Welcome to the CPA Exam!

If you have taken the CPA exam before, you are now facing a *new* exam format, including some new material. However, you should know that overall the exam content has not changed very much, probably less than 20%. What definitely has changed is the schedule for the CPA examination, not only in May and November, but offered at various times during the four quarters of the year.

The CPA Examination

The CPA exam is a **computer-based test (CBT).** There are four sections: Auditing & Attestation (AUD), Financial Accounting & Reporting (FAR), Regulation (REG), and Business Environment & Concepts (BEC). Each section includes sets of multiple-choice questions **(testlets).** In addition, all sections, except the newest section, Business Environment and Concepts, contain a new case study component called **"simulations."** Simulations provide a set of facts and require candidates to complete related tasks and access authoritative literature.

Signing up and taking the exam:

Candidates have significant flexibility in where and when they take the CPA examination. The exam is administered at Prometric Test Centers. There are some 300 test centers throughout the United States; however, not all of them offer CPA exam testing. Candidates may take the exam five days a week during any testing window. Weekday hours are 9am to 6pm. Many locations have extended hours, and some test centers offer weekend testing. International candidates are required to test within the 54 jurisdictions that currently administer the CPA examination.

There are four testing windows per year: January-February, April-May, July-August and October-November. In most jurisdictions, candidates are able to take any or all sections of the exam during any testing window; however, the candidate is not allowed to take the same section more than once during any testing window.

The Application Process. Requirements to take the CPA examination vary from state to state. Therefore, candidates should contact the state board in their jurisdiction when requesting an application to sit for one or more parts of the CPA exam. After being determined by a state board to be eligible to take the exam, the candidate will receive a Notice to Schedule (NTS) and can then make an appointment with Prometric on their web site, www.prometric.com/cpa, or by phone, or in person at a test center. Candidates are encouraged to schedule at least 45 days in advance. No candidate will be scheduled fewer than five days before testing.

Call 1-800-CPA-EXAM if you are applying to:
Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Indiana, Iowa, Kansas, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, New York, Ohio, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, Tennessee, Utah, Vermont, Virginia, or Wisconsin.
Call the Board of Accountancy if you are applying to:
Alabama, Alaska, Arizona, Arkansas, California, District of Columbia, Guam, Idaho, Illinois, Kentucky, Maryland, Mississippi, Nevada, North Carolina, North Dakota, Oklahoma, Oregon, South Dakota, Texas, U.S. Virgin Islands, West Virginia, or Wyoming.
Call Castle Worldwide at 1-800-655-4845 if applying to Washington.

Notice to Schedule (NTS). Your NTS will contain an "examination password" that you must enter on the computer as part of the log-in process. You will not be admitted to the test center without the NTS, and all exam fees will be forfeited for that section. Be sure your identification exactly matches the name on the NTS. Also, do not apply for the exam until you are ready to take it, because the NTS could expire in six months, won't be extended and all fees lost. A six-month NTS validation period has been established in all jurisdictions except the following:

Texas	California	North Dakota	South Dakota	Louisiana
3 months	9 months	12 months	12 months	18 months

EXAMINATION SECTIONS

New Section	Length Hours	Old exam counterpart
Auditing and Attestation	**4.5**	Auditing
Regulation (1)	**3.0**	Law & Professional Responsibility
Financial Accounting and Reporting (2)	**4.0**	Same – See note below
Business Environment & Concepts (3)	**2.5**	Managerial and Cost Accounting
The entire CPA examination length is 14 hours.		

(1) Includes Federal Income Tax 60%, Law and Professional Responsibility 40%
(2) Includes Fund Accounting and Not-for-Profit Organizations 20%
(3) Includes several new subjects, such as economic concepts and information technology, and traditional exam subjects, but in greater depth.
(See Content Specifications at the end of this section.)

Candidates take different, equivalent exams consisting of items from a pool of test questions according to defined specifications. The specifications ensure that the results are comparable. The test package delivered to the test centers contains the test items, and also the rules for administering the tests. All items are classified according to content and statistical properties before they are administered in an operational test. The testing software ensures that each candidate's test contains appropriate content coverage and difficulty.

RECOGNITION OF PARTIAL CREDIT UNDER OLD EXAM FORMAT

For those who have conditioning credit after the last paper and pencil exam in November 2003, credit is recognized for the new exam as follows:

Credit on Paper-based Exam	*Will earn CBT credit*
Auditing AUD	Auditing & Attestation
Law and Professional Responsibility LPR	Business Environment & Concepts
Accounting & Reporting ARE	Regulation
Financial Accounting & Reporting FARE	Financial Accounting & Reporting

RELEASE OF GRADES

Distribution of grades is the responsibility of the state boards of accountancy. Advisory grades and diagnostic information will be provided to state boards at the end of the third month of each testing cycle or testing window. For example, grades should be available to state boards for the April-May testing period at the end of June. The passing standard for the computer-based version of the Uniform CPA Examination is set at a scaled score of 75.

