



Invitation to Comment

Maintaining the Relevance of the Uniform CPA Examination

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Comments Due: December 2, 2014

AICPA Board of Examiners

Please submit all comments via the [online survey](#).

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1. Introduction

The accounting profession evolves constantly, anticipating and responding to significant changes in the business and regulatory environments. Accordingly, the AICPA is developing the next version of the Uniform CPA Examination to address changing circumstances, expectations and demands and to continue to effectively protect the public interest.

The AICPA will announce the next version of the CPA examination in 2016 and launch it in 2017. This updated version will be the result of a comprehensive practice analysis, based on extensive research, that will determine the knowledge and skills required of newly licensed CPAs.¹ The practice analysis will be multifaceted to ensure the CPA examination remains relevant to the profession. It will encompass stakeholder participation and feedback, such as interviews; focus groups; this Invitation to Comment; a survey on the content of the examination; and an exposure draft of proposed changes. (See section 3, “Practice Analysis: From Exploration to Exposure,” for more information).

Members of the profession will have several chances to contribute to this process by commenting on proposed changes to the CPA examination. This Invitation to Comment is the first opportunity to consider the impact of initial research findings. It covers the phases of research and preliminary findings, and asks members of the profession specific questions that will influence the structure and design of the CPA examination. (The AICPA encourages respondents to review section 4, “What We Have Learned,” before answering the questions in section 5, “Request for Comment”).

Respondents may post their comments using [this link](#) from September 2, 2014, through December 2, 2014. Respondents are welcome to respond to any or all questions. The AICPA will report on the input received in the first quarter of 2015.

2. CPA Examination: Background and Purpose

Passing the Uniform CPA Examination is a fundamental requirement for qualifying for licensure as a CPA.

CPAs are the only accounting professionals licensed in the United States. Licensure is regulated at a state or jurisdiction level; 55 U.S. jurisdictions issue CPA licenses according to individual board of accountancy requirements. The jurisdictions include the

¹ For purposes of this project, a newly licensed CPA is an individual who possesses the minimum level of knowledge and skills necessary to protect the public interest at point of licensure (typically, states require 1-2 years of experience).

50 U.S. states, Washington, DC, Puerto Rico, the Virgin Islands, Guam, and the Commonwealth of the Northern Mariana Islands.

CPA licensure requires the “three Es”—Education, Examination, and Experience. An ethics assessment, a fourth requirement, exists in some states as well. Of these requirements, the CPA examination is uniform (that is, it is the only exam that is accepted for CPA licensure by all U.S. jurisdictions), while the others vary among jurisdictions. Passing the CPA examination is not sufficient in itself to qualify for licensure as candidates must meet all their state’s requirements for licensure.

The CPA examination provides reasonable assurance to the boards of accountancy that individuals who pass possess the level of technical knowledge and skills necessary for initial licensure. Admitting only qualified individuals into the profession protects the public interest.

The CPA examination currently consists of four sections: Auditing and Attestation (AUD), Financial Accounting and Reporting (FAR), Regulation (REG), and Business Environment and Concepts (BEC). These sections represent a total of 14 hours of testing.

Each section’s content is tested using multiple-choice questions (MCQs), written communication, and task-based simulations (see following chart). Task-based simulations are small case studies that allow candidates to demonstrate their knowledge and skills by generating responses to questions rather than simply selecting answers. Simulations typically require candidates to use spreadsheets or to research the authoritative literature provided in the exam (or both). Currently, written communication or essay questions are used only in the BEC section.

CURRENT CPA EXAMINATION SECTIONS	LENGTH	MCQs	SIMULATIONS
Audit and Attestation (AUD)	4 hours	90	7
Financial Accounting and Reporting (FAR)	4 hours	90	7
Regulation (REG)	3 hours	72	6
Business Environment and Concepts (BEC)	3 hours	72	3 essays

3. Practice Analysis: From Exploration to Exposure

The practice analysis includes the following steps:

A. Exploration Phase (January 2014–June 2014)

During the exploration phase, interviews and focus groups were conducted with members of the following groups from across the CPA profession: newly licensed CPAs, direct and indirect supervisors of newly licensed CPAs, CPAs in business and industry, academics, standard setters, regulators, training directors, and boards of accountancy executive directors and members.

The interviews and focus groups used standardized protocols and questions to document the knowledge and skills newly licensed CPAs must possess and which activities they must perform to protect the public interest. The information gathered will be confirmed during the survey portion of the practice analysis (more information follows).

