AICPA

Maintaining the Relevance of the Uniform CPA Examination®:

An Exposure Draft and Invitation to Comment

December 2019

Contents

2019 Practice Analysis and CPA Evolution

To all Practice Analysis Constituents and Commenters:

It is important to acknowledge and understand the differences between this Practice Analysis (PA) and the current discussions around the CPA Evolution initiative (CPA Evolution).

Conducting a PA is a regular occurrence in the development and production of the Uniform CPA Examination® (CPA Exam). This 2019 PA continues the history of using regular practice analyses, coupled with any quarterly updates required due to technical standards changes, obsolescence, etc. to ensure the CPA Exam always remains current with the profession. It follows similar comprehensive analyses leading up to computerization of the CPA Exam in 2004 and major Exam updates in 2011 and 2017.

As this document further explains in detail, the 2019 PA explores the current impact of technology on the profession and the work of newly licensed CPAs (nlCPAs) in today's environment. It also looks at areas where the CPA Exam may have become too broad and not sufficiently focused on the critical knowledge and skills required of today's nlCPAs. Changes resulting from this PA are targeted to be operational in the CPA Exam sometime in 2021.

Although these PA concepts overlap with the current discussions around CPA Evolution, it is critical to note that this PA is based on the structure of the current operational CPA Exam, comprising four independent assertions in audit, tax and regulations, financial reporting, and business concepts, as established by joint American Institute of CPAs® (AICPA®) and National Association of State Boards of Accountancy (NASBA) committees that led to the computerized CPA Exam in 2004.

The CPA Evolution initiative is exploring changes to the licensure structure in the future, including exam, experience, and education. Any new exam structure resulting from CPA Evolution will ultimately require a larger, quite different PA.

Please reference the graphic on the following page, which demonstrates the anticipated timing of CPA Exam updates, the PA, and CPA Evolution.

Practice Analysis and CPA Evolution Timeline

	December 2019	April 2020	Summer 2020	2020 Q3	2020 Q4	2021
Current CPA Licensure Model						
CPA Exam with 2020 updates		AICPA BOE approves Blueprint with updated audit data analytics changes (January 2020) Updated Blueprint (audit data analytics) published April 2020	Updated Sample Tests available (July 2020)		Planned audit data analytics launch (October 2020)	
CPA Exam with current Practice Analysis and targeted 2021 launch	Distribute Practice Analysis Exposure Draft & Invitation to Comment	Feedback due to the AICPA Examinations Team		AICPA Subcommittee and Content Committee approves updated Blueprints	AICPA BOE approves updated Blueprints[1]	Updated Blueprint published January 2021[1] Updated Exam launches July 2021[1]
Future CPA Licensure Model – Currently in discussion						
CPA Evolution			CPA Evolution model targeted approval and ongoing implementation planning (TBD)			

[1] Depending on the nature and extent of comments received on the ED, the BOE could potentially approve Blueprint changes in 2020 Q3, adjusting publication of the updated Blueprint to 2020 Q4 and launch to April 2021.

Description of Combined Document

This combined Exposure Draft (ED) and Invitation to Comment (ITC) presents the findings and conclusions of a PA conducted by the AICPA Examinations Team over the past year. This PA focused on two major themes:

- The impact of technology on the work of newly licensed CPAs (nlCPAs); and
- The identification of areas where the CPA Exam has become too broad and not sufficiently focused on the critical knowledge and skills required of a nlCPA.

The document is divided into two separate sections, the ED and the ITC.

The ED presents changes the AICPA proposes to make to the CPA Exam resulting from the PA. Following consideration of comments received, the changes outlined in the ED are expected to be included in a revised CPA Exam Blueprint to be approved no later than Dec. 31, 2020, and included in the CPA Exam six months after Blueprint publication.

The ITC presents items for consideration that will require additional research and investigation. Dependent upon the nature of the comments received, the AICPA will pursue additional research to determine how and when these matters may be implemented in the CPA Exam. At this time, it is not known if and when any changes resulting from the ITC will be implemented.

All comments, whether related to the ED or the ITC, are due no later than April 30, 2020. See further discussion below under Request for Comment.

Executive Summary

The CPA Exam provides reasonable assurance to boards of accountancy that individuals who pass the CPA Exam possess the minimum level of technical knowledge and skills necessary for initial licensure. To remain relevant to a dynamic profession and current with the real-world demands on nlCPAs, the CPA Exam must continually evolve.

The periodic execution of a PA is necessary to ensure that the CPA Exam:

- Supports the profession's commitment to protecting the public interest;
- Remains current, relevant, reliable, and legally defensible; and
- Fulfills the needs of the boards of accountancy in carrying out their licensing responsibilities.

In early 2019, the AICPA's Board of Examiners (BOE) launched this PA, a research project designed to update its understanding of the knowledge and skills required of nlCPAs, particularly focused on the impact of technology on the work of nlCPAs. The PA was also designed to identify where the CPA Exam may have become too broad and not sufficiently focused on the critical knowledge and skills required of nlCPAs.

A key assumption during this PA was that the current Exam sections and Blueprint structure could accommodate content changes driven by technology. The BOE believes that the previous PA findings and associated Exam changes were appropriately designed to enhance the testing of higher-order skills that include, but are not limited to, critical thinking, problem-solving, analytical ability, and professional skepticism. Further, the Blueprints and associated sections provide a strong foundation for organizing the content assessing the minimum knowledge and skills required of newly licensed CPAs. The strong foundation of the current Exam sections and the focus on skill levels in the Blueprints, including the task statements, allowed the current PA to focus primarily on the impact of technology on nlCPA practice and the related changes that should be made to the CPA Exam.

The PA collected input about the work today's nlCPAs are required to perform from a variety of stakeholders who share an interest in preserving the strength and mission of the profession—boards of accountancy, accounting firms, academia, standard setters and regulators, and business and industry. Valuable information was collected in three phases from CPA participants, with unique participants in each phase, who directly supervise nlCPAs. **Please see the Practice Analysis Process section for more information on the PA process.**

General Findings and Conclusions

Technology is dramatically affecting the accounting profession and is impacting audit planning and execution, tax compliance and planning, and the nature of professional services provided. The PA focused on the impact of technology on the work of nlCPAs. The impact on any individual nlCPA will depend on where that individual is employed and the nature of the clients with whom they work.

In the PA's first phase, several findings were identified that more broadly demonstrate technology's impact on nlCPA practice. These include:

- Understanding business processes from inception to completion including automated aspects, risk identification and internal control mapping,
- The need for a digital and data-driven mindset and the use of data analytics, and
- Increased reliance on System and Organization Controls for Service Organizations: Internal Control over Financial Reporting (SOC 1®) reports.

As more fully described below, changes addressing these findings primarily affect the Auditing and Attestation (AUD) and Business Environment and Concepts (BEC) sections of the CPA Exam.

The second phase of the PA was to identify where the CPA Exam may have become too broad and not sufficiently focused on the critical knowledge and skills required of the nlCPA. The PA research identified content that could potentially be removed or revised in each of the four CPA Exam sections.

As part of the third phase of the PA, confirmation panels indicated their level of agreement with the proposed changes to the CPA Exam. The final changes were reviewed and approved by the BOE.

Specific Proposed Exam Changes

The proposed changes to the Blueprint are provided in the Proposed Exam Changes section below. These changes include content to be added to the CPA Exam in response to the technology findings identified. The changes also include content either to be removed from the CPA Exam or assessed at a different skill level in response to better focusing on the critical knowledge and skills required of nlCPAs. The proposed changes should be reviewed in conjunction with the current CPA Exam Blueprint. After considering the comments received in response to this ED, the AICPA plans to make approved changes to the CPA Exam Blueprint no later than Dec. 31, 2020.

It is anticipated that there will not be significant changes to aggregate CPA Exam time, or either content allocation ranges or skill allocation ranges within each of the four CPA Exam sections. Additionally, at this time, it is anticipated that the proposed changes to the CPA Exam will not require delayed score reporting (score holds).

Request for Comment

The AICPA values the views of all CPA Exam stakeholders and is seeking comments on the questions listed below. The questions have been divided to address:

A — Comments/responses to changes that are proposed for implementation in the next version of the CPA Exam. (ED)

B — Comments/responses that will require additional research/investigation to evaluate and will be considered for potential implementation at a future time.

In your response, please indicate whether the response represents the official response of a state board of accountancy, state CPA society, or regulator. Otherwise, please advise whether the response is on behalf of a firm, business, or represents your individual views. The AICPA will make all comments publicly available by posting the responses to its website for one year.