Once you pass a section(s) of the examination, you will likely be allowed a maximum of 18 months to pass all remaining sections in order to retain credit on the passed section(s).

AICPA EXAM TUTORIAL

A CPA examination tutorial prepared and tested by the CBT exam Steering Group is available at www.cpa-exam.org. The tutorial covers the revised exam's look, feel, and functionality, as well as offers both guided and self-directed instructions. **The tutorial does not replace practice materials according to the CBT Steering Group of the AICPA**. Candidates are strongly advised to review the tutorial before taking the computer-based CPA examination.

TYPES OF QUESTIONS ON THE CPA EXAMINATION

MULTIPLE-CHOICE QUESTIONS AND SIMULATIONS

I. The majority of the computer-based CPA exam (70-80 percent) is made up of **multiple-choice questions**. Each section of the examination consists of "*testlets*" which are the multiple-choice questions (24-30 questions), and 2 "*simulations*." Part Four, Business Environment and Concepts (BEC), has only multiple-choice questions. BEC simulations will be added later.

The testlets will be "tracked" in that the second and third testlet will be adjusted by the computer to an easier or harder version. This will be based on the candidate's performance on the first testlet. The candidate won't know what version is on his/her computer screen. The third testlet may or may not be adjusted up or down. The system is equitable because the grading is also adjusted according to the track of the questions; if the student has a hard track, fewer questions need to be answered correctly; likewise, an easy track requires that more answers be correct.

During the exam, within each testlet, you may review and change any of your answers. **Once you have exited the testlet**, you will not be able to access your answers to any of the questions. The **same is true for the simulations** portion of the exam. Note that the time clock on the screen is "cumulative" and indicates the time left for the entire exam, not just a portion.

II. While the majority of the test is multiple-choice questions, a key part of the exam is the **"simulation"** question. According to the AICPA web site, ***simulations "are condensed case studies that will test candidates' knowledge and skills using real life work-related situations."*** The CPA exam candidate can expect two simulations to appear in each section with the exception of Part Four-Business Environment and Concepts. The simulations will take an estimated 35-45 minutes to complete, and will require the following:

"CPA candidates are expected to know how to use **common spreadsheet** and **word processing functions**, including **writing formulae for spreadsheets**. They must also have the ability to use a four-function calculator or a spreadsheet to perform standard financial calculations. In addition, candidates will be asked to use **online authoritative literature**. Many of the question types used in the simulations are based on familiar computer interface controls (e.g., text entry, mouse clicks, highlighting, copy and pasting). In order to become familiar with the electronic tools provided for research questions, further practice may be required."[1]

Available resources during the test will depend on the simulation that the candidate receives. Incorporated into the simulation portion of the exam is an assessment of written communication skills. The exam tests typical communications an entry-level CPA would write on the job, such as memoranda, client letters, etc.

The AICPA web site displays "screen shots" utilized for the simulations. The work tabs on top of the screen direct the tasks to be performed and are highlighted by a pencil which becomes shaded once the task is complete. Simulations typically include multiple-choice questions and/or written elements such as correspondence to a client. **To become familiar with navigating the computerized exam screen, it is strongly advised that the candidate visit the AICPA web site tutorial. *In the Lambers textbooks you will find simulation practice problems in the back of each chapter***

CPA Exam Written Communication Exercises: Each simulation on the CPA Exam contains a written communication component in the form of a letter to a client or a memorandum to a co-worker. Below is a list of writing skills to be graded and two practice written communication exercises. The unshaded pencil is what will appear next to unanswered questions on the computer based simulations. A shaded pencil on the screen will appear once a question has been answered.

Writing skills to be graded:

1. **Coherent Organization**. Candidates should organize responses so ideas are arranged logically and the flow of thought is easy to follow. Generally, short paragraphs composed of short sentences, with each paragraph limited to the development of one principal idea, can best emphasize the main points in the answer. Each principal idea should be placed in the first sentence of the paragraph, followed by supporting concepts and examples.

[1] AICPA web site

2. **Conciseness**. Candidates should present complete thoughts in the fewest possible words while ensuring important points are covered adequately. Short sentences and simple wording also contribute to concise writing.

3. **Clarity**. A clearly written response prevents uncertainty about the candidate's meaning or reasoning. Clarity involves using words with specific meanings, including proper technical terminology. Well-constructed sentences also contribute to clarity.