B. Initial Blueprinting (January 2014–July 2014)

The examination blueprint is an outline of the content topics and skill levels that will be tested on the CPA examination. Initial draft blueprints are based on information gathered during the exploration phase, which AICPA volunteer and staff CPAs initially review. The goal is to determine what a newly licensed CPA must know and be able to perform to protect the public interest. The draft blueprint will be revised based on survey results and other information learned throughout the practice analysis, up to its completion in 2015.

C. Invitation to Comment (September 2014–December 2014)

This document asks stakeholders to comment on possible changes to how content is tested on the CPA examination. Possible changes may include examination length, types of questions, number and structure of test sections, testing fees, and score reporting timelines. Responses to the Invitation to Comment will be used to inform the test structure and test design proposals of the next version of the CPA examination. The Invitation to Comment will be made available to the entire profession with special distribution to the boards of accountancy, standard setters, regulators, public accounting firms, academics, and state CPA societies.

The AICPA Board of Examiners (BOE) requests your comments on potential enhancements to how content is tested on the exam. When responding to this document, be sure to consider the initial research described in section 4, “What We Have Learned.”

D. Survey (November 2014–December 2014)

A large-scale survey of CPAs will validate information gathered during the exploration phase. The survey will also explore the content areas to understand the breadth and depth to which a particular subject area should be tested on the exam.

Survey statements are created based on the knowledge and skills required for newly licensed CPAs that are identified during the exploration phase. (See section 4, “What We Have Learned”). Survey respondents will rate statements and address content topics, as well as identify the level of skills to test on those content topics, by describing tasks that newly licensed CPAs may be required to perform. Respondents will rate each statement for relevance, criticality, and frequency related to a newly licensed CPA’s job.

In November 2014, the survey will be sent to thousands of randomly selected newly licensed CPAs and direct supervisors of newly licensed CPAs. Data collection will continue through December 2014 and will be analyzed separately for each group. Information gathered from these practitioners on the relevance, criticality, and frequency of statements will be used to further inform the test blueprint (the content topics and skills that the examination assesses).

E. Revised Blueprint (January 2015–April 2015)

AICPA volunteer and staff CPAs will revise the draft blueprints based on survey results and input from the Invitation to Comment. For example, statements that are not rated as critical or are not as frequently used may be excluded from the revised blueprint. Conversely, statements that are rated highly on the various rating scales may be given more weight in the revised draft blueprint. Additional external input will be gathered before the blueprints are finalized.

F. Exposure Draft (August 2015–October 2015)

The exposure draft is the final proposal for the next version of the CPA examination. It will be made available to the entire profession, with special distribution to the boards of accountancy, standard setters, regulators, public accounting firms, academics, and state CPA societies. It will include the examination section blueprints, the design (number and description of sections), and length. Comments from this final round of external review will be used to finish the design of the next version of the CPA examination before its announcement in 2016.

4. What We Have Learned

Input from 17 focus groups, as well as additional research, has identified a consistent set of knowledge and skills that is necessary for newly licensed CPAs to protect the public interest. The areas identified thus far include:

A. Critical Thinking, Problem Solving, Analytical Ability, Professional Skepticism, and Adaptability

The rapid pace of change in our profession and the marketplace, the increasing globalization of business, and the continued outsourcing of routine, non-complex tasks (which accounting professionals typically perform early in their careers) have introduced challenges to newly licensed CPAs. The result for newly licensed CPAs is a shift from preparing routine, non-complex tasks to reviewing these tasks.

Technology use continues to change the nature of the work that newly licensed CPAs perform, making them responsible for more complex tasks earlier in their careers. As a result, newly licensed CPAs must demonstrate higher-order skills such as critical thinking, problem solving, analytical ability, and skepticism more frequently. It is critically important that newly licensed CPAs are competent in recognizing issues, identifying errors, challenging assumptions, and applying both professional judgment and skepticism.

B. A Strong Understanding of the Business Environment and Processes

Not only must a newly licensed CPA be technically sound, but that individual must also demonstrate a keen understanding of the overall business environment. Newly licensed CPAs demonstrate knowledge of economics, corporate governance and information technology, and must be able to apply that knowledge in financial and operations management as well as in strategic planning. Additionally, a newly licensed CPA must understand business processes and transactions, and have the ability to apply that knowledge when performing an audit. An example of this skill is identifying the strengths and deficiencies in internal control processes.