The AICPA will consider all responses received on or before April 30, 2020. Email your submission to **practiceanalysis@aicpa.org**.

A. Comments requested on the next version of the CPA Exam as defined in this ED.

a. Understanding the business, digital and data-driven mindset and data analytics, and reliance on SOC 1 reports have been identified as the three primary findings affected by technology and impacting the profession and nlCPA practice. See further details on these findings in the Practice Analysis — Findings section of this document.

1. **How do the findings align with the changes you see impacting nlCPA practice? If the primary findings do not align with the changes you see impacting nlCPA practice, please provide your view and explain your rationale.**

b. The AUD and BEC section Blueprints are each being reorganized to take a more integrated view of technology and business processes, including information systems, risk assessment, and related internal controls. See changes 7, 8, 13, 23, 26, and 27. The PA findings support this more integrated approach to better assess the knowledge and skills required of nlCPAs. These changes add, reorganize, and emphasize content.

Additionally, the PA findings support either deleting certain CPA Exam content or changing the cognitive skill level at which the content is assessed. The proposed deletions and changes are also described in the Proposed Exam Changes section of this document.

2. **Do you agree with the proposed Exam changes? If not, please explain your rationale. Responses should address specific changes by number (see proposed changes beginning on page 14).**

c. Technology constantly evolves and will continue to impact the work of nlCPAs in their role in protecting the public interest. Thus, the CPA Exam will need to continually evolve to ensure the appropriate knowledge and skills are assessed.

3. **Are there other areas affected by technology beyond the findings identified in the Practice Analysis — Findings section of this document broadly impacting nlCPA practice that should be considered in future revisions to the CPA Exam Blueprints? If so, describe them.**

4. **Based on a review of the CPA Exam Blueprints, do you believe there is additional content that should be removed from the CPA Exam as it is not critical to nlCPA practice and the protection of the public interest? If so, describe them.**

B. Comments requested for the future of CPA Exam content and structure changes as defined in this ITC.

   a. The AICPA proposes to remove the essay question (written communication question) given the limitations of the current assessment and its minimal impact on the overall score as described in the ITC section of this document.

      1. Given the considerations in the ITC, do you agree or disagree with the recommendation to remove the essay question (written communication question)? Please provide your rationale.

   b. Given the specialized nature of the content assessed in FAR Area IV - State and Local Governments and thus the potential limited applicability to a majority of nlCPAs, the AICPA is considering the potential removal of state and local government accounting content from the CPA Exam as described in the ITC section of this document.

      2. Given the considerations in the ITC, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.

Guide for Respondents

Comments are most helpful when they refer to specific changes or findings discussed and include the reasons for the comments. **When a respondent agrees with proposals in the ED or ITC, it will be helpful for the AICPA to be made aware of this view.** Written comments on this ED and ITC will become part of the public record of the AICPA and will be posted on its website for one year. Responses should be sent to **practiceanalysis@aicpa.org** and received no later than April 30, 2020.

Background and Introduction

Since 1917, the CPA Exam has a trusted history as one component of the CPA licensing process. The CPA Exam is a licensure exam designed to measure minimum competency and helps to establish the CPA license as evidence of professional qualification. The mission of the CPA Exam is to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a nlCPA to protect the public interest in today's business and financial environment.

For the purpose of identifying the domain of tasks, knowledge, and skills necessary to protect the public interest, a nlCPA is defined as someone who has fulfilled the applicable jurisdiction's educational and experience requirements and has the knowledge and skills typically possessed by a person with one to two years of experience.[2]

Experience　　　　Education
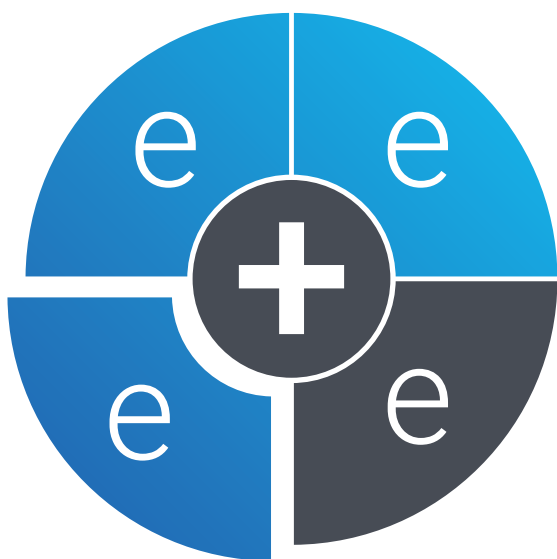
Ethics*　　　　Examination

[2]　*Certain states or jurisdictions require a separate ethics assessment in addition to what is tested on the CPA Exam

The AICPA develops, maintains, and scores the CPA Exam. The BOE, a senior committee of the AICPA, is responsible for the establishment of policies governing the CPA Exam in accordance with legal and psychometric standards as they apply to licensure examinations. The BOE also has the responsibility for strategic planning and risk assessment to ensure that the CPA Exam continues to fulfill its mission, which is to provide reasonable assurance to boards of accountancy that candidates passing the CPA Exam possess the technical knowledge and skills necessary for initial licensure to protect the public interest.

The BOE conducts a PA at any time the changes in the profession are significant enough to indicate the CPA Exam needs to be updated.

The previous PA was launched in 2014 and completed in 2016. The findings were implemented in the CPA Exam in 2017. The PA completed in 2016 resulted in an increased focus on testing higher-order skills by adding simulation items and increasing the scoring weight of simulations. The need to test higher-order skills was identified in the research as it was deemed critically important that nlCPAs are competent in recognizing issues, identifying errors, challenging assumptions, and applying both professional judgment and skepticism.

To assist CPA Exam candidates, educators, and other Exam stakeholders, the AICPA published the CPA Exam Blueprints in 2016.

The goals of the CPA Exam Blueprints are to:
- Provide assurance that the CPA Exam is properly designed to test the required knowledge, skills, and tasks.
- Assist candidates in preparing for the CPA Exam by delineating the knowledge and skills that may be tested.
- Apprise educators about the knowledge and skills candidates will need to function as nlCPAs.
- Guide the development of CPA Exam questions.

Between PAs, continuous maintenance of the CPA Exam occurs, and the CPA Exam Blueprints are modified as necessary to remain current with new standards and laws. CPA Exam Blueprint revisions are also made to improve the clarity, organization, and the nature of content assessed. The current CPA Exam Blueprint was published on Jan. 1, 2019, and is located at: aicpa.org/becomeacpa/cpaexam/examinationcontent.html.

Given the rapid advancement of technology, in March 2019, the BOE approved the start of a new PA, which focused on technology's impact on nlCPA practice. The goal of the PA research is to:
- Provide data that can be used to define the scope of changes to the CPA Exam.
- Serve as the foundation of the validity and legal defensibility of the CPA Exam.
- Provide reasonable assurance to boards of accountancy that individuals who pass the CPA Exam possess the minimum level of technical knowledge and skills necessary for initial licensure.

The BOE believes that over time the CPA Exam may have become too broad and requires additional focus on the truly critical knowledge and skills of nlCPAs, particularly given that additional content and skills may need to be added to the CPA Exam to reflect technology's impact on nlCPA practice. **Accordingly, the current PA includes two research objectives: first, to assess the impact of technology on nlCPA practice, and second, to identify existing Exam content that may be less important to nlCPA practice, so the CPA Exam better focuses on what is critical to nlCPA practice.**

The ED documents the PA process and methods used to update the domain of tasks, knowledge and skills necessary for a nlCPA; explains the types of analyses conducted; reports the results of those analyses; and describes how the results of the PA will redefine the CPA Exam Blueprints.

Practice Analysis — Findings

The following discusses the major findings or areas impacting the proposed additions, changes, and deletions to the CPA Exam. The updates are based upon research and input received from the profession and stakeholders regarding the knowledge and skills required of nlCPAs for their role in protecting the public interest.

Several new specific findings were identified in the PA technology research including that nlCPAs need to have increased knowledge and skills related to:

- Understanding the business
- Digital and data-driven mindset including data analytics
- Reliance on System and Organization Controls (SOC 1) reports

Understanding the Business

Newly licensed CPAs need to understand the business including its operations, information systems, underlying business processes, information and data flows, and risks and related internal controls. This understanding is fundamental to planning and designing audit procedures responsive to the assessed risks. Newly licensed CPAs are involved in many aspects of understanding the business. The nature and extent of the nlCPAs role in understanding the business will vary based on the size and complexity of the entity.

