Taxation - 10% of the test;
- Excise Taxation - 5% of the test;

- Local Taxes - 5% of the test;
- Social Security - 15% of the test;

Art. 16 (1) Any tests shall be prepared by authors that have passed a special training in the requirements for test preparation. Received tests shall be grouped in options by Compilers.

(2) Both Authors and Compilers shall be selected on a rotary basis for each exam. Selection shall be made by TMC. Authors and Compilers shall be approved for each exam by BoD of ICPA a month prior to the date of compilation.

(3) Authors and Compilers shall be selected in the number of experts in company law and tax security law, who participate in the development of the written materials by approved training programs, not teaching at the time of conducting the training courses for the session that the tests are related to.

Art. 17 (1). Each Compiler shall present the respective number of questions, given by TMC. Each question shall be accompanied by the respective solution, and suggestion for evaluation points.

(2) Compilers shall determine the difficulty of each case and/or question in points, as follows:

- easy question - 5 points;
- average difficult question - 10 points;
- difficult question - 15 points

(3) The points, measuring the difficulty of questions, shall be announced in the test. The test shall state the total score and the minimum limit of successfully passed test.

(4) Facts and circumstances on tests must be stated clearly, accurately and unambiguously, to avoid any interpretation and variations. Tests must be developed in such a manner that will not require making plenty of technical calculations.

Art. 18. The materials of Compilers shall be accepted by the administration by 5 p.m. on the day, preceding the seven days. On their acceptance it should be checked that a Confidentiality Statement is in the envelope or outside and for absence of conflict of interests. Materials shall be sealed in a large envelope

and marked, clearly and legibly, for the exam that they refer to, which session and their type. The administration shall, in the presence of a member of the Supervisory Board, make a report for received materials and lock the large envelope with the materials of Compilers in a safe box of the corresponding bank.

Art. 19. On the day following that when the materials are received by the authors, the Executive Director and Member of the ICPA Supervisory Board shall deliver to the Compilers the authors' materials kept in the safe box. The large envelope shall be torn, and the small ones, too, then the materials and declarations taken from there shall be checked for completion, a report is issued and the materials are passed to the Compilers. Compilers shall develop three options of the test for each single exam. On each of the seven days, while the Compilers are making options of tasks, the procedure on keeping the authors' materials and the task options developed by the Compilers in a bank safe box is repeated.

Art. 20. Each option shall contain tests that have been properly selected by difficulty and time taken for finding a solution, and divided so that to avoid that the option for the exam shall not include entirely the test of one author.

Art. 21. Compilation must also meet the requirement that each option of the test should contain questions in various subjects, as determined in the percentages in Art. 14 and Art. 15.

Art. 22. Compilers shall check the provided test questions for correctness and solve the three options of tasks. If necessary, they shall edit any question stated incorrectly or exclude it from the exam options.

Art. 23. The copies of the materials in the 3 sealed envelopes with the 3 possible options, and the common sealed envelope with the rest of the materials and answers shall be locked in a safe box of a bank that ICPA has signed a contract for safe box use with in the presence of one representative of the Supervisory Board, field responsible person of the BoD and the Executive Director of ICPA. The safe box keys shall be kept until the day of the exam by the representative of the Supervisory Board.

Art. 24. To ensure confidentiality, the Authors, Compilers and the persons involved in the groups for experimental solving of the tests, shall sign a statement for non-disclosure of the prepared tests and their answers and for absence of conflict of interests. The statements shall be kept by the administration of ICPA as part of the documentation on the exams held.

Art. 25. Any unused options of tests may be used for next exam sessions after being revised by the compilers.

Art. 26. On the day of exam the safe box shall be unlocked by the representative of the Supervisory Board in the presence of the field representative of the BoD and the Executive Director of ICPA, the 3 sealed possible options of the tests shall be taken and transported to the place of the exam.

CHAPTER FIVE

CONDUCTING OF THE EXAMS

Art. 27. The members of the examination boards shall be approved by the BoD and appointed by Order of the President of the Institute of Certified Public Accountants. Both lecturers from universities, and statutory auditors - practitioners shall be included as members of examination boards.

Art. 28. (1) The composition of the examination boards may not include: lecturers who have conducted the training courses in the respective year, authors of the tests for the respective session, the persons designated to take part in compilation and experimental solving of the tests for the respective session, as well as arbiters and questors for the respective written exam. Members of the examination boards shall sign a statement for absence of conflict of interests.

(2) At least one statutory auditor shall take part in each examination board in subjects, other than accounting and audit.

(3) One person is allowed to participate in one examination board for the respective year.

Art. 29. Duration of the exams in Company Law and Tax and Security Law shall be 5 astronomical hours.

Art. 30. Outsiders shall be prohibited to enter the rooms, where the exams are going on, when conducting the written exams for acquiring a legal capacity. Only the representatives of the ICPA controlling bodies, questors, appointed in advance by order of ICPA President and nominated by TMC and the persons involved in the examination boards can enter these rooms.