C. Effective Communication Skills

To meet the needs of the expanding business world, effective communication skills are critically important to being a CPA. Newly licensed CPAs must be able to demonstrate strong listening skills. These CPAs must have a questioning mind and be able to ask appropriate follow-up questions, when necessary, to ensure supportable and logical responses. In addition, they must be able to effectively document the work that they have performed and the conclusions that were reached.

D. Well-Developed Research Skills

Given the increasing volume of domestic and international standards, rules, and regulations, our research has shown that well-developed research skills are becoming more important to practice than the memorization of facts. Newly licensed CPAs must demonstrate capability in researching the appropriate authoritative literature in order to solve unfamiliar problems and form appropriate conclusions.

E. Ability to Analyze Data

Newly licensed CPAs must be competent in data collection and analysis to recognize unusual patterns and detect errors. These CPAs must be able to discern missing or incomplete information and be able to differentiate between relevant and irrelevant information.

F. Ethics and Professional Responsibilities

To protect the public interest, it is critically important that newly licensed CPAs have a thorough understanding of their professional and ethical responsibilities as CPAs. Not only must they understand the ethics and independence rules governing the practice of the profession, CPAs must also demonstrate an ability to apply a conceptual framework in their ethical decision-making.

Currently, the CPA examination is approximately 60 percent knowledge and understanding (multiple-choice questions) and 40 percent application (task-based simulations). Simulations typically include greater background information and context to create a more robust, authentic experience for candidates to demonstrate their knowledge and skills. Candidates receive a set of questions related to a scenario they would encounter as a newly licensed CPA. They may be required to solve problems using spreadsheets, research authoritative literature, and write memos. Simulations provide a flexible format for presenting a realistic setting, thus making the examination better suited for assessing higher-level skills by requiring individuals to apply what they know in a real-world context.

Enhancements to the examination and the simulation format may address many emerging themes in our research. Section 5, "Request for Comment," will address possible changes to the examination that focus on testing higher-level skills through simulations.

5. Request for Comment

Based on the initial results from the practice analysis, the following questions highlight potential changes that are under consideration. These questions address the hypothesis that increased testing of higher-order skills—through tasks such as writing, research, and calculations—is needed to continue protecting the public interest².

- A. The CPA examination is currently 14 hours long with 4 sections that test Auditing and Attestation (AUD), Financial Accounting and Reporting (FAR), Regulation (REG), and Business Environment and Concepts (BEC). The current test blueprint, known as the [Content and Skill Specifications](#)³, is available online. (Refer to section 2, “CPA Examination: Background and Purpose,” of this document for the current CPA examination structure).
1. Are the current examination sections (AUD, FAR, REG, and BEC) the correct structure? Should the number of sections change? Should they be organized differently? Is each section’s time allotment appropriate?
 2. Are there additional content areas that should be included in the examination?
 3. Are there content areas that should be removed because they are no longer applicable?
- B. In the current exam, essay questions are tested only in the BEC section and constitute 15 percent of the section weight. Essays assess candidates’ written communication skills.
1. Should writing skills be tested in additional sections of the CPA examination? If so, in which sections and in what proportion?
 2. What types of writing tasks should be added (management letter comments or other client communications, memo on accounting research, a written tax position, or other types of communications)?
- C. Currently, simulations constitute 40 percent of the section weight in AUD, FAR, and REG; simulations make up 15 percent in BEC (in the form of essay questions). Simulations in AUD, FAR, and REG use spreadsheets and research questions to test higher-order skills such as application or analysis. Simulations are intended for candidates to demonstrate their knowledge by performing a task such as preparing a journal entry in FAR, completing a tax form in REG, or

² In answering the questions, consider that newly licensed CPAs practice in a variety of settings ranging from working for a large multi-national organization to a small business or as a sole proprietor.

³ Content Specification Outline:
<http://www.aicpa.org/becomeacpa/cpaexam/examinationcontent/contentandskills/pages/default.aspx>

selecting subsequent procedures in AUD. Please visit the current [CPA Examination Tutorial and Sample Test](#)⁴ for further examples.