Newly licensed CPAs roles in understanding the business could include:

- Understanding the source of entity financial and tax information,
- Understanding procedures in manual and automated systems by which transactions are initiated, authorized, processed, and recorded in general ledgers, and
- Mapping internal controls in both manual and IT systems. In particular, nlCPAs need to be able to understand the flow of transactions from start to finish, inclusive of both manual and automated systems, along with the related control activities.

Aspects of understanding the business are currently assessed in both the AUD and BEC sections of the CPA Exam. The AUD section generally is more focused on risk assessment and testing of internal controls, while the focus in the BEC section includes governance and the design of internal controls. This focus is appropriate and will continue. However, each of the sections generally assesses processes and internal control topics on a somewhat segregated basis, i.e., looking at manual and automated systems and controls separately. **In response to the PA research, the AUD and BEC Blueprints are proposed to be reorganized to assess major business processes, including manual and IT systems, and related internal controls on a more integrated basis.**

Digital and Data-Driven Mindset/ Data Analytics

A digital and data-driven mindset includes understanding the potential sources of data as well as the completeness, accuracy and relevance of the data. This mindset is related to the initial finding identified above, Understanding the business. Newly licensed CPAs should understand the flow of transactions within business processes and information systems; this will lead to understanding the availability and reliability, i.e., completeness and accuracy, of the data.

Given the advances in technology, which allow for the extraction of data from systems, it is important that nlCPAs at a minimum have an understanding of data— and where and how it may be accessed — to be able to converse with clients about data and its potential use. There are mixed views as to whether nlCPAs are actually extracting and transforming the data, and this is often dependent upon the complexity of the client and its systems. If nlCPAs are not actually performing these extraction and transformation procedures, they will nonetheless need to be able to communicate effectively about data with either their clients or data specialists supporting their engagements, again requiring a digital and data-driven mindset.

Data analytics is a subset of the digital and data-driven mindset. While the adoption and implementation of data analytic techniques vary widely based on firm size and complexity and size of the client, there is widespread acknowledgment that the use of data analytics is prevalent throughout the profession and nlCPAs have an important role.

Since 2017 and concurrent with this PA, the AICPA Exams Team worked with subject-matter-experts, including the AUD subcommittee, to develop audit data analytics (ADA) task-based simulations (TBS) or small case studies that will assess nlCPA ADA practice. In addition to generally requiring candidates to address matters surrounding the relevance and reliability of data, these TBS will require the use of Microsoft Excel® (Excel) to sort, filter, and compare data sets to determine trends, identify missing or duplicate transactions, or highlight anomalies within data. The research in this PA has reaffirmed the work completed to date. **Given the research and related work to date, Excel-based TBSs are planned to be introduced in the AUD section beginning Oct. 1, 2020. A revised CPA Exam Blueprint is planned to be available beginning April 1, 2020, which will include new representative task statements aligned with these planned changes.**

Based on the PA research, the BEC section will begin assessing content on data management, data governance, and data relationships. These proposed changes are discussed in the Proposed Exam Changes section below.

Reliance on SOC 1 Reports

There is significant increased reliance on SOC 1 reports given how businesses are increasingly outsourcing information systems and business processes to third parties and storing data in the cloud. SOC 1 reports are specifically intended to assist businesses that use service organizations and their auditors in evaluating the effect of the controls at the service organization on the user entities' financial statements. Inasmuch as outsourcing these systems is integral to a company's business processes, nlCPAs need to understand the types of SOC 1 reports, how to interpret them, the implications to a client's system of internal controls, and accordingly, the effect on planned audit procedures.

This finding is also an extension of the first finding, Understanding the business. An auditor's need to understand a client's business processes and information systems extends to outsourced processes or systems that could impact the financial statements or taxes. If the client has outsourced business and information systems technology and processes, the auditor still needs to understand how the related transactions are initiated, authorized, processed and recorded, and the responsive internal controls.

The PA results indicated that reliance on SOC 1 reports has dramatically increased—requiring auditors to obtain and evaluate multiple SOC 1 reports on even relatively modestly sized clients. Further, the research has indicated nlCPAs are typically involved in reviewing these reports and mapping controls similar to what they would do if the business process or information systems had not been outsourced.

The research has **not** supported that a significant number of nlCPAs are involved in performing the underlying procedures that support the issuance of a SOC 1 report. Working on SOC 1 engagements is typically done by specialists or those with significant experience and is beyond the scope of nlCPA practice. The AICPA will monitor the SOC suite of services and their impact on nlCPA practice, which are continually evolving.

While the CPA Exam currently assesses reliance on SOC 1 reports, this is a topic that will be further emphasized within the AUD section of the CPA Exam. Additionally, consideration of the reliance on SOC 1 reports will be added to the BEC section of the CPA Exam.

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The advances in technology do not eliminate the need for basic accounting, auditing, business, and taxation concepts in order for nlCPAs to undertake their role in protecting the public interest. The PA supported the need for strong foundational knowledge and skills. In fact, there was universal support that technology advances require nlCPAs to have a clear understanding of basic accounting and auditing skills as well as professional skepticism. The BOE believes the current CPA Exam structure and associated sections are well designed to assess the foundational knowledge and skills required by nlCPAs, as well as accommodate the changes identified by this PA.

Focus on Critical Knowledge and Skills

The PA findings supported that certain content currently assessed on the CPA Exam is less critical to nlCPA practice and the protection of the public interest. As discussed further under the Phase 2 process below, the CPA Exam subject-matter-experts (SMEs) determined to retain or remove topic content, or alternatively, to change the cognitive skill level at which topics are assessed. The proposed changes have been reflected within the detail changes provided below for each section.

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The AICPA Examinations Team, CPA Exam section subcommittees, the CPA Exam Content Committee, and the BOE have all reviewed and approved these findings and the proposed content changes for each of the sections of the CPA Exam.

Technology Used by Newly Licensed CPAs

PA research indicates the use of specific ADA software is less important for the CPA Exam to assess. Rather, understanding of the completeness and accuracy of data and data-wrangling skills (transformation, analysis, and use of data) are more critical given the role of nlCPAs in analyzing outputs from the specific ADA software. While there was an acknowledgment that the CPA Exam should be tool-agnostic with regard to ADA, there were very strong views expressed for knowledge of Excel, which is used ubiquitously by firms and their clients. **As noted above, beginning Oct. 1, 2020, the CPA Exam's AUD section plans to include TBS that will assess data analytics requiring the use of Excel.**

The PA considered the following additional technologies that could potentially impact nlCPA practice: robotic process automation (RPA), cybersecurity, machine learning, artificial intelligence, and blockchain. The PA research indicates that a nlCPA needs to have a basic understanding of these technologies but use and deployment in the delivery of professional services is often extremely specialized, not universal, and generally beyond the scope of today's nlCPA practice. The AICPA will monitor these as well as other developing technologies and their impact on nlCPA practice, which are continually evolving.

More information about the design and scope of the PA research is discussed below in the Practice Analysis Process section.

Proposed Exam Changes

This portion of the ED provides detailed information about the proposed changes and considerations for each of the CPA Exam's four sections. Changes discussed below reflect the changing knowledge and skills required of nlCPAs as identified in the PA research.

The CPA Exam Blueprints will retain the structure of the area, group, topic and representative task for each of the four sections. **Each change should be considered with reference to the existing CPA Exam Blueprints located at the link below.**

aicpa.org/becomeacpa/cpaexam/examinationcontent.html

Change number	Area	Group	Topic	Blueprint page number	Change description and rationale
1	I	B	3	AUD 8	**Group B: Ethics, independence and professional conduct. Topic 3: Requirements of the Government Accountability Office and the Department of Labor.** Remove the application skill level content regarding independence rules and ethical requirements for the Government Accountability Office and independence rules for the Department of Labor as PA research indicates this is less relevant to nlCPA practice. The Remembering and Understanding skill level content will be retained. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. Accordingly, nlCPAs will be assessed on a base knowledge level rather than the application of that knowledge.
2	I	C	1	AUD 9	**Group C: Terms of engagement. Topic 1: Preconditions for an engagement.** Remove the topic. PA research indicates that the content in this topic is generally not among procedures completed by nlCPAs. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. Current Topic 2: Terms of engagement and engagement letter will remain unchanged. nlCPAs will continue to be assessed on identifying the factors affecting the acceptance or continuance of an audit or non-audit engagement.