4. **Use of Standard English**. Responses should be written using Standard English. Standard English is used to carry on the daily business of the nation. It is the language of business, industry, government, education, and the professions. Standard English is characterized by exacting standards of punctuation and capitalization, by accurate spelling, by exact diction, by an expressive vocabulary, and by knowledgeable choices.

Note: On the AICPA sample test spell check is available in the written communication exercise. However, it is important to read through your answer in addition to using the spell check to make sure no spelling or grammatical errors have occurred. The CPA Exam graders will deduct points for errors in spelling, punctuation, word usage, capitalization and grammar.

5. **Responsiveness to the Requirements of the Question**. Answers should address the requirements of the question directly and demonstrate the candidate's awareness of the purpose of the writing task. Responses should not be broad expositions on the general subject matter.

6. **Appropriateness for the Reader**. Writing appropriate for the reader takes into account the reader's background, knowledge of the subject, interests and concerns. Some questions may ask candidates to prepare a document for a certain reader, such as an engagement memorandum for a CPA's client.

Written Communication- Financial Accounting and Reporting

Wyatt, CPA, is meeting with Brown, the controller of Emco, a wholesaler, to discuss the following accounting issue:
Brown is aware that Statement of Financial Accounting Standards, (FAS) No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions,* is effective for years beginning after December 15, 1999. Brown is uncertain about the benefits and beneficiaries covered by this Statement. Brown believes that, regardless of FAS 106, no estimate of postretirement obligation can be reasonable because it would be based on too many assumptions. For this reason, Brown wishes to continue to account for the postretirement benefits that Emco pays to its retirees on the pay-as-you-go (cash) basis. Brown has asked Wyatt to write a brief memo to Brown that Brown can use to explain this issue to Emco's president.
Required: Write a brief advisory memo from Wyatt to Brown to:
State the principal benefit covered by FAS 106 and give an example of other benefits covered by FAS 106. Explain the reasoning given in FAS 106 for requiring accruals based on estimates. Indicate the primary recipients of postretirement benefits other than pensions.

Solution to Written Communication

To: Mr. Brown, Controller of Emco

From: Wyatt, CPA

Re: Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions.*

The primary recipients of postretirement benefits other than pensions are retired employees, their beneficiaries, and covered dependents. The principle benefit covered by FAS 106 is postretirement health care benefits. Examples of other benefits include tuition assistance, legal services, life insurance benefits, day care, and housing subsidies.

The reasoning given in FAS 106 is that accrual of the obligation based on best estimates is superior to implying, by a failure to accrue, that no obligation exists prior to the payment of benefits.

Written Communication-Regulation

Andrew Jones is the president of Jones Corp., a client, which is a closely held family corporation. Jones Corp. has operated as a "C" corporation since its incorporation in 1970. Mr. Jones has a vague understanding of what an "S" corporation is, but would like some basic information from you prior to discussing the subject with family members.

Solution to Written Communication

Andrew jones
Jones Corp
1234 Main Street
Anytown USA

Dear Mr. Jones:

An S corporation pays no Federal income tax. Instead, the corporation reports each shareholder's allocable share of income, deductions, gains, losses and credits on Schedule K-1 which each shareholder uses to prepare an individual return. In general, the flow-through items would be any items of income or expense which require separate treatment on an individual return. The more common of these items would be charitable contributions, interest expense and income, dividend income, capital gains and losses and Section 179 depreciation.

An S corporation can have only one class of stock, the number of shareholders is limited to 75. All shareholders must give their consent to operate as an S corporation. If all shareholders agree to operate as an S corporation, an election must be filed (2553) by the 15th day of the third month of the year in which the election is to be valid. Ordinarily, the IRS will not consent to a fiscal year ending for an S corporation

The CPA Exam consists of the following:

Auditing & Attestation:	3 MCQ testlets and 2 simulations
Regulation:	3 MCQ testlets and 2 simulations
Financial Accounting & Reporting:	3 MCQ testlets and 2 simulations
Business Environment & Concepts:	3 MCQ testlets

AICPA web site on simulations: Visit this site to become familiar with the computer format of simulated problems on the new CPA exam:

http://www.cpa-exam.org/lrc/exam_tutorial.html

Entry-level CPA skills to be measured:

- **Analysis**: The ability to organize, process, and interpret data to develop options for decision making.
- **Judgment**: The ability to evaluate options for decision-making and provide an appropriate conclusion.
- **Communication**: The ability to effectively elicit and/or express information through written or oral means.
- **Research**: The ability to locate and extract relevant information from available resource materials.
- **Understanding**: The ability to recognize and comprehend the meaning and application of a particular matter.