1. Should the weighting of simulations be adjusted in AUD, FAR, and REG? If so, in what proportion?
 2. What types of tasks should be tested in AUD, FAR, and REG?
 3. Should simulations other than essay questions be considered for BEC? If so, in what proportion?
 4. What types of tasks should be tested in BEC?
- D. The simulations in the current AUD, FAR, and REG sections of the CPA examination provide resources to candidates such as a basic spreadsheet (not Microsoft Excel), the searchable authoritative literature (section specific), a calculator, split-screen functionality, as well as cut, copy, and paste functions.
1. What other candidate resources, if any, should be enhanced or added?
 2. Should the basic spreadsheet be converted to Microsoft Excel even if the cost to take the examination increases as a result?
- E. Simulations currently consist of primarily text-based questions. For example, in the FAR section, a candidate may be asked to record journal entries in a spreadsheet based on a written fact pattern. Possible enhancements to questions may include the addition of audio, video, and images, which would increase the amount of realism in a given task
1. What types of enhancements could make the simulations more realistic?
 2. Should these enhancements be implemented even if the cost to take the exam increases as a result?
- F. Currently, other accounting licensure exams across the globe, such as CPA Canada, are implementing integrative sections that require a candidate to consider content from multiple sections and complete larger case studies.

Example of a Possible Integrative Section

An integrative section on the CPA examination could replace the current BEC section and be structured as follows:

- The BEC section's content would continue to be tested in the integrative section and would cover topics in corporate governance, economics, financial management, information systems, strategic planning, and operations management.

⁴ CPA Examination Tutorial and Sample Test:
http://www.aicpa.org/BecomeACPA/CPAExam/ForCandidates/TutorialandSampleTest/Pages/exam_tutorial_parallel.aspx

- The simulations (or case studies) in the integrative section would draw upon content and themes from the AUD, FAR, REG, and BEC sections.

The current CPA examination focuses primarily on testing content knowledge that is specific to a section. Adding the integrative section would allow for greater testing of higher-order skills (in essay or business case study format) and would include questions that blend elements of taxation, auditing, and financial accounting and reporting.

An integrative section could help ensure that candidates who pass the examination are able to blend elements of content knowledge and skills such as analysis, communication, and research.

One example of a potential opportunity for integration of auditing, corporate income tax, and financial accounting concepts would be a case study on accounting for income taxes pursuant to FASB *Accounting Standards Codification 740, Income Taxes*. In this example, the candidate—in the role of an auditor—would be asked to review the adequacy of a client’s balance sheet disclosures for income taxes including gross deferred tax assets, gross deferred tax liabilities, the valuation allowance, and the net change in the valuation allowance. The candidate may also be asked to provide written documentation of testing (including spreadsheet calculations as support, if necessary) for the audit working papers. The candidate would be provided realistic materials such as prior-year working papers, client-prepared financial documents and statements, applicable authoritative literature, correspondence with the client and other audit team members, and audio/video of auditor and client discussions.

Another example of an integrative case study could involve a candidate’s ability to identify potential issues or risk factors with accepting a potential client. Issues to be addressed in this type of case study could include: the business environment such as strategy, governance, the complexity of the business, and related accounting issues as well as ethical considerations, initial audit risks, and client acceptance.

1. Should the CPA examination consider an integrative case study section?
2. Should an integrative section be a capstone? Candidates would be required to pass AUD, FAR, and REG prior to sitting for the capstone.

G. Some of the aforementioned enhancements may result in increased costs to candidates.

1. Should the CPA examination consider improvements that may provide greater testing of higher-order skills even if they would require increasing the cost of the exam?

2. What amount of cost increases (for example, \$10, \$15, \$20, or \$25 per section) do you think would be acceptable given the proposed changes?
- H. Some of the aforementioned enhancements may result in increased time to report scores.
1. Should the CPA examination consider improvements that may provide greater testing of higher-order skills even if they would require increasing the time to report scores?
 2. In the current exam, candidates typically receive their scores for a particular section within 10-20 business days. What range of lengthened score reporting timeline (for example, 5, 10, 15, 20 business days, and so on) do you think is acceptable given the potential need for additional time to effectively score an examination (for example, if human scoring were required for a section)?
- I. What other changes, if any, should be made to the CPA examination?

6. Conclusion

The CPA profession is one of the most respected professions throughout the world and newly licensed CPAs are its future leaders. The AICPA is committed to continuously evaluating and improving the CPA examination to ensure that it maintains a consistent standard of excellence for those entering the profession.

The comprehensive process to develop the Uniform CPA Examination incorporates many steps and quality checks by experts in accounting, psychometrics (the field of educational measurement), and testing. This process is designed to provide a rigorous and fair examination for all candidates.

The AICPA encourages you, the members of the profession, to provide comments on any or all questions contained in Section 5 of this document via the [online survey](#). Together, we can ensure that the examination remains relevant and protects the public interest.