Art. 31. When conducting the written exams, the questors, appointed by order of ICPA President, shall appear on the day of exam in the designated building by 8.20 a.m. at the latest.

Art. 32. Failing that, the questor shall be substituted by a representative of the controlling bodies.

Art. 33. Applicants shall be distributed in advance in a specifically designated building, as such distribution shall be communicated to ICPA and posted in the building, where the exam is held. Questors shall be distributed by halls on the day of holding the exam by a Chief Questor.

Art. 34. Prior to admission of applicants to the designated halls, questors shall check that the halls are fit for the normal running of exam and review the lobby and service rooms in front of the halls for any visible faults and unusual circumstances.

Art. 35. Applicants shall start entering the halls at 8.35 a.m. after their details of identity cards have been checked with these recorded in the exam report. Questors shall make the necessary inspection for identification of applicants and complete a report for those attending the exam. The report shall be signed by the Chief Questor - in charge of the hall, and by all questors in the hall. A separate report shall be prepared for each single hall in advance.

Art. 36. Applicants shall take their seats by 8.55 a.m. Those, who are late for a valid reason, may be admitted to exam, provided that the drawn option has not been announced yet. Mobile phones shall be prohibited in the building for exams all the time during the exam. Any mobile phones during the exam shall be turned off and placed on the table, designated by the questors, along with the other personal possessions of its owner.

Art. 37. After the applicants have taken their seats, questors shall give each of them 10 sheets prepared in advance and stamped by the Institute, a pen, one large non-transparent envelope to put the written papers and one small non-transparent envelope with a slip for the applicant's name.

Art. 38. Prior to the beginning of the very exam questors - in charge of the halls, shall read out all instructions on how the exam is to be held according to these Rules. Only the hand-outs and a calculator shall be left in front of the applicant.

Art. 39. After introducing to the instructions on the exam procedure, the questor - in charge of the hall, shall order to the applicants to take the slip out of the small envelope, print their full names, put their personal signature, fold it in half and put it back in the envelope without sealing it.

Art. 40. During the exam, questors are not allowed to use their mobile phones, contact with the applicants, have conversations between each other and leave the area immediately connected to the place of exam - the examination hall, lobby and service rooms in front. Providing all necessary additional materials, including coffee, water, snacks, etc. shall take place by ordering them through the Chief Questor to a person, especially appointed for that effect by ICPA administration, being the only one allowed to contact with the Chief Questor.

The said may not enter the examination hall and stay for a long time in the area immediately connected to the place of exam.

Art. 41. A Chief Questor is appointed by proposal of the representative of the Supervisory Board to be in charge of the proper running of the entire exam.

Art. 42 (1) The duties of the Chief Questor are:

- to ensure keeping the exam confidentiality, making the applicants sure in its proper and impartial running;
- to instruct, oversight the work of the other questors and manage the questors - in charge of halls (if any);
- to contact the person appointed to render assistance, if necessary, assigning to him to resolve any problems or questions arising;
- to observe the process for delivery of the written papers and make sure for keeping their anonymity;
- to ensure the delivery of the ready written papers to ICPA and their due storage.

(2) The duties of the Questors - in charge of halls include:

- to take control on identification, applicants distribution by halls and accommodation;
- to explain the exam procedure and take control on handing out of the written materials;
- to contact the applicants, if necessary, explaining the problems or questions arising in front of all people in the hall;
- to oversight going in and out of the examination halls;
- to collect, enlist and keep until their delivery to ICPA all examination materials;
- to observe the order in the halls and establish any violations made.

Art. 43. After an option for a written exam has been drawn and the examination task has been handed out, applicants shall be announced the length of the respective exam. The time, fixed for conducting the respective exam, shall commence as soon as the examination task has been received by the last

applicant in the hall. The exact start time and end time of the exam shall be marked, as the remaining time is scored every hour.

Art. 44. On expiration of the time fixed for the exam, the person in charge of the hall shall announce the end and invite the applicants to stop writing, collect all materials in the large envelope and take a place in the queue to deliver the written papers. On delivery of the envelopes the questor shall circle the applicant's number in the report and accept the work. Prior to packaging of all written materials the Chief Questor - in charge of the hall, shall check if the number of the present as per the report is equal to the number of the delivered written works.

Art. 45. Applicants, who sit for a written exam, shall keep the following instructions:

a/ Each applicant must have an identity card with him.

b/ Each applicant shall receive at the exam a set of materials with the examination task and 10 blank squared sheets of paper stamped by the Institute. Additional sheets stamped by the Institute shall be provided, if necessary, as their number shall be recorded in the report by the Questor.

c/ Applicants must put a title and number on the clean and draft copy (squared sheets) of the written work, as the number shall be placed in the middle at the top of the sheet. Sheets of the clean and draft copy shall have separate numbers. Each sheet of the clean copy, the draft copy, correspondingly, shall have a serial number and the letter "C" or "D".

d/ Smoking is not allowed, full order and peace should be kept during the exam. Applicants may go out of the hall 60 minutes from the start of the exam. If an individual applicant needs to go out, he shall close his written work and go with a companion without taking his mobile phone with him. More than 1 applicant of the same gender is not allowed to go out of the hall at the same time.