Change number	Area	Group	Topic	Blueprint page number	Change description and rationale
3	I	E	3	AUD 10	**Group E: Communications with management and those charged with governance. Topic 3: All other matters.** Remove the topic. PA research indicates that the lack of specificity in the current CPA Exam Blueprint related to all other matters was not useful. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. The critical components of communication with management and those charged with governance are covered in the preceding topics, which will remain. Accordingly, the scope of the group would be limited to communications related to the planned scope and timing of an engagement and internal control related matters.
4	I	F	–	AUD 11	**Group F: Communication with component auditors and parties other than management and those charged with governance.** Remove the group. PA research indicates the content in this topic is beyond the scope of nlCPA practice. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. Accordingly, the content tested in the current Group E: Communication with management and those charged with governance better aligns with nlCPA practice.
5	I	G	–	AUD 11	**Group G: A firm's system of quality control, including quality control at the engagement level.** Revise the group. PA research indicates that firm-level quality control is beyond the scope of nlCPA practice. The change will more narrowly focus on engagement level quality control, which is more aligned with nlCPA practice.
6	II	A	2	AUD 12	**Group A: Planning an engagement. Topic 2: Developing a detailed engagement plan.** Remove the analysis skill level content on developing a detailed engagement plan. PA research indicates the analysis content tested is beyond the scope of nlCPA practice. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. The CPA Exam will continue to assess preparing and documenting an engagement plan, as well as supporting client request materials as these are the tasks commonly performed by nlCPAs.

Change number	Area	Group	Topic	Blueprint page number	Change description and rationale
7	II	B	1 and 2	AUD 12	**Group B: Understanding an entity and its environment. Topic 1: External factors, including the applicable financial reporting framework. Topic 2: Internal factors, including nature of the entity, ownership and governance structures and risk strategy.** Expand the group to consider technology's impact on an entity. This change is proposed in response to the findings identified in the PA research, more specifically the understanding of the business and associated processes and the digital and data-driven mindset. The change would include emphasizing technology as an external factor in Topic 1 and expanding the content scope of Topic 2 to include understanding and documenting significant business processes, IT system infrastructure, and data flows (e.g., revenue, production, expenditures, payroll, etc.)., identifying significant business processes and related IT systems, and how data generated from those business processes flows through the systems.
8	II	C	1, 2, 3, and 4	AUD 13 and AUD 14	**Group C: Understanding an entity's internal control. Topic 1: Control environment and entity-level controls. Topic 2: Flow of transactions and design of internal controls. Topic 3: Implications of an entity using a service organization. Topic 4: Information Technology (IT) general and application controls.** Revise topics in Group C to more broadly consider the control environment, significant business processes, and IT systems. This change is proposed in response to the findings identified in the PA research, more specifically understanding the business and associated processes and the digital and data-driven mindset. There are multiple components to this proposed change. Changes for Group C, Topic 1: • Revise content on identifying and documenting the significant components of an entity's control environment including its entity-level controls to include IT general controls and associated documentation from Group C, Topic 4. Changes for Group C, Topic 2 • Revise content on internal control walkthroughs and documenting the flow of transactions to include significant business processes and how they relate to the financial statements, including examples of types of documentation (i.e., flowcharts, process diagrams, etc.).

Change number	Area	Group	Topic	Blueprint page number	Change description and rationale
					• Add content relating to obtaining an understanding of the IT systems that are used for financial reporting.
					• Revise content on identification and documentation of key controls to include manual controls, IT general controls, application controls, and how they relate to specific business processes and their impact on the financial statements. Add content on the effect of these controls on the completeness and reliability of data from Group C, Topic 4.
					• Revise content on evaluating internal controls and whether the internal controls are effectively designed and placed in operation to include the reference to manual and application controls.
					Changes for Group C, Topic 3:
					• Add content regarding SOC 1 (Type 2).
					Changes for Group C, Topic 4:
					• Remove the current topic and integrate concepts of IT general and application controls to Topics 1 and 2 above.
9	II	E	3	AUD 15	**Group E: Identifying and assessing the risk of material misstatement, whether due to error or fraud, and planning further procedures responsive to identified risks. Topic 3: Further procedures responsive to identified risks.**
					Add content regarding the use of audit data analytic techniques to identify transactions that may have a higher risk of material misstatement.
					This change is in response to the findings identified in Phase 1, more specifically the digital and data-driven mindset, including the use of audit data analytics.
10	II	G	–	AUD 16	**Group G: Planning for and using the work of others, including group audits, the internal audit function and the work of a specialist.**
					Remove content related to the use of the internal audit function. PA research indicates content on the use of the internal audit function is beyond the scope of nlCPA practice.
					This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. Content related to the use of internal audit will be removed, and content related to using the work of an IT auditor will be added while maintaining current content on group auditors and using the work of other specialists.

Change number	Area	Group	Topic	Blueprint page number	Change description and rationale
11	II	H	3	AUD 17	**Group H: Specific areas of engagement risk. Topic 3: Related parties and related party transactions.** Eliminate analysis skill level content and focus on defining and identifying related parties. PA research indicates the content at the analysis skill level is beyond the scope of nlCPA practice. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. The CPA Exam will continue to assess procedures to identify related party relationships and transactions at the application skill level.
12	III	A	–	AUD 18	**Group A: Understanding sufficient appropriate evidence.** Revise group title to "Sufficient appropriate evidence." Expand the scope of Group A to include content focused on determining the sources of sufficient appropriate evidence and identifying procedures to validate the completeness and accuracy of data. This change is proposed in response to the findings identified in the PA research, more specifically understanding the business and associated processes and the digital and data-driven mindset. Content would be added on determining the sources of sufficient appropriate evidence and identifying procedures to validate the completeness and accuracy of data. Additionally, include content on the use of professional skepticism and judgment in analyzing corroborating or contradictory evidence and evaluating whether sufficient appropriate evidence has been obtained.
13	III	B	–	AUD 18	**Group B: Sampling techniques.** Revise group title to "General procedures to obtain sufficient appropriate evidence." This change is proposed in response to the findings identified in the PA research, more specifically the digital and data-driven mindset. Revise Group B and give it the new name "General procedures to obtain sufficient appropriate evidence." This group would include the existing content on sampling techniques. The concept of using automated tools and audit data analytics in audit sampling would be added. Add existing content found in the current Group C related to (i) inquiry of management (Group C, Topic 3), (ii) observation and inspection (Group C, Topic 4), and (iii) recalculation and reperformance (Group C, Topic 5) to this group. These topics are on page AUD 19. Additionally, content related to the use of automated tools and techniques related to recalculation would be added.

Change number	Area	Group	Topic	Blueprint page number	Change description and rationale
14	III	C	–	AUD 18, AUD 19, AUD 20	**Group C: Performing specific procedures to obtain evidence.** Revise group title to "Specific procedures to obtain evidence." This change is proposed in response to the findings identified in the PA research, more specifically the digital and data-driven mindset. Topics 3–5 were moved to Group B in the previous change. This revised Group C would include existing content related to (i) analytical procedures (Group C, Topic 1), and (ii) external confirmation (Group C, Topic 2). A new Topic will be added to Group C, titled "Audit data analytics." This new topic would include existing audit data analytic content from Topic 1 and Topic 6, such as identifying data needed to complete audit data analytics and analyzing results and outputs. Additionally, the scope of audit data analytics concepts would be expanded to include content on working with data sets and encompassing tasks requiring the use of Excel (i.e., sorting, classifying, summarizing, and comparing data). Further, content will be added related to analyzing the results of an audit data analytic procedure and understanding the significance of notable or unusual items. Given the changes being made to this Group C, Topic 6: All other procedures are proposed to be eliminated as its content is either moved, covered elsewhere, or lacks sufficient specificity.
15	III	D	1	AUD 20	**Group D: Specific matters that require special consideration. Topic 1: Opening balances.** Remove topic. PA research indicates that the CPA Exam does not need to assess the verification of opening balances as the concept is relatively straightforward. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs.
16	III	D	2	AUD 20	**Group D: Specific matters that require special consideration. Topic 2: Investments in securities and derivative instruments.** Revise topic by eliminating derivative content and focus on the testing of inputs and assumptions relating to the fair value of investments. PA research indicates the testing of derivatives in this context is beyond the scope of nlCPA practice. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. Derivatives are beyond the scope of nlCPA practice. PA research indicates the scope of nlCPA practice includes the fair value of investments in securities as currently assessed.