MENTAL AND TECHNICAL PREREQUISITES FOR SUCCESS ON THE CPA EXAM

The exam is a test of your overall technical competency, a test to measure judgment and intelligence in the application of accounting principles, auditing standards, and procedures to practical problems, and to evaluate professional ethics. You are being tested on a basic level of knowledge in a broad spectrum of areas.

Your preparation should be geared to obtaining three things:

- **A Basic Technical Knowledge in All Areas**. The emphasis here is on basics. You don't need to know all the intricacies involved in any particular subject. What you do need to know are the major issues involved and you need to have a solid understanding of the underlying principles and concepts so you can respond to different types of questions and unfamiliar fact patterns.

- **Exam-Taking Skills.** You need weapons. You need exam-taking skills and techniques for each subject area. These will allow you to win the maximum amount of points in the shortest amount of time. The only way you can develop your skill is to PRACTICE by working hundreds of exam questions in each topic area so that answering them correctly becomes second nature. Also, don't forget to demonstrate good writing skills on all essay responses.

- **Confidence.** When you walk into that exam, you must be confident. This confidence will come as a by-product of the above two elements. To quote a former successful Lambers student, *"Study the material,……solve as many multiple-choice questions as your schedule permits. Although this is a very difficult exam, do not get discouraged. If you are prepared….you will pass this exam."*

Strategies for Answering Objective Questions

1.) <u>Cover (or do not look) at the answers</u>. They are sometimes misleading and may confuse you before you have worked the question. Covering the answers keeps you from turning one simple question into four true or false questions. Also, in many cases, two or more choices may look plausible (and in fact, both may be technically correct), but you are asked to pick the best answer. For these reasons, it is critical that you cover the answers so you can think and formulate your own response first.

2.) Read the last sentence first. Generally, this will tell you the requirements.

3.) Decide on your answer or perform the appropriate calculations if a numerical response is required--still not looking at the answers.

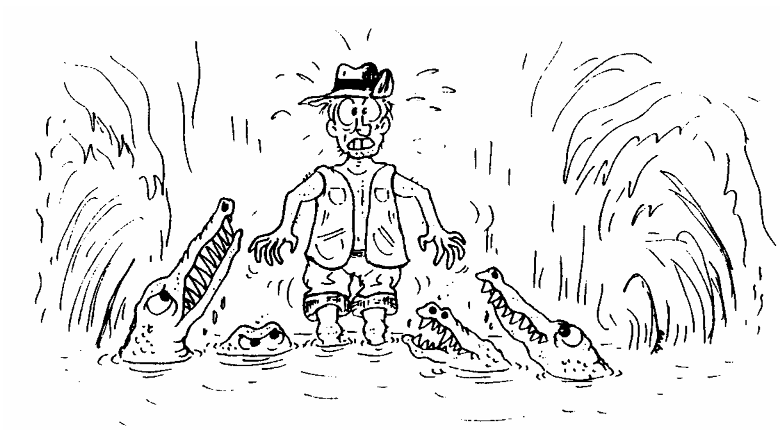
Read the alternatives. If one agrees with yours, select it and move on. If your answer is close, see if it is due to a procedural error. If your answer is totally out of line, reread the requirements and body to see what was missed. If all else fails, try to eliminate any answer choices and make your best guess.

General Comments and Pitfalls to Avoid

1.) **Work individual questions in order**. Make sure you answer everything. Remember, there is no penalty for guessing.
2.) **Watch for wrong-choice indicators**; words like, "always," "never," "only," "under no circumstances," "identical," etc. These words are usually there for a reason…and that's to indicate the **incorrect** answer.
3.) **Watch for negatively stated questions**. For example, "Which of the following is **not** a characteristic of effective internal control?"

Goal Setting: Your goal is to become a CPA, a professional. That will mean financial security, the opportunity for more fulfilling positions, possibly the opportunity to start your own firm. Keep your ultimate goals in mind as you begin. You must stay focused throughout your preparation period, and work every day to make that goal a reality.

Visualize your Goal: In the flux of daily life, it's easy to lose sight of your goals. As the saying goes, "When you're knee-high in alligators, it's easy to forget your objective was to drain the swamp." You need to visualize your goals on a daily basis. Picture yourself sitting in a plush office as the CFO of a major company, or imagine yourself owning your own firm. Expect to achieve your goal; keep a positive attitude.



Organization and Focus: Focus on your objective; do not let minor things distract you. Organize your life to accommodate the time you need to devote to preparation.