e/ Applicants are not allowed to make conversations between each other, with the questors in the hall and other persons, entitled to have access to the hall, and pass sheets, notes, bags, materials, etc.

f/ Examination work shall be made null and void in any attempt by the applicant to cheat, violate anonymity (put a special sign, color, motto, etc.), as well as if any used sheet, not stamped by ICPA, has been found.

g/ Applicants must check, prior to the exam start, the presence of a stamp on all given sheets of paper and immediately notify the Chief Questor - in charge of the hall of any sheet without a stamp.

h/ The papers made null and void shall be put in unsealed envelope, applicant's names recorded in the report, and the applicant shall leave the hall.

i/ Applicants must have finished their examination work within 5 /five/ hours since handing out of the drawn option.

Art. 46. Upon finishing of the examination work the applicant shall deliver it to the Questor, who shall, in his presence, check that the slip of the small envelope has been filled in legibly and that the details correspond to these of the identity card. The applicant alone shall seal the small envelope, then place it, along with the written work, in the large envelope. The large envelope shall be sealed at the top only to avoid any risk from tearing the written work, the Questor shall mark that the written work has been delivered by the person leaving the hall.

Art. 47. On expiration of the time fixed for conducting of the written exam, the applicants, not finished their works so far, must suspend writing, collect everything in the large envelope and go to the Questor to follow the procedure, as specified in Art. 46, and then leave the hall.

Art. 48. A report shall be signed for closing of the exam in each hall.

Art. 49. Written works shall be arranged by halls and delivered right after the end of the exam to be kept by the Chief Questor and the Executive Directors of ICPA in the presence of representatives of the Board of Directors and the Supervisory Board.

Art. 50. Written works shall be counted by the Chief Questor, checked with the number of applicants, entered in each report, issued and signed by the Questors, packed altogether, and after that kept in a bank safe box (fireproof box) meeting the requirements for a limited access and personal liability of the persons that have access to them.

CHAPTER SIX

EVALUATION AND ANNOUNCEMENT OF THE RESULTS FROM THE EXAMS HELD

Art. 51. Evaluation criteria shall be prepared by the evaluation board in number of points, as follows:

- easy question - 5 points;
- average difficult question - 10 points;
- difficult question - 15 points.

Art. 52. Right before starting the work, the board for checking of the written works shall, in the presence of a member of the Supervisory Board, unpack the examination works and make coding of the large envelopes by the Chairman of the examination board under the supervision of the ICPA Executive Director. The same code shall also be placed on the small sealed envelope with applicant's details, and on the first page of the clean copy of the respective written work. The small envelopes shall be collected in a large one and kept in a safe box of the bank by the end of the evaluation procedure.

Art. 53. Each written paper shall be reviewed by two evaluators who shall, independently of one another, assess separately the solutions and answers for each question of the test.

Art. 54 (1) A successfully passed written exam shall be deemed the one in which the applicant has obtained at least 75% of the maximum possible score.

(2) In case of discrepancies between the marks of the two evaluators, where according to the opinion of the one of them the applicant is not able to achieve a result exceeding 75% of the maximum possible score, they shall proceed with arbitrage and the paper is given for evaluation by a third evaluator, as the mark of the arbiter shall be final.

Art. 55. Evaluation results shall be entered in a special report together with the applicant's names, where the temporary number under which the evaluation has been made and the type of evaluation is recorded opposite each applicant's name.

Art. 56. (1) The Chairman of the Examination Board shall, within five days after announcement of the exam results, duly post them on ICPA website for two days, in which applicants can review their written works.

(2) Reconsideration of the written works in essence shall be allowed, when an obvious factual mistake has been proved in the question asked or in the answer defined to be true. Reconsideration shall take place within 15 days after the date of announcement of the report of the Evaluation Board for the written works with examination results.

(3) In the cases under s. 2, the question shall be taken as true for all applicants with the points provided for it by report of the Evaluation Board for the written

works. The Board for evaluation of the written works shall issue another report for the results from the written exam.

(4) Reconsideration of written works in violation of the procedure, and in essence, in case of investigations on appeals and signals pursuant to Art. 35e, s. 2 of the Law on Independent Financial Audit shall be done on the grounds of decisions of CPOSA.

Art. 57. Reports for the exams held shall be prepared in advance by the institute's administration. They shall contain the names of the applicants to be examined, names of the Evaluation Board members, date and session of the respective exam. Reports shall be closed by entering the results and signatures of the Board members right after the end of evaluation of the written papers.

ADDITIONAL PROVISIONS

§ 1. "True Answer Requirement" - A true answer shall be the one that gives an accurate, true and fair idea about the question asked and meets the requirements for completion found due to the most precise description given in the answer option.

These Rules were adopted by the BoD of ICPA on 15th March 2010 and approved by the Commission for Public Oversight of Statutory Auditors by Decision 193/11th May 2010. The said shall enter into force on the date of their approval.