Change number	Area	Group	Topic	Blueprint page number	Change description and rationale
17	III	D	4	AUD 21	**Group D: Specific matters that require special consideration. Topic 4: Litigation, claims and assessments.**
					Remove analysis skill level content from the topic. PA research indicates analyzing management's estimates of accruals for litigation, claims, and assessments are beyond the scope of nlCPA practice.
					This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. This topic will now focus on performing procedures to identify litigation, claims, and assessments at the application skill level.
18	III	D	5	AUD 21	**Group D: Specific matters that require special consideration. Topic 5: An entity's ability to continue as a going concern.**
					Remove application skill level content from the topic. PA research indicates that performing procedures related to the assessment of management's evaluation and conclusion on an entity's ability to continue as a going concern was beyond the scope of nlCPA practice.
					This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. The topic will now focus on identifying going concern factors and indicators.
19	III	F	–	AUD 22	**Group F: Written representations.**
					Remove the application skill level content and retain the content related to identifying the necessary representations. PA research indicates the content currently in the remembering and understanding skill level more closely aligns with nlCPA practice.
					This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. The CPA Exam will continue to assess the identification of the written representations that should be obtained from management or those charged with governance.
20	III	G	–	AUD 22	**Group G: Subsequent events and subsequently discovered facts.**
					Revise group title to "Subsequent events." Remove subsequently discovered facts content. PA research indicates subsequently discovered facts are beyond the scope of nlCPA practice.
					This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. The CPA Exam will continue to assess procedures to identify subsequent events and if subsequent events are appropriately reflected in the financial statements and disclosures.

Change number	Area	Group	Topic	Blueprint page number	Change description and rationale
21	IV	D	–	AUD 26	**Group D: Reporting on compliance.**
					Remove the application skill level content related to the preparation of draft compliance reports. PA research indicates the preparation of compliance reports is less important to nlCPA practice.
					This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. The CPA Exam will continue to assess the identification of the factors that the auditor or practitioner should consider when reporting on compliance.
22	IV	E	5, 7, and 8	AUD 27	**Group E: Other reporting considerations. Topic 5: Single statements. Topic 7: Letters for underwriters and filings with the SEC. Topic 8: Alerts that restrict the use of written communication.**
					Remove topics. PA research indicates the content assessed in these topics is beyond the scope of a newly licensed CPA practice.
					These changes are proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs.
23	I	A, B, and C	–	BEC 7 and BEC 8	**Group A: Internal control frameworks. Group B: Enterprise risk management (ERM) frameworks. Group C: Other regulatory frameworks and provisions.**
					Revise groups. This change is proposed in response to the findings identified in the PA research, more specifically understanding the business and associated processes and the digital and data-driven mindset.
					There are multiple components for this proposed change. First, for Group C: Other regulatory frameworks and provisions on page BEC 8, remove reference to other regulatory frameworks. The remaining Group C content will focus solely on the Sarbanes-Oxley Act of 2002 and will be moved to Group A: Internal control frameworks as a new topic; Group C as currently displayed would be removed. Including this content in Group A - Internal control frameworks is more logical and clearer.
					Add a new Group C, titled "Business processes and transaction level-risks and controls" to Area I to emphasize understanding the business processes, integrated with the technology enabling those processes. Process and transaction-level risks and controls from existing Area I, Groups A and B; Area IV, Group A – Topics 2 and 3, Group B – Topic 3, and Group C – Topic 1 would be moved to the new Area I, Group C. Content to be included in the new Group C would be describing business processes and flows of transactions including enabling technology, identifying opportunities to improve efficiency, identifying and designing transaction-level controls, use of

Change number	Area	Group	Topic	Blueprint page number	Change description and rationale
					SOC 1 reports from service providers, identifying risks and control gaps, and using data and business intelligence in the context of an entity's significant business processes.
					Due to the foregoing proposed changes to the current content of Group A and a new Group C, rename Area I: Corporate Governance to Area I: Business Process, Risks, and Controls.
24	II	A and B	–	BEC 9	**Group A: Economic and business cycles – measures and indicators. Group B: Market influences on business.**
					Revise groups. This change is proposed in response to the findings identified in the PA research, more specifically understanding the business and associated processes.
					Revise Area II, Groups A and B by removing general macroeconomic content allowing more focus on how economics, business cycles, and market influences more directly impact industries and business entities. For example, remove general macroeconomic content such as calculating GDP, Aggregate Demand Curve, and Money Supply in Group A and analysis of impacts on the overall economy in Group B.
25	III	A	–	BEC 11	**Group A: Capital structure.**
					Remove the analysis content from the group.
					PA research indicates that comparing and contrasting the strategies for financing new business initiatives and operations is beyond the scope of nlCPA practice.
					This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. Accordingly, this change would more closely align with nlCPA practice and allow more focus on describing an entity's capital structure and calculating the cost of capital.
26	IV	A	1	BEC 13	**Group A: Understanding of information technology (IT). Topic 1: Organization and governance.**
					Add content to the topic on understanding the need for SOC 1 reports for outsourced IT functions.
					This change is in response to the findings identified in the PA research, more specifically, reliance on SOC 1 reports.

Change number	Area	Group	Topic	Blueprint page number	Change description and rationale
27	IV	A	3	BEC 13	**Group A: Understanding of information technology (IT). Topic 3: Data.** Change the current Topic 3 - Data to be a Group of its own and add content related to working with data. This change is in response to the findings identified in the PA research, more specifically the digital and data-driven mindset. This new Group on data would include expanded content on data management, data governance, and data relationships. Additionally, the Group would include content related to extracting and loading data at the remembering and understanding skill level and content related to transforming and working with data and data relationships at the application skill level.
28	IV	B	2	BEC 13	**Group B: Risk associated with IT. Topic 2: System development and maintenance.** Narrow the focus of the topic and revise the skill level from application to remembering and understanding. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. Revise this topic to focus on recalling concepts related to controls over software changes at the remembering and understanding skill level rather than the application skill level. This change would more closely align with nlCPA practice.
29	IV	C	4	BEC 15	**Group C: Controls that respond to risks associated with IT. Topic 4: Continuity and recovery plans.** Broaden the topic and revise the skill level from application to remembering and understanding. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. Revise this topic to focus on recalling concepts related to business resiliency. Business resiliency integrates crisis management and business continuity. The revised content will be at the remembering and understanding skill level rather than the application skill level. This change would more closely align with nlCPA practice.

Change number	Area	Group	Topic	Blueprint page number	Change description and rationale
30	I	B	8	FAR 9	**Group B: General-purpose financial statements: for-profit business entities. Topic 8: Discontinued operations.**
					Remove the topic and add discontinued operations as an example to the multiple-step income statement task statement in Area I, Group B, Topic 2.
					This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. As proposed, the CPA Exam will assess discontinued operations in the context of a multiple-step income statement.
31	I	B	9	FAR 9	**Group B: General-purpose financial statements: for-profit business entities. Topic 9: Going concern.**
					Remove the topic. PA research indicates that this topic is beyond the scope of nlCPA practice.
					This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. Remove recalling the requirements for disclosing uncertainties about an entity's ability to continue as a going concern from management's perspective. The CPA Exam will continue to assess concepts related to going concern in the AUD section.
32	I	E	–	FAR 11	**Group E: Financial statements of employee benefit plans.**
					Limit the scope of content assessed. PA research indicates that the assessment of defined benefit pension plans beyond basic concepts is not within nlCPA practice.
					This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. Remove content on the preparation of a statement of changes in net assets available for benefits and a statement of net assets available for benefits for defined benefit pension plans (defined contribution plan content would be retained). The CPA Exam will continue to assess content on the identification of the required financial statements for defined benefit pension plans.
33	II	K	1	FAR 18	**Group K: Compensation and benefits. Topic 1: Compensated absences.**
					Remove the topic and limit the scope of the content assessed to vacation accruals under Area II, Group G, Payables and accrued liabilities. PA research indicates that this topic is less important to nlCPA practice.
					This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. It is relevant to continue to assess vacation accruals, which more logically fits in Area II, Group G.