Discipline: This means studying when you feel like it *and when you don't*. Passing the CPA exam is earned day in and day out. You cannot neglect studying and cram for the exam. One more helpful hint…..do you really want to go through the whole process over again if you don't stick with it and do it right the first time?

Make the commitment, and good luck with your studies!

Benefits of Becoming a CPA

First, a little background on the Certified Public Accountant (CPA) designation. The first CPA examination was offered in the state of New York in 1896* and shortly thereafter other states offered an examination for candidates aspiring to be CPA's. Now all states and territories offer examinations for those wishing to become CPA's. Unlike many other professional designations, CPA's are licensed by the state(s) to practice the "attest to" function. This allows the CPA to attest, in the form of an opinion, as to the condition of the financial statements provided by management. The CPA's opinion may vary from outright refusal to be associated with the statements to acceptance of the statements as fairly representing the financial condition of the enterprise. In carrying out the attest function and other work, the CPA must adhere to certain auditing standards of performance including, but not limited to, independence and designated audit procedures.

The attest function carries with it a heavy responsibility because the CPA's opinion is heavily relied upon by leaders, investors and others who have an interest in the condition of a particular enterprise. Besides the attest function, the CPA's association with other work, such as tax work, carries with it a presumption of excellence because of the standards that are required of CPA's.

Individuals who are CPA's are looked up to in the world of finance and industry especially where accountability is a factor, which is almost always the case. Whether the CPA is in public practice or in an executive position, the designation is recognized as a standard of excellence. Naturally, enterprises in general are willing to pay for the presumption of excellence that the CPA demonstrates, which for the individual results in increased income.

Using the world-famous cliché, the "bottom line" is that the CPA enjoys prestige, higher income, financial security and independence to a much greater extent than the same person without it.

Vincent W. Lambers
President, Lambers CPA Review

**An excerpt from the New York State Certified Public Accountant Examination, December 1896, a Theory of Accounts question with full answer:*

I. State the essential principles of double entry bookkeeping and show wherein it differs from single entry bookkeeping.

The essential principles of double entry bookkeeping are, (1) The record of every transaction involving the transfer of money or its equivalent must appear on both the debit and credit side of the ledger, thus maintaining it in balance. (2) Provision must be made for the constant differentiation under properly classified accounts of capital and revenue income and expenditure. (3) As resulting therefrom, the profit or loss determined from the collection of the preponderance of the balance of the revenue accounts must be proved by the excess of the assets over the liabilities as exhibited in the balance sheet.

The fundamental difference between single and double entry bookkeeping is this: In single entry the income and expenditure accounts are not kept, and the profit or loss for any given period is determinable solely from a comparison of the assets with the liabilities—the excess of the one over the other showing the profit or loss; the proof of the accuracy of same, though the same result being arrived at through the profit and loss account being entirely wanting.

Of minor importance also is the fact that the mathematical accuracy of the posting is in single entry bookkeeping undemonstrable in trial balance form, as in double entry.

CPA EXAMINATION: CONTENT SPECIFICATION OUTLINE

AUDITING & ATTESTATION CONTENT SPECIFICATION OUTLINE

I. PLAN THE ENGAGEMENT, EVALUATE THE PROSPECTIVE CLIENT AND ENGAGEMENT, DECIDE WHETHER TO ACCEPT OR CONTINUE THE CLIENT AND THE ENGAGEMENT, AND ENTER INTO AN AGREEMENT WITH THE CLIENT (22%-28%)

A. Determine nature and scope of engagement
   1. Auditing standards generally accepted in the United States of America (GAAS)
   2. Standards for accounting and review services
   3. Standards for attestation engagements
   4. Compliance auditing applicable to governmental entities and other recipients of governmental financial assistance
   5. Other assurance services
   6. Appropriateness of engagement to meet client's needs

B. Assess engagement risk and the CPA firm's ability to perform the engagement
   1. Engagement responsibilities
   2. Staffing and supervision requirements
   3. Quality control considerations
   4. Management integrity
   5. Researching information sources for planning and performing the engagement

C. Communicate with the predecessor accountant or auditor

D. Decide whether to accept or continue the client and engagement

E. Enter into an agreement with the client about the terms of the engagement

F. Obtain an understanding of the client's operations, business, and industry

G. Perform analytical procedures

H. Consider preliminary engagement materiality

I. Assess inherent risk and risk of misstatements from errors, fraud, and illegal acts by clients

J. Consider other planning matters
   1. Using the work of other independent auditors
   2. Using the work of a specialist
   3. Internal audit function
   4. Related parties and related party transactions
   5. Electronic evidence
   6. Risks of auditing around the computer