Change number	Area	Group	Topic	Blueprint page number	Change description and rationale
34	II	K	2	FAR 18	**Group K: Compensation and benefits. Topic 2: Retirement benefits.** Remove the topic. PA research indicates that this is beyond the scope of nlCPA practice as there has been a significant decline in the offering of defined benefit plans. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs.
35	III	D	–	FAR 20	**Group D: Derivatives and hedge accounting (e.g., swaps, options, forwards).** Remove application skill level content. PA research indicates that this topic is less important to nlCPA practice. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. Derivatives and hedge accounting may be overly complex for nlCPAs as they only need to understand the basics of these instruments. Limit the scope of this group by removing content related to preparing journal entries for hedging transactions and for derivative financial instruments (swaps, options, and forwards).
36	III	L	–	FAR 23	**Group L: Differences between IFRS and U.S. GAAP.** Remove the group. PA research indicates that this content is less important to nlCPA practice. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. Accordingly, remove this group as the knowledge of IFRS is client-specific, primarily foreign entities or their affiliates, and not appropriate for nlCPAs. Additionally, IFRS has not been adopted for U.S. public companies as had been expected when IFRS initially was included on the CPA Exam.
37	IV	B	1	FAR 24	**Group B: Format and content of the financial section of the comprehensive annual financial report (CAFR). Topic 1: Government-wide financial statements.** Remove application skill level content. PA research indicates that this topic is less important to nlCPA practice. The changes proposed throughout Area IV are intended to simplify the content assessed in this specialized area of practice. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. Limit the scope of this topic by focusing on identifying and recalling basic concepts and principles associated with government-wide financial statements (e.g., required activities, financial statements, and financial statement components).

Change number	Area	Group	Topic	Blueprint page number	Change description and rationale
38	IV	B	2, 3, and 4	FAR 24, FAR 25, and FAR 26	**Group B: Format and content of the financial section of the comprehensive annual financial report (CAFR). Topic 2: Governmental funds financial statements. Topic 3: Proprietary funds financial statements. Topic 4: Fiduciary funds financial statements.** Remove application skill level content and combine these topics into a new topic titled "Fund financial statements." PA research indicates that this topic is less important to nlCPA practice. The changes proposed throughout Area IV are intended to simplify the content assessed in this specialized area of practice. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. This new topic will focus on the basic concepts and principles associated with the governmental fund, proprietary fund, and fiduciary fund financial statements, but will not include the preparation of specific statements. Additionally, the scope of the content on deriving the government-wide financial statements and reconciliation requirements currently in Group C on page FAR 26 will be limited to recalling basic concepts at the remembering and understanding skill level and moved to a separate topic in Group B. There will no longer be a separate Group C.
39	IV	D	1, 2, 5, and 8	FAR 27 and FAR 28	**Group D: Typical items and specific types of transactions and events. Topic 1: Net position and components thereof. Topic 2: Fund balances and components thereof. Topic 5: Interfund activity, including transfers. Topic 8: Special items.** Remove the application skill level content in Topics 1, 2, and 5 and move the remembering and understanding skill level content to the appropriate government-wide and governmental fund financial statement topics in Group B. Remove Topic 8. The changes proposed throughout Area IV are intended to simplify the content assessed in this specialized area of practice. The content will focus on recalling basic financial reporting concepts on net position, fund balances, and interfund activity. In addition, limit the content of Area IV, Group D, Topics 3, 4, 6, 7, and 9 by not testing the preparation of journal entries for specific types of transactions.

Change number	Area	Group	Topic	Blueprint page number	Change description and rationale
40	II	C	1, 2, and 3	REG 9 and REG 10	**Group C: Debtor-creditor relationships. Topic 1: Rights, duties and liabilities of debtors, creditors and guarantors. Topic 2: Bankruptcy and insolvency. Topic 3: Secured transactions.** Limit the scope of the content to the basic concepts related to debtor and creditor relationships, bankruptcy and insolvency, and secured transactions. PA research indicates that these topics are less important to nlCPA practice. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. Remove the application skill level content from Topics 2 and 3. The content in Topic 1 and the remembering and understanding skill level content from Topics 2 and 3 will be combined in Group C. There will no longer be separate topics in Group C. This change better aligns to nlCPA practice.
41	II	D	1	REG 10	**Group D: Government regulation of business. Topic 1: Federal securities regulation.** Remove the topic. PA research indicates that this topic is less important to nlCPA practice. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. Accordingly, remove this topic as the concepts related to a CPA's liability under the '33 and '34 Acts are not essential to nlCPA practice. The CPA Exam will continue to assess SEC reporting requirements in the FAR section.
42	III	C	1, 2, and 3	REG 14	**Group C: Estate and gift taxation. Topic 1: Transfers subject to gift tax. Topic 2: Gift tax annual exclusion and gift tax deductions. Topic 3: Determination of taxable estate.** Limit the scope of the content to the basics of gift taxation and remove content on estate taxation. PA research indicates that these topics are less important to nlCPA practice. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. Accordingly, combine the basic gift taxation content at the remembering and understanding and application skill levels in Group C. There will no longer be separate topics in Group C, and it will be renamed Gift taxation. The content will focus on identifying gift tax deductions and exclusions and calculating and classifying gifts for federal tax purposes. Recent tax law changes have reduced the number of federal estate tax returns prepared and filed. Federal estate tax returns filed are limited in number and complex in nature, further limiting the applicability of this topic to nlCPA practice. The CPA Exam will continue to assess concepts related to an individual's tax basis of an asset received from a decedent.

Change number	Area	Group	Topic	Blueprint page number	Change description and rationale
43	IV	H	–	REG 17	**Group H: Alternative minimum tax (AMT).** Remove the group. PA research indicates that this group is less important to nlCPA practice. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. Recent tax law changes enacting higher AMT exemptions and reducing the adjustments required to calculate AMTI further limit the applicability to nlCPA practice.
44	V	C	2	REG 19	**Group C: C Corporations. Topic 2: Net operating losses and capital loss limitations.** Remove analysis skill level content. PA research indicates that this topic is less important to nlCPA practice This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. Given recent tax law changes that net operating losses cannot be carried back and never expire, the analysis skill associated with this topic is no longer critical to nlCPA practice. The CPA Exam will continue to assess net operating loss content at the application skill level as it best aligns with nlCPA practice.
45	V	G	2 and 3	REG 25	**Group G: Trusts and estates. Topic 2: Income and deductions. Topic 3: Determination of beneficiary's share of taxable income.** Remove the topics. PA research indicates that these topics are less important to nlCPA practice. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. Accordingly, the content in Topic 1 will become a separate group and will focus on recalling basic concepts related to the types of trusts (simple and complex trusts).
46	V	H	2 and 3	REG 25	**Group H: Tax-exempt organizations. Topic 2: Obtaining and maintaining tax-exempt status. Topic 3: Unrelated business income.** Remove Topic 2 and limit the scope of Topic 3. PA research indicates that these topics are less important to nlCPA practice. This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nlCPAs. Accordingly, focus the content in Group H on recalling the types of tax-exempt organizations and the concepts of unrelated business income. Topic 2: Obtaining and maintaining tax-exempt status will be removed and the scope of Topic 3 will be limited to assessing the understanding of unrelated business income for a tax-exempt organization rather than calculating it.

Practice Analysis Process

Goal of Licensure

The goal of licensure is protection of the public interest, or more specifically, providing the public with assurance that those individuals who are licensed possess a sufficient level of knowledge and skills necessary for safe and effective practice. The qualifications for licensure generally include educational requirements, some type of supervised experience, and the passing of an exam assessing the knowledge and/or skills required for competent performance.[3] Some form of practice analysis is typically used as the basis for identifying and supporting the knowledge and skills necessary for competent performance.[4]

Process

Practice or job analysis refers to a variety of systematic procedures designed to obtain descriptive information about the tasks performed on a job and/or the knowledge, skills, and abilities thought necessary to perform those tasks.[5] A practice analysis is the primary mechanism for establishing the job-relatedness of decisions concerning licensure. That is, if licensure decisions can be linked directly to the outcomes of a practice analysis, they may be said to be job-related.

Similarly, if the content of a licensure exam/test can be linked directly to the outcomes of a practice analysis, the test may be said to be job-related, and inferences from test scores may be supported by arguments of content validity as related to the practice analysis.

The rationale that supports the content of a licensure exam is the demonstrable linkage that exists between the exam content and the performance domain of the associated occupation or profession. Professional standards and legal precedents recommend that a practice analysis include the participation of various SMEs[6] and that the information collected be representative of the diversity within the occupation.[7] Diversity refers to regional or job context factors and to SME factors such as race or ethnicity, experience, and gender. The practice analysis conducted to define the performance domain for nlCPAs was designed to be consistent with the Standards for Educational and Psychological Testing (AERA, APA, & NCME, 2014); General Requirements for Bodies Operating Certification of Persons (Organization for Standardization, 2003); Standards for the Accreditation of Certification Programs (NCCA, 2002) and current professional practice.

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[3] American Educational Research Association [AERA], American Psychological Association [APA], and the National Council for Measurement in Education [NCME], 2014.

[4] AERA, APA, & NCME, 2014 National Commission for Certifying Agencies [NCCA], 2002; Raymond & Neustel, 2006.

[5] (Arvey & Faley, 1988; Gael, 1983; Raymond & Neustel, 2006).

[6] (Mehrens, 1987; NCCA, 2002; Raymond & Neustel, 2006).

[7] (Kuehn, Stallings, & Holland, 1990).

Project Organization

Overview of the Practice Analysis Methodology

Phase 1 — Firm Meetings and Focus Groups

Firm Meetings

To initially explore how technology is impacting public accounting firms and nlCPA practice, the AICPA met with 13 public accounting firms of various sizes including Big 4, national, and smaller firms. The purpose of these meetings was to ascertain, from the firms' professional services methodology and training leaders, the impact that technology is having on the delivery of professional services. The AICPA specifically inquired about the following:

- How important is a data/digital mindset to the work of nlCPAs?
  - What technology skills do nlCPAs need in their roles?
    - Are Excel skills or other software skills needed?
  - How does the firm utilize audit data analytics on engagements and what tasks are performed by nlCPAs?
    - What tasks are expected of nlCPAs regarding data analytics (extracting, transforming, loading, and subsequent analysis)?
  - What technology, systems, and business environments are affecting the work of nlCPAs now or in the near term?
  - What is the level of SOC and cybersecurity work in which the firm engages?
  - Has robotic process automation (RPA), machine learning and artificial intelligence, blockchain, or cloud computing changed the skills required of a nlCPA?
- How important are critical thinking, professional judgement, problem-solving, and professional skepticism to the work of nlCPAs?
- What level of knowledge and skills of business processes and systems understanding are required of nlCPAs?

The themes emerging from the firm meetings included:

- Critical thinking and problem-solving skills are paramount.
- A foundation in the understanding of auditing, accounting, taxation, controls, and general business is critical.
- Understanding the business, including information systems and business processes, is critical.
- Digital acumen including a data/digital mindset is critical.
- Excel skills are essential.
- Increased understanding of SOC 1 reports are required given the growth in reliance placed on these reports due to changes in how clients are outsourcing accounting systems and storing data in the cloud.
- Multiple firms indicated nlCPAs are required to exhibit higher-order skills earlier in their careers given the advances in technology, the sophistication, and complexity of business systems, and the globalization of business.

In order to further explore the themes identified in the firm meetings and explore other themes regarding technology and nlCPA practice, the AICPA conducted eight focus groups with direct supervisors of nlCPAs.

Focus Groups

The AICPA contracted with American Institutes for Research (AIR) to develop the protocol and lead the questions and discussions for the eight virtual focus groups. The purpose of the focus groups was to further explore the themes discovered in the firm meetings and to identify any other technology or business trends that are affecting nlCPA practice. The format of the focus groups was similar to the firm meetings and explored the following high-level questions:

- How important is a data/digital mindset to the work of nlCPAs?
- How important are critical thinking, professional judgment, problem-solving, and professional skepticism to the work of nlCPAs?
- What level of knowledge and skills of business processes and systems understanding are required of nlCPAs?

The focus groups were organized by public accounting firm size and included one focus group for the Big 4, three focus groups for large firms, and two focus groups for small firms. Additionally, there was one focus group for business and industry and government, and one focus group with CPAs with state board regulatory experience. The focus group participants represented a wide range of public practice including public practice of audit, attestation, and accounting services, public practice of taxation, and not-for-profits. Additionally, the business and industry and government focus group participants represented controllership roles, internal audit, corporate taxation, and governmental accounting and taxation. Across the eight focus groups, 81 CPAs participated. AIR provided a final report following the completion of the focus groups.

The themes emerging from the focus groups further confirmed the findings from the firm meetings. The AICPA analyzed the firm and focus group themes and identified the findings that are summarized in the Overall Findings section. These findings are fundamental to the proposed changes and reorganization throughout the AUD and BEC sections of the CPA Exam.

Phase 2 – Content Rating Panels

In an effort to explore the critical knowledge and skills needed for nlCPAs in their role in protecting the public interest, the AICPA and AIR developed a process and protocol to rate the most and least important groups and topics within each section of the current CPA Exam Blueprint. Similar to Phase 1, AIR led rating panels and data collection and provided a final report to the AICPA.

The purpose of the content rating panels was to have direct supervisors of nlCPAs rate the most and least important groups and topics by area within each section Blueprint of the CPA Exam. This was done to determine if there was agreement or convergence in identifying content that could be considered for potential removal from the CPA Exam to further refine the critical knowledge and skills needed for nlCPAs in their role in protecting the public interest.

Participants for the content-rating panels were sent pre-panel work, which included specific instructions on the overall objective of the panels, a review of the current CPA Exam Blueprint for the section under consideration, information on how to do the ratings, and an example rating. By completing the pre-panel work prior to joining the panel session, participants were able to familiarize themselves with the Blueprint layout and content prior to the panel sessions.

Given the focus on finding convergence on the groups and topics most and least important to the work of nlCPAs, each panel participant was asked to identify one-third of the groups and topics that they considered most important and one-third of the groups and topics that they considered least important. For example, for the first area of the AUD section (i.e., Area I: Ethics, Professional Responsibilities and General Principles), participants reviewed 15 topics in total (indicated by 12 topics under four groups, plus three groups with no topics) and were asked to identify the five most important topics and the five least important topics in this Area. This approach of identifying approximately one-third of the topics that are the most important and one-third that are the least important was anticipated to be less difficult cognitively compared to sequentially ranking each topic from most to least important, particularly in areas that contain many topics.

During the panel, participants were asked to provide three rounds of independent ratings for each area with two rounds of discussions between the ratings (i.e., discussion after Round 1 ratings and discussion after Round 2 ratings). The ratings were entered using a spreadsheet the remote participants could access via a link provided. Once the participants completed their ratings for Round 1, the ratings were archived, and then aggregated results of the ratings were displayed. This summary of results highlighted the groups and topics that were identified as least important by between 30% and 70% of the participants. The participants were then prompted by AIR facilitators to discuss their ratings for these highlighted topics and share their rationales for why a group or topic was among the least important (or not) to see if their rationales resonated with others or might potentially sway others' ratings for the next round.

Groups and topics that were rated as the least important by either less than 30% or more than 70% of the participants were not discussed because participants had already reached a significant level of agreement. Once the discussion was concluded, the participants were asked to do a second round of rating by keeping the discussion in mind to see if the group reached a higher level of convergence. The results of Round 2 ratings were discussed in a similar fashion as the post-Round 1 discussion. The review of each area concluded with a third and final round of ratings.

After completing their third round of ratings, the participants were asked to provide an overall confidence rating to indicate how confident they were in their ratings for the whole area using a 5-point Likert scale with options ranging from 1= Strongly disagree to 5= Strongly agree. Once the participants entered their confidence rating for the area, the AIR facilitator asked participants to exit the spreadsheet and click on the link for the new sheet for the next area. The panel concluded once all areas were reviewed and the three rounds of ratings with the overall confidence rating for each area were provided.

In total, AIR led eight virtual rating panels (two for each section of the CPA Exam), with an average of 18 CPAs in each virtual rating panel. Nearly 150 CPAs participated in the virtual rating panels. The rating panel participants represented a wide range of public practice including public practice of audit, attestation, and accounting services; the public practice of taxation and not-for-profit. Additionally, CPAs from business and industry and government representing controllership roles, internal audit, corporate taxation, and governmental accounting participated as well. Confidence rankings were very strong (greater than 4.4 on a 5-point scale) across all CPA Exam sections and areas with the exception of FAR Area IV State and Local Governments, which had a confidence ranking of 3.1 on a 5-point scale. The AICPA believes the low ranking in State and Local Governments may be directly related to the specialized nature of this content. See further discussion of FAR Area IV in the ITC.

The results of the ranking panels, and the aforementioned Phase 1 results were presented to each of the AICPA's content subcommittees for further review and discussion. These exam content SMEs determined the content to be added, removed, or changed in the CPA Exam Blueprints, including decisions to change the cognitive skill level at which topics are assessed.

The proposed changes sent to the Phase 3 confirmation panels were inclusive of the changes described in Phases 1 and 2 and were supported by the BOE, Content Committee, and content subcommittees.