K. Identify financial statement assertions and formulate audit objectives
   1. Significant financial statement balances, classes of transactions, and disclosures
   2. Accounting estimates

L. Determine and prepare the work program defining the nature, timing, and extent of the procedures to be applied.

II. CONSIDER INTERNAL CONTROL IN BOTH MANUAL AND COMPUTERIZED ENVIRONMENTS (12%-18%)

A. Obtain an understanding of business processes and information flows

B. Identify controls that might be effective in preventing or detecting misstatements

C. Document an understanding of internal control

D. Consider limitations of internal control

E. Consider the effects of service organizations on internal control

F. Perform tests of controls

G. Assess control risk

III. OBTAIN AND DOCUMENT INFORMATION TO FORM A BASIS FOR CONCLUSIONS (32%-38%)

A. Perform planned procedures
   1. Applications of audit sampling
   2. Analytical procedures
   3. Confirmation of balances and/or transactions with third parties
   4. Physical examination of inventories and other assets
   5. Other tests of details

6. Computer-assisted audit techniques, including data interrogation, extraction and analysis
7. Substantive tests before the balance sheet date
8. Tests of unusual year-end transactions

B. Evaluate contingencies
C. Obtain and evaluate lawyers' letters
D. Review subsequent events
E. Obtain representations from management
F. Identify reportable conditions and other control deficiencies
G. Identify matters for communication with audit committees
H. Perform procedures for accounting and review services engagements
I. Perform procedures for attestation engagements

IV. REVIEW THE ENGAGEMENT TO PROVIDE REASONABLE ASSURANCE THAT OBJECTIVES ARE ACHIEVED AND EVALUATE INFORMATION OBTAINED TO REACH AND TO DOCUMENT ENGAGEMENT CONCLUSIONS (8%-12%)

A. Perform analytical procedures
B. Evaluate the sufficiency and competence of audit evidence and document engagement conclusions
C. Evaluate whether financial statements are free of material misstatements
D. Consider whether substantial doubt about an entity's ability to continue as a going concern exists
E. Consider other information in documents containing audited financial statements
F. Review the work performed to provide reasonable assurance that objectives are achieved

V. PREPARE COMMUNICATIONS TO SATISFY ENGAGEMENT OBJECTIVES (12%-18%)

A. Reports
    1. Reports on audited financial statements
    2. Reports on reviewed and compiled financial statements
    3. Reports required by Government Auditing Standards
    4. Reports on compliance with laws and regulations
    5. Reports on internal control
    6. Reports on prospective financial information
    7. Reports on agreed-upon procedures
    8. Reports on the processing of transactions by service organizations
    9. Reports on supplementary financial information
    10. Special reports
    11. Reports on other assurance services
    12. Reissuance of reports

B. Other required communications
    1. Errors and fraud
    2. Illegal acts
    3. Communications with audit committees
    4. Other reporting considerations covered by statements on auditing standards and statements on standards for attestation engagements

C. Other matters
    1. Subsequent discovery of facts existing at the date of the auditor's report
    2. Consideration after the report date of omitted procedures

FINANCIAL ACCOUNTING & REPORTING CONTENT SPECIFICATION OUTLINE

I. CONCEPTS AND STANDARDS FOR FINANCIAL STATEMENTS (17%-23%)

- A. Financial accounting concepts
  1. Process by which standards are set and roles of standard-setting bodies
  2. Conceptual basis for accounting standards
- B. Financial accounting standards for presentation and disclosure in general-purpose financial statements
  1. Consolidated and combined financial statements
  2. Balance sheet
  3. Statement(s) of income, comprehensive income and changes in equity accounts
  4. Statement of cash flows
  5. Accounting policies and other notes to financial statements
- C. Other presentations of financial data (financial statements prepared in conformity with comprehensive bases of accounting other than GAAP)
- D. Financial statement analysis

II. TYPICAL ITEMS: RECOGNITION, MEASUREMENT, VALUATION, AND PRESENTATION IN FINANCIAL STATEMENTS IN CONFORMITY WITH GAAP (27%-33%)

- A. Cash, cash equivalents and marketable securities
- B. Receivables
- C. Inventories
- D. Property, plant, and equipment
- E. Investments
- F. Intangibles and other assets
- G. Payables and accruals
- H. Deferred revenues
- I. Notes and bonds payable
- J. Other liabilities
- K. Equity accounts
- L. Revenues, cost, and expense accounts

III. SPECIFIC TYPES OF TRANSACTIONS AND EVENTS: RECOGNITION, MEASUREMENT, VALUATION, AND PRESENTATION IN FINANCIAL STATEMENTS IN CONFORMITY WITH GAAP (27%-33%)

- A. Accounting changes and corrections of errors
- B. Business combinations
- C. Contingent liabilities and commitments
- D. Discontinued operations
- E. Earnings per share
- F. Employee benefits, including stock options
- G. Extraordinary items
- H. Financial instruments, including derivatives
- I. Foreign currency transactions and translation
- J. Income taxes
- K. Interest costs
- L. Interim financial reporting
- M. Leases
- N. Non-monetary transactions
- O. Related parties
- P. Research and development costs
- Q. Segment reporting
- R. Subsequent events

IV. ACCOUNTING AND REPORTING FOR GOVERNMENTAL ENTITIES (8%-12%)

- A. Governmental accounting concepts
  1. Measurement focus and basis of accounting
  2. Fund accounting concepts and application
  3. Budgetary process
- B. Format and content of governmental financial statements
  1. Government-wide financial statements
  2. Governmental funds financial statements
  3. Conversion from fund to government-wide financial statements

4. Proprietary fund financial statements
5. Fiduciary fund financial statements
6. Notes to financial statements
7. Required supplementary information, including management's discussion and analysis
8. Comprehensive annual financial report (CAFR)

C. Financial reporting entity including blended and discrete component units

D. Typical items and specific types of transactions and events: recognition, measurement, valuation and presentation in governmental entity financial statements in conformity with GAAP
1. Net assets
2. Capital assets and infrastructure
3. Transfers
4. Other financing sources and uses
5. Fund balance
6. Non-exchange revenues
7. Expenditures
8. Special items
9. Encumbrances

E. Accounting and financial reporting for governmental not-for-profit organizations

V. ACCOUNTING AND REPORTING FOR NONGOVERNMENTAL NOT-FOR-PROFIT ORGANIZATIONS (8%-12%)

A. Objectives, elements and formats of financial statements
1. Statement of financial position
2. Statement of activities
3. Statement of cash flows
4. Statement of functional expenses

B. Typical items and specific types of transactions and events: recognition, measurement, valuation and presentation in the financial statements of not-for-profit organizations in conformity with GAAP
1. Revenues and contributions
2. Restrictions on resources
3. Expenses, including depreciation and functional expenses
4. Investments

REGULATION CONTENT SPECIFICATION OUTLINE

I. Ethics and professional and legal responsibilities (15%-20%)

- A. Code of Professional Conduct
- B. Proficiency, independence, and due care
- C. Ethics and responsibilities in tax practice
- D. Licensing and disciplinary systems imposed by the profession and state regulatory bodies
- E. Legal responsibilities and liabilities
  1. Common law liability to clients and third parties
  2. Federal statutory liability
- F. Privileged communications and confidentiality

II. Business law (20%-25%)

- A. Agency
  1. Formation and termination
  2. Duties and authority of agents and principals
  3. Liabilities and authority of agents and principals
- B. Contracts
  1. Formation
  2. Performance
  3. Third-party assignments
  4. Discharge, breach, and remedies
- C. Debtor-creditor relationships
  1. Rights, duties, and liabilities of debtors, creditors, and guarantors
  2. Bankruptcy
- D. Government regulation of business
  1. Federal securities acts
  2. Other government regulation (antitrust, pension and retirement plans, union and employee relations, and legal liability for payroll and social security taxes)
- E. Uniform commercial code
  1. Negotiable instruments and letters of credit
  2. Sales
  3. Secured transactions
  4. Documents of title and title transfer
- F. Real property, including insurance

III. Federal tax procedures and accounting issues (8%-12%)

- A. Federal tax procedures
- B. Accounting periods
- C. Accounting methods including cash, accrual, percentage of completion, completed contract, and installment sales
- D. Inventory methods, including uniform capitalization rules

IV. Federal taxation of property transactions (8%-12%)

- A. Types of assets
- B. Basis of assets
- C. Depreciation and amortization
- D. Taxable and nontaxable sales and exchanges
- E. Income, deductions, capital gains and capital losses, including sales and exchanges of business property and depreciation recapture

V. Federal taxation – individuals (12%-18%)

- A. Gross income—inclusions and exclusions
- B. Reporting of items from pass-through entities, including passive activity losses
- C. Adjustments and deductions to arrive at taxable income
- D. Filing status and exemptions
- E. Tax computations, credits, and penalties
- F. Alternative minimum tax
- G. Retirement plans
- H. Estate and gift taxation, including transfers subject to the gift tax, annual exclusion, and items includible and deductible from gross estate