Phase 3 — Confirmation Panels

A confirmation panel was held for each CPA Exam section, and similar to Phases 1 and 2, CPAs from across the profession (direct supervisors of nlCPAs) rated their level of agreement with the proposed changes in a virtual meeting. AIR developed a process and protocol and led the confirmation panels and data collection and provided a final report to the AICPA.

In advance of each section's confirmation panel, participants received the current CPA Exam section Blueprint and a narrative of the PA process to date. Because the methodology for Phase 3 relies heavily on the participants fully understanding the process, AIR did not ask the participants to complete practice ratings prior to the confirmation panels.

The confirmation panels began with a thorough review of the project background, efforts to date, and the objectives for the current confirmation panels (e.g., gathering agreement ratings for the proposed changes). After the background information was presented, instructions were given to participants on how to navigate and enter their ratings using a spreadsheet the remote participants could access via a link provided. Once participants had an understanding of the PA and CPA Exam Blueprint review process, the participants entered a numerical rating indicating how well they understood the training. AIR would follow up generally with the group if participants indicated they did not understand the background information and instructions.

After the background information and instructions, the rating on the proposed changes began with AIR presenting the proposed changes and the AICPA observing to answer any content-related questions regarding the change. The participants were then asked to enter their level of agreement with each of the proposed changes within the area on a four-point scale (i.e., Strongly Disagree (1), Disagree (2), Agree (3), Strongly Agree (4)). After participants provided ratings for a proposed change, discussion began on any proposed change for which the average rating was less than 3.0 or the standard deviation of ratings was larger than 1.0, indicating some disagreement with the proposed change and variation among the participants in terms of agreement ratings. Specifically, participants were asked to share their rationale regarding the ratings they had provided. This discussion allowed participants to provide their points of view and potentially change their point of view based on peer input. After discussing areas of disagreement, the participants were asked to provide a second and final rating of their level of agreement with each change. After all of the proposed changes for an area were indicated, the participants were asked to rate their overall confidence in their final ratings for the area.

Confidence rankings were very strong (greater than 4.5 on a 5-point scale) across all CPA Exam sections and areas. This process was repeated until all of the changes were reviewed, and confidence ratings

were obtained. Prior to completion, participants were given a final opportunity to provide overarching comments. This process resulted in both qualitative and quantitative data that can be used to support the validity of changes to the CPA Exam Blueprint.

In total, AIR led four virtual confirmation panels (one for each section of the CPA Exam), with an average of 15 CPAs in each virtual confirmation panel. Nearly 60 CPAs participated in the virtual confirmation panels. The confirmation panel participants represented a wide range of public practice including public practice of audit, attestation, and accounting services, public practice of taxation, and not-for-profit. Additionally, CPAs from business and industry and government representing controllership roles, internal audit, corporate taxation, and governmental accounting participated as well.

The results of the confirmation panels were presented to each of the AICPA's content subcommittees for further review and discussion. Based on the ratings, these exam content SMEs determined to add, retain, or remove topic content, or alternatively, to change the cognitive skill level at which topics are assessed. The final changes are outlined in this document in the Proposed Exam Changes section and are supported by the BOE, Content Committee, and content subcommittees.

Board of Examiners

Invitation to Comment

The ITC presents items for consideration that require additional research and investigation and thus will require additional time to define and implement. Depending on the nature of the comments received in response to this ITC, the AICPA will pursue additional research to determine how and when these matters may be implemented in the CPA Exam. It is likely that changes, if any, resulting from the ITC would not be implemented before 2022.

BEC — Essay Question (Written Communication)

Introduction

The BEC section of the CPA Exam is currently four hours and assesses knowledge and skills across five areas using multiple-choice questions (MCQs), task-based simulations (TBSs), and written communication questions. The written communication questions represent 15% of the total score weighting in BEC (and approximately one hour of testing time), while MCQs and TBS represent 50% and 35%, respectively.

The written communication question format requires candidates to draft a memo or letter in response to a question or prompt. The assessment of the written communication question focuses on a candidate's writing ability (e.g., organization, grammar, punctuation, word usage, capitalization, spelling, and whether the response is on-topic). **The written communication question does not assess the technical accuracy of the subject matter contained in a candidate's response.**

Issue description

The AICPA is revisiting the role that the assessment of written communication should have on the CPA Exam. The responses received to the 2014 Invitation to Comment, and through the current PA research, make it clear that stakeholders want the written communication question format in the CPA Exam to measure not just writing ability, but that combined with content knowledge and higher-order accounting, auditing and taxation skills including research, subject-matter knowledge, judgment, and skepticism.

Based on meetings between the AICPA and leading automated scoring vendors and an understanding of what other high-stakes testing organizations use, the BOE concluded in 2016 that it was not feasible to use automated essay scoring for assessing writing ability combined with higher-order skills. The use of the written communication question format to assess knowledge and skills other than or in addition to writing ability would have required the use of manual scoring by human readers/graders. Reverting to all manual scoring would have caused the time for score release to be unacceptably long and the cost to candidates to be too high. Therefore, the updated CPA Exam that launched in 2017 continued to use automated scoring to assess only writing ability. Based on discussions with automated scoring vendors in 2018 and 2019, the AICPA believes that automated essay scoring technology has not yet advanced to a point where it could score CPA Exam content and higher-order skills as noted above.

The CPA Exam assesses a candidate's readiness for initial licensure. It is one of the "Four E's" (Education, Examination, Experience and Ethics), required for licensure as a CPA. The education and experience components inherently assess the use of writing to communicate complex information through an emphasis on, among other things, case studies, reports, and presentations. Similarly, interpersonal skills, oral communication, listening, and working as a team are evaluated through the education and experience components and have never been assessed on the CPA Exam.

The current written communication question only assesses basic writing skills and not in the context of accounting, auditing, and taxation knowledge and skills including research, judgment, and skepticism, which were indicated as critical to nlCPAs in the past and current PA. Additionally, the current written communication question does not assess the technical accuracy of the subject matter contained in a candidate's response.

AICPA acknowledges the importance of written communication within the profession. However, given the limitations of the current assessment and

the minimal impact of written communication on a candidate's overall BEC score (15%), the AICPA is recommending removal of the written communication question format from the CPA Exam.

Invitation to comment

Given the considerations above, do you agree or disagree with the recommendation to remove the essay question (written communication question)? Please provide your rationale.

FAR — Accounting for State and Local Governments

Introduction

The FAR section of the CPA Exam is currently four hours and assesses knowledge and skills across four areas. Area IV, State and Local Governments, is tested at the remembering and understanding and application skill levels and is allocated 5–15% of content to be assessed for the entire FAR section.

Issue description

The preparation of financial statements for state and local governments is an area of public practice that requires specialized content knowledge and experience. These engagements are typically performed by firms or separate practice groups within firms that specialize in state and local governments. Area IV tests a nICPA's basic understanding and application of financial accounting and reporting requirements for state and local governments.

Given the specialized nature of these engagements, a large majority of nICPAs are required to have very limited or no knowledge of financial accounting and reporting requirements for state and local governments. Conversely, the FAR section of the CPA Exam currently has an entire Area committed to the assessment of the basic financial accounting and reporting requirements for state and local governments.

For those nICPAs assigned to work in the state and local government practice, they typically receive a significant amount of on-the-job training under the close supervision of individuals who have specialized content knowledge and experience. Additionally, CPAs working on engagements conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) are subject to specific continuing professional education requirements.

Upon deciding to specialize in the state and local government practice, a CPA may pursue additional credentials or certifications that establish competency in governmental accounting, auditing, financial reporting, internal controls, and budgeting at the federal, state, and local levels. These additional credentials are not required to work on GAGAS engagements, nor are they required by boards of accountancy, and support for them varies across employers in state and local government practice.

Given the specialized nature of the content assessed in FAR Area IV — State and Local Governments, the limited or non-applicability to a large majority of nICPAs, and the minimal impact of FAR Area IV on a candidate's overall score (15% maximum), the AICPA is considering removal of state and local government accounting content from the FAR section of the CPA Exam.

It should be noted that the CPA Exam more generally and broadly assesses critical thinking, risk assessment, problem-solving, and professional skepticism skills that are foundational to anyone who is working on a GAGAS engagement. The removal of this specialized content from the FAR section of the CPA Exam would enable the AICPA to place a greater emphasis on other content areas that directly impact a significant majority of nICPAs and better focus CPA Exam candidates' preparation efforts.

Invitation to comment

Given the considerations above, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.