VI. Federal taxation—entities (22%-28%)

- A. Similarities and distinctions in tax reporting among such entities as sole proprietorships, general and limited partnerships, Subchapter C corporations, Subchapter S corporations, limited liability companies, and limited liability partnerships
- B. Subchapter C corporations
  1. Determination of taxable income and loss, and reconciliation of book income to taxable income
  2. Tax computations, credits, and penalties, including alternative minimum tax
  3. Net operating losses
  4. Consolidated returns
  5. Entity/owner transactions, including contributions and distributions
- C. Subchapter S corporations
  1. Eligibility and election
  2. Determination of ordinary income, separately stated items, and reconciliation of book income to taxable income
  3. Basis of shareholder's interest
  4. Entity/owner transactions, including contributions and liquidating and nonliquidating distributions
  5. Built-in gains tax
- D. Partnerships
  1. Determination of ordinary income, separately stated items, and reconciliation of book income to taxable income
  2. Basis of partner's interest and basis of assets contributed to the partnership
  3. Partnership and partner elections
  4. Partner dealing with own partnership
  5. Treatment of partnership liabilities
  6. Distribution of partnership assets
  7. Ownership changes and liquidation and termination of partnership
- E. Trusts
  1. Types of trusts
  2. Income and deductions
  3. Determination of beneficiary's share of taxable income

BUSINESS ENVIRONMENT & CONCEPTS CONTENT SPECIFICATION OUTLINE

I. BUSINESS STRUCTURE (17%-23%)

A. Advantages, implications, and constraints of legal structures for business
   1. Sole proprietorships and general and limited partnerships
   2. Limited liability companies (LLC), limited liability partnerships (LLP), and joint ventures
   3. Subchapter C and subchapter S corporations

B. Formation, operation, and termination of businesses

C. Financial structure, capitalization, profit and loss allocation, and distributions

D. Rights, duties, legal obligations, and authority of owners and management (directors, officers, stockholders, partners, and other owners)

II. ECONOMIC CONCEPTS ESSENTIAL TO OBTAINING AN UNDERSTANDING OF AN ENTITY'S BUSINESS AND INDUSTRY (8%-12%)

A. Business cycles and reasons for business fluctuations

B. Economic measures and reasons for changes in the economy, such as inflation, deflation and interest rate changes

C. Market influences on business strategies, including selling, supply chain, and customer management strategies

D. Implications to business of dealings in foreign currencies, hedging and exchange rate fluctuations

III. FINANCIAL MANAGEMENT (17%-23%)

A. Financial modeling, including factors such as financial indexes, taxes and opportunity costs, and models such as economic value added, cash flow, net present value, discounted payback, and internal rate of return
   1. Objectives
   2. Techniques
   3. Limitations

B. Strategies for short-term and long-term financing options, including cost of capital and derivatives

C. Financial statement and business implications of liquid asset management
   1. Management of cash and cash equivalents, accounts receivable, accounts payable, and inventories.
   2. Characteristics and financial statement and business implications of loan rates (fixed vs. variable)and loan covenants

IV. INFORMATION TECHNOLOGY (IT) IMPLICATIONS IN THE BUSINESS ENVIRONMENT (22%-28%)

A. Role of business information systems
   1. Reporting concepts and systems
   2. Transaction processing systems
   3. Management reporting systems
   4. Risks

B. Roles and responsibilities within the IT function
   1. Roles and responsibilities of database/network/Web administrators, computer operators, librarians, systems programmers and applications programmers
   2. Appropriate segregation of duties

C. IT fundamentals
   1. Hardware and software, networks, and data structure, analysis, and application, including operating systems, security, file organization, types of data files, and database management systems
   2. Systems operation, including transaction processing modes, such as batch, on-line, real-time, and distributed processing, and application processing phases, such as data capture, edit routines, master file maintenance; reporting, accounting, control, and management; query, audit trail, and ad hoc reports; and transaction flow

D. Disaster recovery and business continuity, including data backup and data recovery procedures, alternate processing facilities (hot sites), and threats and risk management
E. Financial statement and business implications of electronic commerce, including electronic fund transfers, point of sale transactions, internet-based transactions and electronic data interchange

V. PLANNING AND MEASUREMENT (22%-28%)

A. Planning and budgeting
1. Planning techniques, including strategic and operational planning
2. Forecasting and projection techniques
3. Budgeting and budget variance analysis

B. Performance measures
1. Organizational performance measures, including financial and nonfinancial scorecards
2. Benchmarking, including quality control principles, best practices, and benchmarking techniques

C. Cost measurement
1. Cost measurement concepts (standard, joint product, and by-product costing)
2. Accumulating and assigning costs (job order, process, and activity-based costing)
3. Factors affecting production costs